

# ANNUAL REPORT 16 | 17



First Capital  
FIRST CAPITAL HOLDINGS PLC

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# Vision

To be the  
**leading Investment Bank**  
in Sri Lanka

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## Mission

To deliver innovative and profitable investment solutions to our clients, continuously improving processes and technology, whilst developing the talent of our employees to produce superior and sustained shareholder returns

## Our values

- » Integrity
  - » Mutual respect
  - » Accountability
  - » Performance driven culture
  - » Meritocracy
  - » Teamwork
- 

## Who we are

First Capital Holdings PLC (the Company or First Capital) is a full service investment bank providing a diverse range of advisory services and financial products. Our integrated business platform comprises four specialised areas - Capital Markets Advisory, Wealth Management, Fixed Income and Equities.

We currently serve an array of companies, institutions, government agencies, high net worth individuals and retail clients seeking truly objective advice, innovative solutions and execution expertise. We operate throughout Sri Lanka via offices in Colombo, Kandy, Matara, Kurunegala and Negombo. Our global outreach continues to expand through institutional trading and investment product placement.

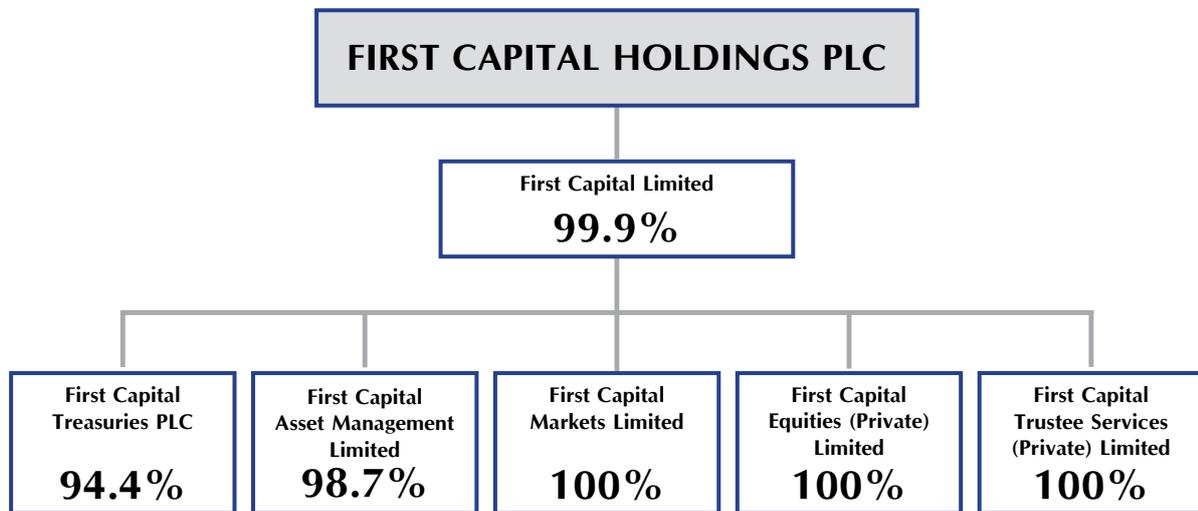
As a company listed on the Colombo Stock Exchange (CSE) since 1994 (Ticker: CFVF), we exemplify requisite financial transparency and governance standards.

Reflecting credit fundamentals including a robust capital structure, liquidity, risk controls and earnings profile, we have been reaffirmed at "A-" by ICRA Lanka Limited.

## OPERATIONAL STRUCTURE

First Capital relies on the amalgam of distinct assets and capabilities of its subsidiaries to provide full service investment banking. We operate under a clear structure that segregates subsidiaries by fund based and fee based services helping us align with our clients' objectives and deliver integrated solutions.

Where required, business units are licensed to operate in their respective markets and regulated as applicable by the Securities and Exchange Commission of Sri Lanka (SEC) and the Central Bank of Sri Lanka (CBSL).



## OUR SERVICE OFFERING

Our entrepreneurial roots go back to 1982, with the founding of First Capital Treasuries PLC. First Capital's collaborative culture and multiple capabilities are a result of organic and inorganic growth over the years.

Harnessing 35 years of expertise, the Company through its subsidiaries (collectively the Group) offer comprehensive solutions through an amalgamation of assets and capabilities required to facilitate full service investment banking.

We leverage on opportunities created through the dynamics of the markets in which we operate and have gained distinct competitive advantage in our core businesses.

Our offering comprises four areas of specialisation - Capital Markets Advisory, Wealth Management, Fixed Income and Equities. Diversity in products and services helps reinforce our ability to navigate corporate lifecycles, individual net worth phases as well as varying economic and market cycles.

<b>Capital Markets Advisory</b>	
Capital market strategies and objective advice for corporate transformation provided by First Capital Limited.	<ul style="list-style-type: none"> <li>» Debt and equity capital raising</li> <li>» Advisory services:                             <ul style="list-style-type: none"> <li>» Mergers and Acquisitions (M&amp;A)</li> <li>» Valuations</li> <li>» Restructuring</li> <li>» Project advisory</li> <li>» Treasury advisory</li> </ul> </li> </ul>
<b>Wealth Management</b>	
Differentiated unit trusts and objective wealth management solutions provided by First Capital Asset Management Limited.	<ul style="list-style-type: none"> <li>» Unit Trusts</li> <li>» Discretionary portfolio management</li> <li>» Private wealth management</li> <li>» Retirement planning</li> </ul>
<b>Fixed Income</b>	
Seamless investment solutions provided by First Capital Treasuries PLC and First Capital Limited.	<ul style="list-style-type: none"> <li>» Primary dealing</li> <li>» Secondary market trading in government securities and corporate debt securities</li> </ul>
<b>Equities</b>	
Efficient secondary market trading and margin facilitation provided by First Capital Equities (Private) Limited and First Capital Markets Limited respectively.	<ul style="list-style-type: none"> <li>» Stock broking</li> <li>» Margin trading</li> </ul>

## GROUP FINANCIAL HIGHLIGHTS

For the year ended 31 March	2017	2016	Variance
<b>Income statement (Rs'000)</b>			
Income	3,587,574	1,550,780	131.34%
Net trading income	572,198	504,314	13.46%
Operating profit	245,511	52,454	368.05%
Profit before taxation	245,511	62,060	295.60%
Profit after taxation	231,598	47,460	387.99%
Total comprehensive income	238,434	49,565	381.05%
<b>Selected return ratios (Percentage)</b>			
Return on average equity	10.05%	2.10%	378.57%
Return on capital employed	0.68%	0.30%	126.66%
<b>Financial position (Rs.'000)</b>			
Total assets	31,689,764	20,780,284	52.50%
Total shareholders' funds	2,213,613	2,184,876	1.32%
Stated capital	227,500	227,500	0.00%
Funds employed (Equity/ Debt)	31,302,079	20,496,813	52.72%
<b>Selected ratios (Times/ Percentage)</b>			
Leverage Ratio (Debt to Equity)	13.14	8.37	56.99%
Interest cover	1.08	1.07	0.93%
Capital Adequacy Ratio - First Capital Treasuries PLC	29.72%	30.60%	-2.88%
<b>Share related information</b>			
Earnings per share (Rs.)	2.09	0.46	354.35%
Dividend per share (Rs.)	2.00	-	-
Dividend payout	95.69%	-	-
Net assets per share (Rs.)	20.92	20.76	0.77%
Closing share price (Rs.)	20.10	19.10	5.24%
Market capitalisation (Rs. Mn)	2,035.13	1,933.87	5.24%
Number of shares issued	101,250,000	101,250,000	0.00%

**Rs. 572MN**

Net Trading Income

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**Rs. 232MN**

Profit After Tax

---

**Rs. 31.3BN**

Funds employed (Equity/ Debt)

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**Rs. 2.09**

Earnings per Share

---

**10.05%**

Return on Equity

---

**Rs. 2.2BN**

Net Assets

## OPERATIONAL HIGHLIGHTS

**Rs. 174BN**

Value of Government Securities  
channelled to the public

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**Rs. 12.4BN**

Total funds raised through  
Corporate Debt Structuring and Placement

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**Rs. 1BN**

Funds raised through Debt IPOs

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First Capital Wealth Fund ranked  
best long-term performing fund  
amongst peers in terms of  
5 year AER

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**Rs. 3BN**

Assets Under Management

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First Capital's Negombo Branch  
expanded as a fully-fledged  
stand-alone branch

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## CHAIRMAN'S STATEMENT



Dear Members of First Capital Holdings PLC,

Taking over at the helm of your Company, my first order of duty is to recognise the leadership and strategic vision provided by my predecessor, Mrs. Manjula Mathews, an exemplary leader whose dynamic approach and often bold decisions have brought First Capital Holdings PLC (FCH) to where it is today. I take this opportunity, on behalf of all of you, to appreciate her contribution over the years and thank Mrs. Mathews and wish her well in her future endeavours.

Moving on to the business at hand, it is with much pleasure that I present to you the Annual Report and Financial Statements of First Capital Holdings PLC for the year ended 31 March 2017. Although the year under review was eventful for your Company, the operating environment was not without its challenges, leading to mixed fortunes across our portfolio of businesses. Nonetheless, it is very pleasing to note that as a Group, we made real and tangible progress on all our strategic growth plans.

### FINANCIAL RECAP

The Group recorded a net trading income for the current financial year amounting to Rs. 572Mn, an increase of 13%

compared to Rs. 504Mn reported for 2015/16. Meanwhile, consolidated net profits for the year under review registered a phenomenal increase from Rs. 47Mn in 2015/16 to Rs. 232Mn in 2016/17, mainly attributed to the substantially improved performance by First Capital Treasuries PLC, the primary dealer arm of the Group.

I am pleased to report that all other performance metrics also registered improved results for the year ended 31 March 2017. Return on Equity (ROE) reached 10.05% up from 2.10% a year ago, while Earnings Per Share (EPS) and Net Assets Per Share (NAV) also increased from Rs. 0.46 and Rs. 20.76 respectively at the end of 2015/16 to Rs. 2.09 and Rs. 20.92 respectively by end March 2017.

### STRENGTHENING CORE FUNDAMENTALS

With our financials on track, our main thrust for the year was to increase market leverage and position the FCH Group for long-term growth. Key initiatives in this regard saw renewed efforts to improve our external positioning and strengthen core brand architecture.

## Chairman's Statement Contd.

Meanwhile, to improve the alignment of our business model, we revisited our portfolio positions, with a sharper focus on efficiency and productivity and took steps to improve the agility of our fixed income securities segment in order to be able to secure every potential opportunity in the market.

At the same time, we continued to optimise our product range to concentrate on the most promising and scalable strategies. In doing so, our aim was to strike a balance between trading business and fee-based business, with a greater emphasis on widening our fee-based portfolio.

Ongoing efforts to sharpen our risk management processes continued this year as well, where we improved investment processes, risk management systems, portfolio monitoring and support functions to assist investment managers to realise the full potential of their portfolios.

In parallel, we also strengthened our senior leadership team, bringing in experts in the fields of corporate finance and strategy.

### INDUSTRY-LEADING INITIATIVES

Thanks to our strong fundamentals, FCH continued to maintain its leading role in the trading of listed debt securities in the secondary market (CSE). Moreover, the First Capital Wealth Fund has successfully maintained its track record as the best long-term performing unit trust amongst peers in terms of 5 year AER in Sri Lanka for the 2<sup>nd</sup> consecutive year.

Capitalizing on our industry-leading position, we continued to work towards enhancing investor confidence in the local capital market and the country's investment banking system as a whole. Headlining our efforts was the 'International Investor Perspective on Local Currency Solutions' forum organized by FCH in collaboration with the Netherlands based The Currency Exchange Fund (TCX), FMO – Entrepreneurial Development Bank, Frontclear and UK-based GuarantCo. Bringing together an eminent panel of both local and foreign capital market specialists, the main aim of the forum was to raise awareness regarding local currency funding options from Development Financial Institutes (DFIs) and foreign investors.

Efforts to further develop the local debt market saw a research segment on fixed income securities being conducted in February 2017 with the objective of raising awareness among market participants regarding the benefits of a fundamentals-driven trading model as against sentiment-driven model.

### GOVERNANCE AND RISK

The Board is collectively responsible for the continuous review of the framework within which the FCH Group operates and the processes implemented to ensure that they reflect the complexities of the business and continue to add value to ensure the business grows. Accordingly, the Board has implemented a robust Risk Management framework, backed by a well-defined risk management strategy, philosophy and culture for continuous improvement across all businesses.

Moreover, the Board sets out the overall strategic direction for FCH and regularly reviews management performance and ensures that the Group has the right level of resources available to support our strategic goals. The Board is satisfied that the necessary controls and resources are in place such that these responsibilities can be properly addressed.

Across the Group, we promote a culture of good governance in dealing with all key stakeholders: our employees, our customers, and our shareholders.

### FUTURE OUTLOOK

Presently, the market environment appears stable. However, in our business nothing is certain. Nonetheless, thanks to our solid fundamentals, I am confident, the FCH Group is well equipped to navigate the challenging industry and market environment to reach our growth targets in the years ahead.

### APPRECIATIONS

As I conclude my review, I wish to express my appreciation to the officials of the Central Bank of Sri Lanka, Securities and Exchange Commission of Sri Lanka and Colombo Stock Exchange, for their guidance and support at all times. I would also like to thank my colleagues on the Board for their guidance and wise counsel extended to me at all times. A special word of thanks goes to the Group CEO, the Management and Employees at all levels for their dedication and commitment in driving the Group forward. Finally, I wish to thank the shareholders and all other stakeholders of First Capital Holdings PLC for the trust and confidence placed in the company and seek your continued support in the years ahead.

(Sgd.)

**Nishan Fernando**  
Chairman

## CHIEF EXECUTIVE OFFICER'S REVIEW



Your Company, First Capital Holdings PLC (FCH) ended the year 2016/17 on a high note as a result of proactive action taken to seize opportunities in the market. However, as most often the case in our business, the operating environment did not culminate as we expected. The Group's net trading income for the current financial year was Rs. 572Mn, up by a healthy 13% compared to Rs. 504Mn reported in the previous financial year and FCH's consolidated net profits for 2016/17 increased substantially to Rs. 232Mn in 2016/17 from Rs. 47Mn in 2015/16 - a year-on-year growth of 394%.

In addition to our focus on growth, we continued to work throughout the year towards ensuring that our fundamentals remain strong. I am pleased to report that in testimony to our efforts, FCH was assigned the A- credit rating by ICRA Lanka for the 2<sup>nd</sup> consecutive year.

### **OPERATING ENVIRONMENT**

Stagnant global trade, subdued investment, and heightened policy uncertainty marked another difficult year for the world economy, with Global GDP estimated to have reached only 2.3%, the lowest so far in the post-financial crisis era.

Meanwhile, following a relatively uneventful ten months of the year, global financial markets rebounded on the back of a sharp increase in U.S. bond yields and an appreciation of the U.S. dollar following the U.S. elections in November 2016.

In Sri Lanka too, economic growth was subdued, with the country recording a GDP of 4.4% in 2016, somewhat lower than the 4.8% reported for 2015. Domestic financial markets stayed volatile throughout the year in response to changing local and global economic environment. Statistics released by the CBSL show excess rupee liquidity in the domestic money market, which declined gradually into deficit levels before reaching surplus levels by end December 2016. The Sri Lankan rupee continued to depreciate against the US dollar during 2016 reflecting a high demand in the domestic foreign exchange market, which was further exacerbated by capital outflows and import related demand.

Market interest rates trended upwards throughout the financial year as the Central Bank continued to tighten its monetary policy stance as part of the ongoing effort to contain the possible build up of demand driven inflationary pressures in

## Chief Executive Officer's Review Contd.

the economy. As a follow up to the steps taken in February 2016, both the SDFR and the SLFR were raised by another 50 basis points in July 2016. Consequently, AWCMR increased and by end 2016 stood at 8.42%, reporting an increase of 202 basis points for the year. Meanwhile, with the increase in money market liquidity during January 2017, AWCMR adjusted downwards, but made a comeback towards end March 2017 on the back of CBSL's decision to impose a further rate hike in March 2017. Accordingly, the AWCMR by end March 2017 stood at 8.75%.

Reflective of the heightened demand for funds by the government, yields on government securities demonstrated an increasing trend in the first two quarters of the financial year. However, improvements in government finances and the availability of foreign inflows saw yields on Treasury bill rates dropping from about August 2016, followed by a pick up towards end-December 2016. Despite these movements, primary market yields on 91-day, 182-day and 364-day Treasury bills as at 31 December 2016 showed a decline compared to March 2016 levels.

Meanwhile, the primary market yield on government securities with longer maturities displayed an increasing trend in 2016. In line with the movements in primary market yields, the secondary market yield curve on government securities also shifted upwards, with the secondary market yields on shorter maturity Treasury bills and longer maturity Treasury bonds also moving up. Auction yields on one-year Treasury bills and five-year Treasury bonds shot up from lows of 10.10% and 11.67% respectively at the start of the financial year, to 10.98% and 12.89% respectively by the end of the financial year.

Trading conditions at the Colombo Stock Market remained stable throughout the year, with both the ASPI and the S&P indexes showing no significant change from a year ago. As at 31 March 2017, the ASPI stood at 6,062, while the S&P SL20 was 3,439, compared to 6,072 and 3,204 respectively as at 31 March 2016.

Foreign participation in the market was satisfactory and generated Net Foreign Inflows of Rs. 8.3Bn for the year ended 31 March 2017. However, overall market turnover declined compared to the previous year, as investors began diluting their share portfolios to take advantage of the upward movements in interest rates from August 2016, a trend that continued till the end of the financial year.

The Unit Trust industry came under severe stress following the 2017 budget proposal outlining the new tax regime applicable for Unit Trusts. The impact was felt across the industry, with industry-wide Assets Under Management dropping significantly to Rs. 72.9Bn as at 31 March 2017 from Rs. 121.1Bn a year ago.

### CORE BUSINESS OPERATIONS

#### Fixed Income

With a net trading income of Rs. 425Mn, the Fixed Income business dominated the Group's topline, accounting for 74% of FCH's net trading income for the year. Displaying a particularly impressive performance given the operating environment was not conducive towards growth.

Driven by the lack of opportunities, the main thrust for our primary dealer operation – First Capital Treasuries PLC (FCT), was to convert the subtle market nuances to our favour. Proactive efforts enabled us to generate a sizable amount in fair value gains attributable to fixed income securities particularly in the first six months of the year, which helped to reduce the fair value loss position reported at the end of the previous year.

Leveraging on the growth of our asset portfolio, we looked to capitalize on the maturity mismatch to drive Net Interest Income. In addition to rationalising our portfolio wherever possible thereby, helping boost our margin spread for the year.

We were keen to ensure our funding strategies remained intact, while staying focused on maintaining FCT's Capital Adequacy Ratio at 29.72% as at 31 March 2017 over the statutory 10% limit, as has been our practice in the past as well.

#### Margin Trading

Increasing its contribution to the Group's topline, the margin trading business reported comparatively good results, recording net trading income of Rs. 29Mn for the year under review.

#### Capital Market Advisory

Capital Market Advisory services contributed Rs. 37Mn to the Group's net trading income, signalling a year-on-year drop of 64%.

Limited opportunities in the listed debt securities market and dull trading conditions in the secondary market were identified as the main attribute for the drop resulting in net trading income.

As a result of the notable lack of IPO's during the year in review, we were able to mobilize only Rs. 1Bn through debt IPOs for 2016/17.

However, we raised Rs. 12.4Bn by way of corporate debt and placements in 2016/17 compared to Rs. 16Bn in 2015/16. To make up for the drop in volumes generated through listed debt securities, we aggressively pursued all available avenues to increase placement volumes of unlisted instruments, a strategy that yielded good results in the year under review.

Greater stability in the secondary market led to improved activity in the first six months of the year. However, the market unrest following the November 2016 budget proposal to abolish the tax concessions offered on listed debt securities had an adverse impact on trading activity in the latter half of the financial year. Consequently, the corporate debt-trading arm had to contend with some mark to market losses on the listed debenture portfolio as at 31 March 2017. Nonetheless, our turnover for the year ended 31 March 2017 helped us in maintaining the rank of #1 in Debt Trading on the Secondary Market.

### **Wealth Management**

The wealth management business contributed Rs. 38Mn to the Group's net trading income. Performance for the year was challenged by the 2017 budget proposal outlining the new tax regime applicable for Unit Trusts, which led to a drop in overall Assets Under Management (AUM) especially in the third and fourth quarters of the financial year.

Notably, First Capital Wealth Fund maintained its track record as the highest returning income fund amongst unit trusts in Sri Lanka. It continued to be the best performing unit trust fund in the country in terms of 5 year AER for the 2<sup>nd</sup> consecutive year. The First Capital Wealth Fund declared tax-free dividend of Rs. 125 per unit (2015/16 – Rs. 100 per unit) totalling Rs. 136Mn to the unit holders in June 2017.

For the First Capital Equity Fund launched in 2015, our strategy was one of strict containment. Given the lackluster trading conditions in the stock market, we began progressively minimising our exposure to share trading activities. Nonetheless the fund received an industry rank of #11 in terms of volumes traded for 2016/17.

### **Equities**

Low turnover levels in the stock market had a bearing on the performance of the equities business during the year under review and as a result, the contribution made by the equities business to the Group's net trading income dropped from Rs. 48Mn in the previous year to Rs. 43Mn for the current financial year.

### **NEW OPERATIONAL DEVELOPMENTS**

We took several important steps to sharpen our business model, continuing our growth amidst market constraints.

We began by realigning our existing branch structure in tandem with our goal to become more customer-centric. Accordingly, the FCH Kandy branch was moved to the CSE premises, supporting efforts to be easily accessible. Meanwhile, moving away from its equity-centred focus, activities of FCH's Negombo branch expanded as a fully-fledged stand-alone branch geared to promote the full gamut of FCH products. Parallel to this, a series of outreach programmes were launched to build awareness and promote FCH's new holistic proposition to target audiences. Above-the-line mass media campaigns were also conducted to create visibility, build brand recognition and strengthen FCH's market positioning.

Extending our holistic approach, the FCE Colombo office in Union Place was relocated to the FCH head office in Deal Place.

Our next order of priority was to improve scalability for the future, prompting the setting up of First Capital Trustee Services in May 2016. The move aims to complement the Corporate Advisory services segment and also underpins our efforts to position FCH as a fully-fledged investment bank in the long term.

Further, the First Capital Research Unit was made independent from the Equity arm to which it was previously attached. The move forms part of the strategy to broad base the activities and support the research unit's migration towards becoming a profit centre in its own right. At this point I must acknowledge the excellent work done by the research department. In particular, the contribution to the Oxford Business Group (OBG) Report: Sri Lanka 2016 and 2017, where our research teams' chapter on economic prospects of leading industries in Sri Lanka is now a highly acclaimed referral source on Sri Lanka's economic progress and continues to be widely quoted by both local and foreign media.

## Chief Executive Officer's Review Contd.

### STRENGTHENING PEOPLE

We strongly advocate that, our people are our most valuable asset, for it is they who fuel our success. Therefore it goes without saying that it is imperative that we attract, develop and retain the very best people in the industry. Our talent acquisition framework, mandatory annual leave policy, work-life balance policy and other initiatives are all geared to do just that. We are committed to support, train and encourage our people to ensure that they have the right capabilities, commitment and enthusiasm to drive FCH's business goals. Our learning and knowledge sharing programmes, on-the-job training and cross training opportunities together with detailed career mapping are all aimed at encouraging employees to push their boundaries and strive greater personal growth.

We have also made it a priority to listen to our employees, to understand their views and respond to their feedback by making improvements. While our informal open door policy supports a culture of openness, we have made sure our employees have access to more formal channels, including a structured grievance handling procedure and a whistle blowing policy.

Further reiterating our commitment to our people, in the year under review, we rolled out a new employee recognition scheme to reward high-performers who through their actions have also demonstrated commitment to the Group's core values.

For the first time, we also participated in the "Great Places to Work" (GPTW) survey 2016 conducted GPTW – Sri Lanka. I am very pleased with our overall satisfaction score of 79%, which I believe is a true testament to our people development efforts.

### FUTURE OUTLOOK AND STRATEGY

While it is understandably difficult to foresee how market forces will move in the years ahead, going forward, the key focus for FCH would be to grow the Fixed Income securities business. However, doing so amidst increasingly volatile market conditions, means we will need to employ bold strategies that give us maximum leverage on the asset portfolio. At the same time, we will continue to expand our fee-based operations to stay on track with our medium term growth objectives.

To sustain our business in the long term, it is important to ensure all segments reach the benchmark ROE that meets shareholder expectations. This calls for a firm stance on restructuring of costs and driving higher productivity and may even require some tough decisions to rationalize the portfolio in order to fuel growth in an unpredictable market environment in the years ahead.

### APPRECIATIONS

I wish to extend my sincere appreciation to the Board of Directors for their foresight and strategic leadership that has put FCH firmly on the growth track.

I also wish to extend my sincere gratitude to the FCH team for their relentless commitment to ensure FCH's success.

My thanks are also due to the officials of the Regulatory Establishments namely, Central Bank of Sri Lanka, Securities and Exchange Commission of Sri Lanka and Colombo Stock Exchange for their advice and support.

In conclusion, I wish to convey my appreciation to the shareholders, clients, bankers and other stakeholders of FCH for the trust and confidence placed in the Company. I look forward to your continued patronage in the years ahead as well.

(Sgd.)

**Dilshan Wirasekara**

*Director/ Chief Executive Officer*

## BOARD OF DIRECTORS



1. Nishan Fernando
2. Manjula Mathews
3. Dinesh Schaffter
4. Dilshan Wirasekara
5. Eardley Perera
6. Minette Perera
7. Chandana de Silva

## Board of Directors Contd.

### 01 NISHAN FERNANDO

**MBA (USJP), FCA, ACMA (UK), CGMA**

*Independent Non - Executive Chairman (Appointed with effect from 1 May 2017)*

Nishan Fernando is a Fellow Member of the Institute of the Chartered Accountants and the Institute of the Chartered Global Management Accountants with Associate Membership of the Chartered Institute of Management Accountants, UK. He holds a Master's Degree in Business Administration from the Postgraduate Institute of Management, University of Sri Jayewardenepura.

He counts over 25 years of experience, during which period he held the position of CFO/ Head of Finance at Sri Lanka Telecom PLC, Odel PLC and Goodhope Asia. Nishan is a Past President / Council Member of the Institute of Chartered Accountants of Sri Lanka. He has served on the Council of International Federation of Accountants, International Accounting Education Standards Board, and the Board of South Asian Federation of Accountants. He is currently serving as a member of the Consultative Advisory Group of International Accounting Education Standards Board.

He had been a Commission Member of the Securities and Exchange Commission of Sri Lanka and has also served on the Accounting and Auditing Standards Monitoring Board, Governing Boards of Postgraduate Institute of Management and of National Institute of Business Management. He served on the Sri Lanka Accounting Standards Committee for twelve years during which period chaired it for four years and chairs the IFRS Implementation and Interpretation Task Force of CA Sri Lanka.

#### **Other principal appointments**

Managing Director: BDO Consulting (Private) Limited

### 02 MANJULA MATHEWS

**MBA (Cantab), FCMA (UK)**

*Chairperson (Retired with effect from 30 April 2017)*

Manjula Mathews who retired from the role of Chairperson of the Dunamis Group of Companies with effect from 30 April 2017 has a strong managerial and financial background inclusive of multi-sector investment and tactical initiatives spanning 25 years.

Manjula executed a range of transactions including change of control, capital raising, turnaround, restructuring and joint ventures. The Dunamis Capital group benefited from her leadership and value add in several key areas.

She is a Fellow Member of the Chartered Institute of Management Accountants of UK and holds a Master's Degree in Business Administration from the University of Cambridge, UK.

#### **Other principal appointments**

Non-Executive Director: Janashakthi Insurance PLC, Janashakthi General Insurance Limited, Habitat for Humanity Sri Lanka.

### 03 DINESH SCHAFFTER

**LLB (Hons), Executive MBA (INSEAD), ACMA(UK)**

*Managing Director*

Dinesh Schaffter serves as the Managing Director of First Capital Holdings PLC. He has a finance background with managerial, investment and deal-making expertise of over 25 years. He has executed a range of transactions focused on change of control, capital formation and capital market strategy. These include M&A, debt and equity offerings, restructuring and business valuations.

He is an Associate Member of the Chartered Institute of Management Accountants of UK. He also holds a Bachelor of Laws (Honours) Degree from UK and an Executive Master of Business Administration from INSEAD, France.

#### **Other principal appointments**

Managing Director: Dunamis Capital PLC, Kelsey Developments PLC

### 04 DILSHAN WIRASEKARA

*Director/Chief Executive Officer (Appointed to the Board with effect from 1 May 2017)*

Dilshan Wirasekara's professional career of over 20 years comprises diversified expertise and experience in financial services including, treasury and investment management, capital market strategy and corporate finance advisory.

He is an Alumnus of INSEAD having successfully completed his Executive Professional Education at INSEAD Business School in Fontainebleau, France, in addition to receiving extensive training both locally and internationally in the areas of treasury/investment management and corporate finance.

Dilshan has held key senior managerial positions representing the banking and finance industry in Sri Lanka prior to joining First Capital Holdings PLC in October 2013.

**05 EARDLEY PERERA**

**Chartered Marketer**

*Independent Non – Executive Director*

Eardley Perera has been a Director of First Capital Holdings PLC since 1 May 2012. He is a Chartered Marketer and a Graduate of the Chartered Institute of Marketing, UK, with over 40 years of experience in management. He has undergone management training in UK, Sweden, South Korea, India, the Philippines and Singapore. He is a member on the Board of Study of the Postgraduate Institute of Management, University of Sri Jayewardenepura and is actively engaged in management education and consultancy.

**Other principal appointments**

Chairman: Dunamis Capital PLC, Kelsey Developments PLC, Non-Executive Director: Janashakthi Insurance PLC, Janashakthi PLC, RIL Properties PLC, Janashakthi General Insurance Limited, Premier Synthetic Leather Manufacturers (Private) Limited, Sting Consultants (Private) Limited and Brand Finance Lanka (Private) Limited.

**06 MINETTE PERERA**

**FCA (SL), FCMA (UK), FCCA (UK)**

*Independent Non-Executive Director*

Minette Perera was the Group Finance Director of the MJF Group, which comprises several tea growing, packing and exporting companies, supplying the “Dilmah Tea” brand around the world, from September 2000 till March 2013. During the period of her employment with the MJF Group, she was appointed a Director of the MJF Group of Companies including MJF Holdings Limited and held the Board positions till December 2014. She has also held board positions before joining the MJF Group.

Minette is a Fellow Member of the Institute of Chartered Accountants of Sri Lanka, the Chartered Institute of Management Accountants of UK and the Association of Chartered Certified Accountants of UK. She has over 40 years working experience as a qualified accountant having worked in leading local and international companies as an Executive Director.

**Other principal appointments**

*Non-Executive Director:* Orient Finance PLC , Dilmah Ceylon Tea Company PLC (formerly Ceylon Tea Services PLC), Kahawatte Plantations PLC, Talawakelle Tea Estates PLC and Forbes & Walker (Pvt) Ltd.

**07 CHANDANA DE SILVA**

**BSc (Lond), FCA (England & Wales), FCA (SL)**

*Independent Non-Executive Director*

Chandana de Silva brings 25 years of managerial, financial and strategic acumen. He has held several senior management positions including that of Chief Financial Officer for Level (3) Communications in Europe, a NASDAQ quoted company, from 2000 to 2002 and Head of Financial Planning for British Telecommunications PLC from 1996 to 1999. Since moving back to Sri Lanka in 2002 he worked for MAS Holdings in a variety of roles and established its Supply Chain Management function, set up the MAS training center and was the Chief Executive Officer of the MAS Investment Division from 2008 to 2011. He currently serves as a management consultant to clients in the investment, manufacturing, property development and IT sectors and promotes competency development in negotiation and influencing skills and team development.

Chandana is a Fellow Member of the Institute of Chartered Accountants in England and Wales and in Sri Lanka. He holds a Bachelor of Science in Mathematics and Management from the University of London, UK.

**Other principal appointments**

*Non-Executive Director:* Dunamis Capital PLC, Kelsey Developments PLC, Pre-fab Engineering Projects (Private) Limited, Premier Synthetic Leather Manufacturers (Private) Limited, Eureka Technologies (Private) Limited, 24/7 Techies (Private) Limited, Sea-Change Partners Lanka (Private) Limited, Bairaha Farms PLC.

## MANAGEMENT TEAM



1. Dinesh Schaffter 2. Dilshan Wirasekara 3. Wasanthi Stephen 4. Harshanee Deshapriya 5. Jaliya Wijeratne  
6. Mangala Jayashantha 7. Anuththara Sewwandi 8. Mallika Mahanama



9. Kosala Liyanagedara 10. Dimantha Mathew 11. Menaka Wavegedara 12. Kapila Perera 13. Naveen Samarasekera  
14. Roshana Samarakoon 15. Yaveen Jayasekara 16. Sujani Kumarage

## Management Team Contd.



**17. Harsha Perera** **18. Anushi Ranawaka** **19. Dhilip Joseph** **20. Anjelo Simmons** **21. Nisansala Munasinghe**  
**22. Damian Le Grand**



**23.** *Anushka Dissanayake* **24.** *Ranga Abeywickrama* **25.** *Rohana Jayakody* **26.** *Salinda Samarakoon* **27.** *Buddhika Edirisinghe*

## Management Team Contd.

### **Dinesh Schaffter**

*Managing Director*

Please refer to Directors' Profile on Page 14.

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### **Dilshan Wirasekara**

*Director/ Chief Executive Officer*

Please refer to Directors' Profile on Pages 14.

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### **Wasanthi Stephen**

*Head of Human Resources*

Wasanthi Stephen has over 18 years of work experience with over 14 in the Human Resource Industry in Sri Lanka. Her extensive exposure includes talent management, employee relations, handling industrial disputes, mentoring, counseling and Learning and Development in the hospitality, real estate and finance industries.

Prior to joining First Capital, Wasanthi also worked at John Keells Holdings as the Director Human Resources for Cinnamon Lakeside Hotel and as an Assistant Vice President.

Wasanthi practiced as Junior Counsel and an Instructing Attorney. She also worked in Sri Lanka Telecom's legal division.

Wasanthi is an Attorney-at-Law and holds a National Diploma in Human Resource Management from the Institute of Personnel Management.

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### **Harshanee Deshapriya**

*Senior Manager - Legal*

Harshanee Deshapriya possesses 11 years of work experience including 8 years as a corporate lawyer with an extensive exposure towards regulatory and corporate affairs and activities in diversified industries. Her professional expertise ranges across various foreign and local investment activities such as company takeovers and mergers, corporate finance and advisory services, dealing with foreign hedge funds, exchanges and contract management.

Harshanee holds a Master of Laws (LLM) in International Business and Commercial Law with a Merit Pass from the

University of West London and she was awarded Outstanding Performance recognition for the highest average in dissertation. She obtained a Bachelor of Laws with Honours from the University of Colombo, Faculty of Law and she admitted as an Attorney-at-Law in Sri Lanka with Honours.

Harshanee has also obtained Professional Qualifications in Human Resources Management (PQHRM) from IPM Sri Lanka with a Merit Award and has successfully completed the Post Attorney Diploma in Corporate Law with a Merit Pass from the Advanced Legal Studies Unit of Sri Lanka Law College. Prior to joining the Dunamis Capital Group, she headed the legal division of Lanka Century Investments PLC Group.

Harshanee apprenticed with the President Counsel Geoffrey Alagaratnam and has received substantial training whilst interning at John Keells Holdings PLC, Peoples' Bank and the Securities and Exchange Commission of Sri Lanka.

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### **Jaliya Wijeratne**

*Chief Executive Officer - First Capital Equities (Private) Limited*

Jaliya Wijeratne is the CEO of the Group's Equity operation, First Capital Equities (Private) Limited. Jaliya brings over two decades of experience in investment advisory in the capital markets of Sri Lanka and has extensive senior level managerial experience over the period.

In addition to fund and portfolio management experience Jaliya specialises in private equity and mergers and acquisitions. He was instrumental in numerous takeovers and sales of strategic stakes.

Jaliya has organised many foreign roadshows and international conferences on capital markets in addition to capital markets related training programmes both in Sri Lanka and abroad.

His strengths emanate from previously held positions as Senior Investment Advisor at Commercial CBC Crosby Capital (Private) Limited, Senior Manager Sales at DFCC Stock Brokers (Private) Limited, Director Institutional Sales at SMB Securities (Private) Limited. As the former Chief Executive Officer and Director Institutional and Foreign Trades at New World Securities (Private) Limited, he led its investment advisory service to high net worth individuals, leading local corporate entities and global funds active in Sri Lanka. He was a Director of NWS Financial Services.

**Mangala Jayashantha**

*Chief Financial Officer*

Mangala Jayashantha brings over 15 years of significant expertise in financial management, accounting, auditing, corporate planning and taxation.

Mangala commenced his career at KPMG - Sri Lanka, a member firm of KPMG International. At KPMG, he obtained extensive exposure in audit and assurance services of a broad array of industry segments including Licensed Commercial Banks, Licensed Specialised Banks and other financial institutions.

Mangala is an Associate Member of the Institute of the Chartered Accountants of Sri Lanka and holds a Bachelor of Science (Special) Degree in Accountancy from the University of Sri Jayewardenepura.

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**Anuththara Sewwandi Kathriarachchi**

*AGM - Dealing Securities & Margin Trading*

Anuththara Sewwandi Kathriarachchi possesses over 14 years of experience in varied key areas relating to fixed income.

Her core expertise spans operations relating to Government Securities, asset management, unit trust management, high net-worth individual relationship management and overall front-office exposure in the structuring and placing of corporate debt securities and money market dealing.

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**Mallika Mahanama**

*Head of Back Office Operations*

Mallika Mahanama possesses 30 years of experience in business processing relating to fixed income securities and money market operations.

Having joined First Capital Group in 1986 in her current position, Mallika provides overall oversight for the processing of government and corporate debt securities, money market operations and SWIFT securities/payments and settlements.

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**Kosala Liyanagedara**

*Head of Asset Management*

Kosala Liyanagedara is a Fellow Member of the Institute of Chartered Accountants of Sri Lanka (CA, Sri Lanka), an

Associate Member of the Chartered Institute of Management Accountants of UK (CIMA) and holds a B.Sc. Accountancy (Honours) Degree (First Class) from the University of Sri Jayewardenepura and holds a Master of Business Administration from the Postgraduate Institute of Management (PIM).

Kosala joined the First Capital Group in September 2009 as the Accountant. In April 2012, he was promoted to the Finance Manager of the Group with responsibility for financial reporting and financial planning. In April 2014, he assumed duties of Business Development & Corporate Planning reporting directly to the Group CEO, where he was responsible for business development of all business units and Corporate Planning. Kosala was promoted to the rank of Senior Manager in April 2015 where he took additional responsibilities of heading branch network of the Group. In January 2017, he assumed his current position as Head of Asset Management responsible for the overall operation of First Capital Asset Management Limited, an investment manager and a unit trust manager licensed by the Securities and Exchange Commission of Sri Lanka.

He commenced his career at KPMG in Sri Lanka, where he obtained exposure in audit and assurance services of different industry segments including licensed commercial banks and other financial institutions.

He possesses diverse professional experience over 10 years in accounting, auditing, taxation, finance, corporate planning, business development and investment management.

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**Dimantha Mathew**

*Head of Research*

Dimantha Mathew has over 12 years of experience with investment banking a predominant focus.

Dimantha brings significant exposure in economic, fixed income and equity research, portfolio management, debt and equity financing strategy, project finance, corporate finance and advisory services.

Prior to joining First Capital, Dimantha acted as Head of Research at Softlogic Stockbrokers. He had also worked at Capital Alliance and John Keells Stockbrokers.

Dimantha holds a Master of Business Administration from the University of Wales, UK and a Bachelor of Laws from the

## Management Team Contd.

University of London. He is an Attorney-at-Law in Sri Lanka and also holds ACMA and CGMA qualifications.

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### **Menaka Wavegedara**

*Senior Manager - Branch Operations*

Menaka Wavegedara counts over 15 years of experience in the area of providing trading and investment solutions for fixed income securities (investments). He heads the branch network of First Capital which manage a significant client portfolio with geographic focus in the North Western, North Central, Central and Southern Provinces.

Menaka assumed his current position as Senior Manager - Branch Operations in April 2017. He is a Licensed Investment Advisor (SEC).

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### **Kapila Perera**

*Senior Manager-Risk and Compliance*

Kapila Perera counts over 10 years of experience in Risk and Compliance, Finance and Operations. He has significant exposure in preparation of financial statements, handling of internal and external audits, handling scrip and scripless securities and preparation of MIS Reports to identify principal financial risks impacting the Group.

Kapila assumed his current position as Senior Manager-Risk and Compliance in April 2017. Kapila holds a Bachelor's (Special) Degree in Commerce from the University of Sri Jayawardenepura and has an Associate Membership of the Sri Lanka Institute of Credit Management (SLICM). He has also completed a Diploma in Treasury and Risk Management conducted by the Institute of Bankers Sri Lanka.

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### **Naveen Samarasekera**

*Head of Corporate Finance*

Naveen Samarasekera counts 14 years of experience in various business areas both overseas and in Sri Lanka. Prior to joining First Capital in 2012, he worked as a Business Development Consultant engaging in financial planning and advisory services for corporates and high net-worth individuals. In the last 14 years, he has worked with many Banks, Financial Institutions, Regulatory and Support Service providers.

Naveen was instrumental in the structuring and placement of several industry leading transactions including asset backed securitisations executed by First Capital.

Naveen holds a Bachelor of Commerce from the University of Auckland, New Zealand, is an Associate Member of the Chartered Institute of Management Accountants (UK) and is currently reading for the Commonwealth Executive MBA offered by OUSL in partnership with the Commonwealth of Learning (COL) in Vancouver, Canada.

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### **Roshana Samarakoon**

*Chief Dealer*

Roshana counts over 8 years of experience in fixed income and portfolio management. Roshana commenced his career in 2007 as a management Trainee at National Wealth Corporation/ Natwealth Securities Limited. Upon completion of his postgraduate studies in 2011, he acted as a Fixed Income Dealer at Natwealth for a further two years.

Roshana joined First Capital Treasuries PLC in 2013 as an Assistant Manager -Treasuries and was promoted as Manager – Treasuries in 2015. He assumed his current position as Chief Dealer in April 2017. He currently provides oversight for dealer-trader solutions and strategic investment needs in fixed income.

Roshana holds a Master of Professional Accounting from the University of La Trobe, Australia and a Bachelor of Science in Physics from the University of Madras, India.

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### **Yaveen Jayasekara**

*Head of Business Expansion and Strategy*

Yaveen Jayasekara counts over 9 years of post-qualifying experience in the Investment Banking sphere in the areas of Investment Banking, Asset Management, Equities Trading and Business Intelligence and Analytics.

Prior to joining the First Capital Group, he served as the Group Chief Strategy Officer of Candor Group which is a 100% foreign owned entity of the Dubai International Financial Centre (DIFC) based Eagle Proprietary Investments Ltd (EPIL).

He also served as the Group Strategist for Acuity Partners and simultaneously took over the role of Head of Business

Development and Marketing for Guardian Acuity Asset Management prior to joining Candor Group.

Yaveen holds a BSc. (Hons) in Computing and Information Systems from the London Metropolitan University and has also completed all the examinations of the Chartered Institute of Management Accountants (CIMA –UK). He has obtained a Post-Graduate Diploma in Business Management from the University of Colombo and has the Investment Advisor Certification from the Securities and Exchange Commission of Sri Lanka. He has passed Level 1 of the CFA Program and is currently reading for his PhD in Finance from the University of Colombo.

He was the first Sri Lankan to be awarded a Gold Medal for his research paper at the International Conference on Accounting and Finance (2014) for the session on “Behavioral Finance and Financial Markets.”

He has been a visiting resource person at the Central Bank of Sri Lanka since 2013 for the Course Curriculum on Economics, Econometrics and Mathematical Modelling for Research which addresses critical areas in interest rate and exchange rate dynamics and its impact on Sri Lankan capital markets.

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#### **Sujani Kumarage**

*Manager - Operations*

Sujani Kumarage possesses over 18 years of experience in business processing relating to fixed income securities (Government Securities / Corporate Debt Securities). Having joined First Capital Group in 1999, in her current position, Sujani provides oversight for processing of government and corporate debt securities, money market operations and SWIFT securities/payments and settlements.

She holds a Diploma in Treasury and Risk Management conducted by the Institute of Bankers of Sri Lanka.

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#### **Harsha Perera**

*Manager - Operations*

Harsha Perera possesses over 17 years of experience fixed income securities processing and post-trade operations.

Harsha joined the First Capital Group in 1999 and was promoted to Assistant Manager in 2010 and Manager in

2015. Currently, Harsha oversees SWIFT Securities Payments and Settlements and maintains expansive relationships with Banks and Primary Dealers.

He has extensive exposure in back-office operations of government and corporate debt securities and money market operations. He has undergone training in “Securities Settlement and Reconciliation” conducted by the SWIFT Training Centre Mumbai, India.

He has completed stage 1 of Investment Operations Certificate (IOC) conducted by Chartered Institute for Securities & Investment (CISI).

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#### **Anushi Ranawaka**

*Manager - Treasury Sales*

Anushi Ranawaka has over 13 years of experience in numerous key areas relating to the fixed income securities market in Sri Lanka. She has gathered wide knowledge and proficiency in managing the investment needs of sophisticated corporates, institutional investors and high net-worth individuals.

Anushi commenced her career at Seylan Bank Asset Management Limited, a Primary Dealer in Government Securities. She holds a Diploma in Treasury and Risk Management from the Institute of Bankers of Sri Lanka.

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#### **Dhilip Joseph**

*Finance Manager*

Dhilip Joseph counts varied experience spanning over 10 years in accounting, auditing, financial management, corporate planning and taxation.

Dhilip commenced his career at KPMG - Sri Lanka, a leading firm of Chartered Accountants and a member firm of KPMG International. During his career at KPMG, he obtained extensive exposure in audit and assurance services of multiple industry segments including banking, finance leasing, money brokering, manufacturing, trading and leisure.

Dhilip is an Associate Member of the Institute of Chartered Accountants of Sri Lanka and holds a Master of Business Administration from the Postgraduate Institute of Management of the University of Sri Jayewardenepura.

## Management Team Contd.

### **Anjelo Simmons**

*Manager - Treasuries*

Anjelo Simmons possesses 10 years of fixed income related experience. Commencing his career with Ceylinco Insurance (Life) in 2007, Anjelo joined First Capital Treasuries PLC in 2012 as a Senior Executive. He was promoted as an Assistant Manager and Manager in 2013 and 2015 respectively.

Currently his core focus is in fixed income trading, providing strategic investment and dealer-trader solutions. Anjelo is a Finalist of the Chartered Institute of Management Accountants (CIMA) - UK.

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### **Nisansala Munasinghe**

*Manager - Branding and Marketing Services*

Nisansala Munasinghe counts over 8 years of experience in business development, corporate communications and public relations. Developing communications solutions for both local and international brands.

Nisansala commenced her career at Grant Public Relations, a subsidiary of the Grant McCann Group. Subsequently, she was responsible for marketing communications and international events at the Colombo Stock Exchange.

She is an Associate Member of the Chartered Institute of Marketing (UK). Nisansala holds Bachelor of Arts Degrees in International Relations and Mass Communication from Deakin University, Australia and a Diploma in Media Communication from the Melbourne Institute of Business and Technology, Australia.

She is presently reading for her Master of Business Administration at the University of Colombo.

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### **Damian Le Grand**

*Manager - Sales*

Damian Le Grand commenced his career at CT Smith Stockbrokers in 1994 as a trainee floor-broker. He became a Licensed Investment Advisor and Senior Investment Advisor in 1996 and 2002 respectively.

In testimony to his deep exposure in secondary market equities, he was a member of the trading team of the brokering house consistently ranked No.1 over several years, at the time.

Damian joined First Capital Equities (Private) Limited (then DNH Financial (Private) Limited) in 2009 upon his return from the United States where he worked in the airline industry from 2004. He was the Senior Trader/ Investment Advisor of the company until early 2014. Following a brief resignation, he returned in 2015 and continues to act in a senior advisory capacity encompassing both fixed income and equities.

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### **Anushka Dissanayake**

*Manager - Treasuries*

Anushka Dissanayake has over 9 years of diversified experience in the fields of fixed income securities, equity portfolio management, manufacturing and real estate.

Anushka joined the First Capital Group in 2016 having served 4 years in the Parent Company, Dunamis Capital PLC. Joining Dunamis as a Senior Executive and promoted as an Assistant Manager in April 2014, Anushka worked under the direct supervision of the Managing Director. Subsequently, he was promoted as Manager-Treasuries of First Capital and manages fixed income trading.

Anushka is an Associate Member of the Chartered Institute of Management Accountants of UK (CIMA).

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### **Rangajeewa Abeywickrama**

*Manager - IT Operations*

Rangajeewa Abeywickrama counts over 12 years of experience in the fields of IT Security, Cloud & Virtualization, SWIFT Support Service, Disaster Recovery Planning and Risk Management.

Rangajeewa joined the First Capital Group in September 2008 as the Senior IT Administrator. In April 2013, he was promoted as the Assistant Manager - IT Operations of the Group. In April 2017, he was promoted to the current position as the Manager for IT Operations of the Group, heading the Information Technology Department of the Group and reporting directly to the Group Chief Executive Officer.

Prior to joining First Capital, Rangajeewa worked as a System Administrator at Hayleys Advantis Limited in 2005.

Rangajeewa is a Member of the Computer Society of Sri Lanka and holds a CCNA in Computing and Information System from the Sri Lanka Institute of Information Technology.

**Rohana Jayakody**

*Manager - Matara Branch*

Rohana Jayakody counts over 18 years of experience in fixed income securities. Commencing his career at the Employee Provident Fund department of the Central Bank of Sri Lanka in 1998 as a Project Officer, Rohana joined First Capital a year later and was promoted to the post of Manager in 2008.

Rohana currently heads the Matara Branch. His chief focus is in providing trading and investment solutions in fixed income to diverse clients across the Southern Province.

Rohana holds a Bachelor of Commerce (Special) Degree from the University of Sri Jayewardenepura and a Diploma in Investment Advisory from the Securities and Exchange Commission of Sri Lanka.

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**Salinda Samarakoon**

*Manager - Kandy Branch*

Salinda Samarakoon counts over 14 years of experience with a decade's service at First Capital.

Specialising in fixed income securities, Salinda manages the dealer-trader and strategic investment needs of a diverse client base across the Central, Uva and Sabaragamuwa provinces.

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**Buddhika Edirisinghe**

*Manager - Negombo Branch*

Buddhika Edirisinghe counts over 12 years of service in Government Securities market specialised in Sales and Marketing by serving Corporates and High Net- worth Individuals.

He commenced his carrier in Entrust Securities PLC as a Marketing Assistant and held the position of Assistant Manager – Business Development, responsible for all operations in the marketing department.

He holds a Postgraduate Diploma in Marketing and Diploma in Marketing from the University of Kelaniya.

# RISK MANAGEMENT

First Capital Holdings PLC together with its subsidiaries align group wide risks to the strategic objectives of the Company. The Senior Management of the Group identifies, measures, responds to all types of risk with an oversight by the Board of Directors. This sets the basis of the risk appetite of the group which is closely monitored by the risk function independent from the business function.

We also have the advantage of having on board a competent research team to analyse the dynamics of economic, political and social environment to forecast the scenario impacting our investments and to mitigate the risks encountered in a robust manner. The above will enable us to stress test our exposures in order to initiate timely mitigation measures.

The Company's risk management model is based on 3 lines of defence;



## FIRST LINE

The first line of defence is made up of business units assisted by centralised support functions. The activities undertaken by them will give rise to different risk exposures which are managed by well- documented and Board approved procedure, internal controls and limits.

Front office and Back office staff members engaged in business operations perform their tasks in accordance with the regulatory compliances, approved internal policies, procedures, and controls. They contribute invaluable input to update the Risk Register which will ultimately improve the risk awareness and risk culture across the group.

## SECOND LINE

The second line of defence is made of Enterprise Risk Management Committee (ERMC) and the Independent Risk and Compliance division, responsible for effective management and to ensure that risks undertaken are within the level of defined risk appetite. ERMC is a Board subcommittee chaired by an independent non-executive director, that ensure principal and emergent risks as well

as events and outcomes which may significantly impact profitability and reputation are identified, assessed and responded to through appropriate controls whilst apprising the Board in this regard.

The Risk and Compliance division coordinates the risk management processes across the Group to ensure that risk management and internal control systems are ingrained in the Group culture. The Risk and Compliance division is also responsible for giving assurance to the ERMC and the Audit Committee on regulatory compliance and risk tolerance.

One of the salient features of First Capital is its Middle Office. The division consists of staff members who are competent and experienced to validate all transactions of the Group based on prevailing market rates/prices, economic conditions and quality of counter parties. Middle office validates transaction risks across the Group for price, limits, and approvals, where any exceptions encountered are escalated for higher approval.

The Investment Committee whilst directing investment strategy of the Group, conduct asset and liability management

and liquidity management to provide a risk-oversight role. This monitoring responsibility is in terms of determining limits and the controls applicable on predominantly market risks that come under its general mandate.

### THIRD LINE

The Internal and External Audits are the last layer of control that provide an assurance of effective implementation of processes and controls. Internal Auditors convey assurance through their review reports to the Board Audit committee on a quarterly basis. The Committee reviews the financial reporting and audit process, the systems of internal control and the Group's procedures for monitoring statutory and regulatory compliance alongside the code of conduct in effect.

### TYPES OF RISK FACED BY THE COMPANY

#### Trading Market Risk

As all our investments are categorised under trading book, risk of a fall in value of portfolios that occur due to market volatility is a significant risk which is closely monitored by the Investment Committee with internally established limits.

The Company is exposed to both traded and non-traded interest rate risk based on the nature of the financial instruments and services engaged in. The Group has identified the following financial instruments under its trading book that are potentially impacted due to volatility in market price and yield curves.

Asset	Market Value as at 31 March 2017 (Rs. '000)
Government Securities	21,641,429
Listed Debentures	1,463,368
Listed Shares	187,189
Unit Trusts	507,908
<b>Total</b>	<b>23,799,894</b>

The Group engages in fee based services such as Structuring, Placements, Advisory Services, and Trustee Services which also have an indirect impact from fluctuations in interest rates. Non-traded interest rate risk is mitigated through a combination of business strategy and market risk mitigation activities.

Risk and Compliance division and the Finance division circulate Management Information reports to the Investment

Committee which meets fortnightly to make decisions on managing such financial instruments and services. The committee establishes portfolio and sensitivity limits in order to manage the positions which Risk and Compliance division monitors on a daily basis. Any exceptions are duly escalated to the Investment Committee for corrective measures.

Stress testing calculations are performed by the Risk and Compliance division to assess the impact of interest rate and market risk on the Group portfolio values, earnings and net asset positions also flagging any potential threat to regulatory requirements/limits.

The robust Middle Office function ensures adherence to limits, the flagging of off-market rates applied to transactions and such exceptions are duly escalated for necessary approval.

#### Liquidity Risk

Liquidity Risk is the risk of non compliance with payment obligations on time or doing so with excessive cost. A material and sustained shortfall in our cash flow could undermine our credit rating, impair investor confidence and also restrict the Group's ability to raise funds.

Investment Committee reviews the liquidity position of the Group on a fortnightly basis, setup maturity mismatch concentration limits in order to manage liquidity risk effectively. Accordingly, management of the Group make sure that sources of funds are diversified, expanded and balanced to minimise over reliance on any one source.

Further, First Capital Research division provides their support in evaluating Macro-environmental risks that impact the availability of funds and the details are assessed to ensure the sufficiency and flexibility of funds.

#### Operational Risk

Risk of losses due to inadequacy or failure of processes, people, systems and internal or external events. These risks are mitigated through well laid down procedures, internal controls and transfer of low frequency high impact unexpected risk of operational losses through insurance.

Heads of each business and supporting units are responsible for maintaining an appropriate process driven environment within the framework of the Group's policies and procedures. Each of the business and support units also have their own risk grids that identify risk events and the related impact on their respective units.

## Risk Management Contd.

Risk and Compliance division develops and update all process manuals, policies and procedures based on regulatory requirements, strategic plans and limits and circulates the same to relevant business units for execution. Extensive on-going training is provided to ensure that the staff are fully aware of their responsibility for complying with the correct operational procedures in order to optimise operational efficiency and individual accountability at all levels of the Group. Centralised Operations department follows the guidelines relating to Document Deficiency Procedure and Deal Level Exception Procedure to report any exceptions to the laid down processes and circulates the same to the Director/Chief Executive Officer and Managing Director for approval. The summary is reported/tabled to the Enterprise Risk Management Committee.

Physical and system segregation of duties is in place to prevent any impact of conflict of interest and independent review of deal execution.

An outsourced Internal Audit function operating in semi-annual examination cycles ensures critical points of internal control are independently reviewed and reported.

### **Regulatory and Compliance Risk**

Risk due to non-compliance of regulatory requirements. These risks are constantly reviewed by Board of Directors as our business lines are governed by the Central Bank of Sri Lanka (CBSL), Securities and Exchange Commission of Sri Lanka (SEC) and Colombo Stock Exchange (CSE). Risk and Compliance division's staff members are vigilant on the changes of relevant regulatory directions and circulars. Internal process manuals of individual business units are created and updated benchmarking such directions and industry best practices.

Business agreements, contractual documents and service level agreements are carefully and independently reviewed by the internal legal officer and professional services of external legal experts are sought whenever specific expertise is required.

Quarterly compliance reports are submitted to the Board and all non-compliances (if any) are informed to the regulator concerned with proposed remedial action for their concurrences.

### **Reputational Risk**

The risk of damage to the Group's corporate image in the public domain including customers, investors and all other Stakeholder groups.

These risks have been identified as crucial to business continuation and several measures have been implemented to mitigate such risks. Complaint Handling Procedure is one named.

An embedded system of shared values that include integrity, accountability and a performance driven culture is in effect. The whistle blower policy is in operation strengthening the values and professionalism in managing affairs of the Group.

Implementation of a strong process driven culture is a key to hold the Company and its staff members responsible to safe guard the best interest of the client. Risk and Compliance department together with the individual business units have created business level process manuals, Group Policy and Procedure Manual and Delegated Authority framework in order to sustain the process driven culture. Continuous training and awareness sessions are conducted to maintain the awareness of processes, changes in regulatory directions etc.

We have enhanced our strategy in brand and reputation building raising public awareness regarding our business, focusing on the Group's governance and ethical perspectives.

The Group marketing team engages in strengthening stakeholder engagement including investor relations.

Further, the Company conducts constant service level reviews and provides proactive responses to client feedback in mitigating reputational risk.

### **Strategic Risk**

Risk that the results are significantly different from the strategy and business plan as a result of changes in the business environment and risk associated with strategic decisions.

We use our business planning process to manage strategic risk. The planning process aligns objectives, goals and resources throughout the Group with the business plan, establishing strategic direction.

The Board holds quarterly meetings and monthly performance reviews at which strategy and performance are a central focus together with embedded risk management aspects. The assessment and monitoring of the effective implementation of strategy and communication of the change of business environment and remedial measures by each business unit are discussed at Management Committee and CEO's meetings held fortnightly.

### **Credit Risk**

Credit risk is the possibility of losses resulting from the failure or unwillingness of a counterparty to meet the contractual obligations to the Group and the risk that collateral will not cover such claims.

Detailed controls are in effect to mitigate credit risk:

- » Security Allocation Procedure was introduced to ensure effective Collateral Management. Accordingly, specified collateral margins based on the quality of collateral and conditions of the contract are stipulated. Risk and Compliance division gives comprehensive and continuous learning on identifying and valuing of different financial instruments. Risk and Compliance division also carries out periodical review of collateral valuations.
- » Detailed credit appraisals are carried out as part of the lending/investment process.
- » Sector-wise concentration limits on borrowings and counterparty credit limits are in place and reviewed periodically. Credit limits are set based on the counterparty credit rating, maturity baskets and instruments. Limits are reviewed on a weekly basis with exceptions being reported and approved. Credit ratings are periodically updated to enable identification of revisions and potential impact on credit quality.
- » Reports obtained from the Credit Information Bureau of Sri Lanka (CRIB) provide relevant information when extending credit under margin trading.

### **System and Information Risk**

Due to the nature of the industry, First Capital is increasingly dependent on Information Technology (IT) systems and the management of information and consequently a greater emphasis is placed on the need for secure and reliable IT systems, together with infrastructure and cautious management of the information that is in our possession.

Disruption of IT systems is treated as an IT disaster which could disrupt most of the Group's business activities including cash and security settlement management, information sharing, administration and communication, ultimately impacting results.

The Group invested in a fully-fledged Disaster Recovery (DR) site which facilitates functioning of all the critical operations

of the Group. Mirror databases and off site back up databases are maintained in order keep the safety of the critical data. The Group carries out DR tests bi-annually to ensure the readiness of people, processes and equipment at the event of a disaster. A comprehensively documented Business Continuity Plan is in place, validated by external consultants and our staff including the specific teams who are fully trained in its operation in the event of a disaster.

Group IT policy manual which includes policies covering the protection of both business and personal information, as well as the use of IT systems and applications by our employees is developed and updated. All service level agreements with the system providers are duly signed and maintained.

# FINANCIAL REPORTS

## FINANCIAL CALENDAR 2016/17

Interim Financial Reports in terms of Rule 8.3 of the Colombo Stock Exchange (CSE) were issued as follows.

<b>REPORTS</b>	<b>DATE OF RELEASE</b>
<b>1<sup>st</sup> Quarter 2016/17 Interim Financial Report (Unaudited)</b>	<b>12 August 2016</b>
<b>2<sup>nd</sup> Quarter 2016/17 Interim Financial Report (Unaudited)</b>	<b>15 November 2016</b>
<b>3<sup>rd</sup> Quarter 2016/17 Interim Financial Report (Unaudited)</b>	<b>14 February 2017</b>
<b>4<sup>th</sup> Quarter 2016/17 Interim Financial Report (Unaudited)</b>	<b>16 May 2017</b>

# ANNUAL REPORT OF THE BOARD OF DIRECTORS

The Directors of First Capital Holdings PLC have pleasure in presenting their Annual Report together with the Audited Financial Statements for the year ended 31 March 2017 which were approved by the Directors on 9 August 2017.

## REVIEW OF OPERATIONS

The Group reported profit after tax of Rs. 232Mn for 2016/17. A more comprehensive review of the operations of the Group during the financial year and the results of those operations are contained in the Chief Executive Officer's Review on pages 09 to 12 of the Annual Report. This report forms an integral part of the Director's Report.

## PRINCIPAL ACTIVITIES

The main activity of the Company is the investment and management of subsidiaries. Further information on the activities of subsidiary companies is contained on page 49 of the Annual Report.

## LEGAL STATUS

First Capital Holdings PLC was incorporated in 1992 under the provisions of the Companies Act No. 17 of 1982 and re-registered under the Companies Act No. 7 of 2007.

## FINANCIAL RESULTS

The Group's net profit after tax was Rs. 232Mn for financial year 2016/17 compared with net profit after tax of Rs. 47Mn in year 2015/16.

A summary of the financial results for the year is set out below.

	2016/17 Rs.'000	2015/16 Rs.'000
<b>Revenue</b>	<b>3,587,574</b>	<b>1,550,780</b>
Profit before tax	245,511	62,060
Profit after tax	231,598	47,460
<b>Total comprehensive income (TCI)</b>	<b>238,434</b>	<b>49,565</b>
<b>Attribution</b>		
Equity holders of the parent	218,656	48,637
Non-controlling interests	19,778	928
<b>Total</b>	<b>238,434</b>	<b>49,565</b>

The financial statements of the Company are set out in pages 44 - 102 of the Annual Report.

## BOARD OF DIRECTORS

### Directorate

The following were the Directors of the Company as at 31 March 2017.

1. Ms. Manjula Mathews (Retired with effect from 30 April 2017)
2. Mr. Nishan Fernando (Appointed as Chairman with effect from 01 May 2017)
3. Mr. Dinesh Schaffter
4. Mr. Eardley Perera
5. Ms. Minette Perera
6. Mr. Chandana de Silva

Mr. Dilshan Wirasekara was appointed as a Director with effect from 1 May 2017

The profiles of the Directors are given on pages 13 - 15 of the Annual Report.

## INTEREST IN SHARES

Directors/Chief Executive Officer and their shareholdings as at 31 March 2017 were as follows:

	No. of Shares 31.03.2017	No. of Shares 31.03.2016
Ms. Manjula Mathews	Nil	Nil
Mr. Nishan Fernando	Nil	Nil
Mr. Dinesh Schaffter	Nil	Nil
Mr. Eardley Perera	Nil	Nil
Ms. Minette Perera	Nil	Nil
Mr. Chandana Lal De Silva	Nil	Nil
Mr. Dilshan Wirasekara	Nil	Nil

## OTHER DIRECTORSHIP/ SIGNIFICANT POSITIONS OF DIRECTORS

Information of the Other Directorships/ significant positions of the present Directors of the Company are given on Pages 13 - 15.

## RETIREMENT BY ROTATION AND RE-ELECTION

Ms. Minette Perera retires by rotation in terms of Article 93 of the Articles of Association of the Company and being eligible offers herself for re-election. The continuing Directors recommend her re-election.

In terms of Section 211 of the Companies Act No. 07 of 2007, Mr. Eardley Perera who is over 70 years of age, retires from the Board at the Annual General Meeting and offers himself for re-appointment. The continuing Directors recommend his re-appointment.

Mr. Dilshan Wirasekera, Director appointed during the year, retires in terms of Article 99 of the Articles of Association and being eligible offers himself for re-election. The continuing Directors recommend his re-election.

#### **RELATED PARTY TRANSACTIONS**

Related party transactions have been declared at meetings of the Directors and are detailed in Note 42 to the financial statements.

#### **DIRECTORS' INTERESTS**

As required by the Companies Act, No. 7 of 2007, an Interests Register was maintained by the Company during the period under review. All Directors have made declarations as provided for in Section 192 (2) of the Companies Act aforesaid. The Interests Register is available for inspection as required under the Companies Act.

The Company carries out transactions in the ordinary course of business with entities in which a Director of the Company is a Director. The transactions with entities where a Director of the Company either has control or exercises significant influence have been classified as related party transactions and disclosed in Note 42 to the Financial Statements.

#### **REMUNERATION AND FEES**

Details of Directors remuneration and fees are set out in Note 10 to the financial statements. All fees and remuneration have been duly approved by the Board of Directors of the Company.

#### **RISK AND INTERNAL CONTROL**

The Board of Directors has satisfied itself that there exists an effective and comprehensive system of internal controls to monitor, control and manage the risks to which the Company is exposed, to carry on its business in an orderly manner, to safeguard its assets and to secure as far as possible the reliability and accuracy of records.

#### **CORPORATE GOVERNANCE**

The Directors acknowledge their responsibility for the Group's corporate governance and the system of internal control. The Directors are responsible to the shareholders for providing

strategic direction to the Company and safeguarding the assets of the Company. The Board is satisfied with the effectiveness of the system of internal control for the period up to the date of signing the financial statements. The compliance to recommended corporate governance practices are disclosed in pages 36 - 40 of the Annual Report.

The performance of the Company is monitored by way of regular review meetings. These meetings provide an opportunity to ensure that progress is in line with agreed targets. Regular Board meetings are held to further strengthen the review process and ensure compliance with all statutory and regulatory obligations.

#### **DIVIDEND**

The Board of Directors declared an interim dividend of Rs. 2/- per share totaling Rs. 202.5Mn for the year 2016/17.

#### **SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies adopted in the preparation of the financial statements is given on pages 49 - 63. There were no changes in the accounting policies adopted by the Company during the year under review except for the change in accounting policy on investment in associates/ subsidiaries as explained in Note 21 and Note 22 to the Financial Statements.

#### **GOING CONCERN**

The Board of Directors has reviewed the Company's business plans and is satisfied that the Company has adequate resources to continue its operations in the foreseeable future. Accordingly, the financial statements are prepared on a going concern basis.

#### **CAPITAL EXPENDITURE**

Details of property, plant and equipment and their movements during the year are given in Note 24 to the financial statements.

#### **RESERVES**

The movements in reserves during the financial year 2016/17 have been presented in the Statement of Changes in Equity on page 46 to 47 of the Annual Report.

#### **INCOME TAX EXPENSES**

Income tax expenses have been computed in accordance with the provision of the Inland Revenue Act, No. 10 of 2006 and subsequent amendments thereto as disclosed in Note 11 to the financial statements.

## Annual Report of the Board of Directors Contd.

### STATED CAPITAL

The stated capital of the Company as at 31 March 2017 was Rs. 227.5 Mn consisting of 101,250,000 ordinary shares.

### SHARE INFORMATION AND SUBSTANTIAL SHAREHOLDERS

As at 31 March 2017, there were 6,084 registered shareholders. Share information and the twenty largest shareholders as at 31 March 2017 are listed in pages 103 - 104 of the Annual Report.

Information relating to market value of a share and information on share trading is stated under Shareholder and Investor information in pages 103 - 104 of the Annual Report.

### CORPORATE DONATIONS

During the year under review, the Group made charitable donations of Rs. 0.4 Mn.

### STATUTORY PAYMENTS AND COMPLIANCE WITH LAWS AND REGULATIONS

The Directors, to the best of their knowledge and belief are satisfied that all statutory payments due to the Government and in relation to the employees have been made on time, and that neither the Company nor its subsidiaries has engaged in any activities contravening laws and regulations.

### EQUAL OPPORTUNITIES

The Group is committed to providing equal opportunities to all employees irrespective of their gender, marital status, age, religion, race or disability. It is the Group's policy to give full and fair consideration to persons, with respect to applications for employment, continued employment, training, career development and promotion, having regard for each individual's particular aptitudes and abilities.

### EVENTS OCCURRING AFTER THE REPORTING PERIOD

There were no material events after the financial reporting period which requires an adjustment to or a disclosure in the financial statements other than those disclosed in Note 43 to the financial statements.

### INDEPENDENT AUDITORS

During the period under review, the Company's Auditors were Messrs KPMG, Chartered Accountants. The fees paid to auditors are disclosed in Note 10 to the financial statements.

Based on the declaration from Messrs KPMG, and as far as the Directors are aware, the Auditors do not have any

relationship or interest in the Company or its subsidiaries, other than as disclosed in the above paragraph.

Messrs KPMG, Chartered Accountants, have expressed their willingness to continue in office as Auditors of the Company for the ensuing year.

In accordance with the Companies Act, No. 7 of 2007, a resolution proposing the re-appointment of Messrs KPMG, Chartered Accountants, as Auditors to the Company will be submitted at the Annual General Meeting.

### INDEPENDENT AUDITORS' REPORT

The independent Auditors' report on the financial statements is given on page 43 of the Annual Report.

### AUDITORS' RIGHT TO INFORMATION

Each person who is a Director of the Company at the date of approval of this report confirms that:

As far as each Director is aware, there is no relevant audit information of which the Company's Auditors are unaware.

Each Director has taken all the steps that he or she ought to have taken as a Director to make him or herself aware of any relevant audit information and to establish that the Company's Auditors are aware of that information.

### ANNUAL GENERAL MEETING

The 25<sup>th</sup> Annual General Meeting of the Company will be held on 7 September 2017. The notice convening the Meeting and the Agenda are given on page 116 of the Annual Report.

This Annual Report is signed for and on behalf of the Board.

(Sgd.)

**Dinesh Schaffter**  
Managing Director

(Sgd.)

**Nishan Fernando**  
Chairman

9 August 2017  
Colombo

## STATEMENT OF DIRECTORS' RESPONSIBILITY

Set out below are the responsibilities of the Directors in relation to the Financial Statements of the Company.

The Directors of the Company are responsible for ensuring that the Company and its subsidiaries keep proper books of accounts of all the transactions and prepare and present the financial statements to the shareholders in accordance with the relevant provisions of the Companies Act, No. 7 of 2007 and other statutes which are applicable in the preparation of financial statements. The financial statements comprise of the Statements of Financial Position as at 31 March 2017, the Statement of Profit or Loss and Other Comprehensive Income, Statement of Changes in Equity, Statement of Cash Flows for the year ended and Notes thereto. The directors are required to prepare these financial statements on a going concern basis unless it is not appropriate.

The Directors confirm that the financial statements of the Company and the Group give a true and fair view of;

- » The state of affairs of the Company and the Group as at 31 March 2017 and
- » The financial performance of the Company and the Group for the financial year ended 31 March 2017

The financial statements of the Company and the Group for the year ended 31 March 2017 incorporated in this report have been prepared in accordance with the Companies Act, No. 7 of 2007, Sri Lanka Accounting Standards (LKAS/SLFRS) and Listing Rules of the Colombo Stock Exchange.

The financial statements of the Company and the Group have been certified by the Chief Financial Officer of the Company who is responsible for the preparation of financial statements as required by the Companies Act, No. 7 of 2007 section 150 (1) (b) and 152 (1) (b). The financial statements have been signed by two Directors on 9 August 2017 in accordance with Section 150 (1) (c) and 152 (1) (c) of the Companies Act.

Directors are also responsible for ensuring that proper accounting records which correctly record and explain the Company's transactions and also determine the Company's financial position with reasonable accuracy at any time are maintained by the Company enabling the preparation of financial statements and further enabling the financial statements to be readily and properly audited, in accordance with the Section 148 (1) of the Act. The Directors have therefore caused the Company and its subsidiaries to maintain proper books of accounts and regularly review

financial reports at their meetings. The Board also reviews and approves all interim financial statements prior to their release. The Board of Directors accepts the responsibility for the integrity and objectivity of the financial statements presented. The Directors confirm that the financial statements have been prepared using appropriate Accounting Policies in a consistent basis and appropriate estimates and judgments made to reflect the true substance and form of transactions.

Directors have taken reasonable measures to safeguard the assets of the Company and its subsidiaries and to prevent and detect frauds and other irregularities. In this regard, the Directors have laid down effective and comprehensive internal control system.

The Auditors of the Company, Messrs KPMG who were reappointed in accordance with a resolution passed at the last Annual General Meeting were provided with all necessary information required by them in order to carry out their audit and to express an opinion which is contained on page 43 of this Annual Report.

The Directors confirm that to the best of their knowledge, all statutory payments due in respect of the Company and its subsidiaries as at the financial reporting date have been paid or where relevant provided for.

Directors further confirm that after considering the financial position, operating conditions and regulatory and other factors, they have a reasonable expectation that the Company possesses adequate resources to continue in operation for the foreseeable future and that the Going Concern basis is the most appropriate in the preparation of these financial statements.

(Sgd.)

**K H L Corporate Services Limited**  
Secretaries

9 August 2017  
Colombo

## CORPORATE GOVERNANCE

The Directors acknowledge their responsibility for the Company's corporate governance and the need to ensure the highest standards of accountability to all stakeholders.

First Capital Holdings PLC is fully committed to the principles of good governance and recognises that good corporate governance is the corner-stone of a successful organisation.

The Company is committed to act with integrity, transparency and fairness in all of its dealings, and considerable emphasis is placed by the Board on the development of systems, processes and procedures to ensure the maintenance of high standards throughout the organisation.

### BOARD COMPOSITION AND INDEPENDENCE

The Board comprises of four Non-Executive Independent Directors and two Executive Directors all of whom possess a broad range of skills and experience across a range of industries and functional areas. Detailed profiles of each member of the Board are provided in a separate section of this Annual Report (pages 13 to 15).

The Independence of the Directors is assessed in accordance with the Listing Rules of Colombo Stock Exchange and the Independent Non- Executive Directors have declared their independency in writing.

The Board meets frequently in order to ensure the effective discharge of its duties. Formal board meetings were held six times during the year and performance review meetings were held monthly at which a majority of directors were present.

### BOARD RESPONSIBILITIES

The Directors are responsible for the formulation of the Company's business strategy and in ensuring the existence of an adequate risk management framework. The Non-Executive Directors bring independent judgment to bear on issues of strategy and performance. The Board is satisfied with the effectiveness of the system of internal control in the Company for the period up to the date of signing the financial statements.

The Board carries responsibility for ensuring that the senior management team possesses the relevant skills and expertise required in the management of the Company and that a suitable succession planning strategy is in place. The Directors also ensure adherence to laws and regulations pertaining to the functioning of the organisation. The Senior Manager - Risk and Compliance functions as the Compliance Officer to ensure compliance with all regulatory and statutory

requirements and proper reporting of all compliance matters to the Board. The Board of Directors exercises oversight of the compliance function.

The Board reviews strategic and operational issues, approves interim and annual financial statements and annual budgets, assesses performance and ensures compliance with all statutory and regulatory obligations. Members of the Board are expected to attend the Annual General Meeting of shareholders, board and review meetings. Material is provided to members of the Board well in advance of scheduled meetings to allow adequate time for review and familiarisation and to facilitate decision making at meetings.

Necessary advice and guidance is provided to the senior management team at monthly performance review meetings which provide an opportunity to evaluate progress and ensure accountability of the senior management team.

A strong focus on training and career development has created a committed and empowered workforce who continue to generate value and drive the company towards high standards of achievement.

### BOARD BALANCE

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

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

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

### APPOINTMENT AND RE-ELECTION OF DIRECTORS

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

appointment. The company ensures the compliance on the said aspects annually.

#### **BOARD COMMITTEES (STATUTORY)**

To assist the Board in discharging its duties various Board Sub Committees have been established. The functions and terms of references of the Board Committees are clearly defined.

#### **AUDIT COMMITTEE**

The Report of the Audit Committee is presented on page 41 and the duties of the Committee are included therein.

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

The Report of the Related Party Transactions Review Committee is presented on page 42 and the duties of the Committee are included therein.

#### **REMUNERATION COMMITTEE**

Composition of the Committee, mandate of the Committee and other details are shown on Page 39.

#### **SHAREHOLDERS RELATIONS**

The Board considers the Annual General Meeting as a prime opportunity to communicate with shareholders. The Shareholders are given the opportunity of exercising their rights at the Annual General Meeting. The Notice of the Annual General Meeting and the relevant documents required are published and sent to the shareholders timely. The Company circulates the agenda for the meeting and shareholders vote on each issue separately.

All shareholders are invited and encourage participating at the Annual General Meeting. The Annual General Meeting provides an opportunity for shareholders to seek and obtain clarifications and information on the performance of the Company. The external Auditors are also present at the Annual General Meeting to render any professional assistance that may be required. Shareholders who are not in a position to attend the Annual General Meeting in person are entitled to have their voting rights exercised by a proxy of their choice.

The Company published quarterly accounts in a timely manner as its principle communication with shareholders and others. This enables stakeholders to make a rational judgment of the Company.

#### **INTERNAL AUDIT AND CONTROL**

The Board is responsible for the Company's internal control and its effectiveness. Internal control is established with emphasis placed on safeguarding assets, making available

accurate and timely information and imposing great discipline on decision making. It covers all controls, including financial, operational and compliance control and risk management. It is important to state, that any system can ensure only reasonable and not absolute assurance that errors and irregularities are prevented or detected within a reasonable time.

The Internal Audit function of the company has been outsourced to M/s. PricewaterhouseCoopers. The Internal Audit reports along with management comments are discussed with Audit Committee and with the Board. Further, at each meeting, follow up issues from previous meeting are also discussed in order to make sure implementation of appropriate policies and procedures as prevention mechanism.

#### **EXTERNAL AUDIT**

The Company engages the services of independent external auditors to conduct an audit and obtain reasonable assurance on whether the financial statements and relevant disclosures are free from material misstatements. The independent auditors directly report their findings to the Audit Committee which has the overall responsibility of financial statement integrity and the reporting process.

M/s. KPMG are the External Auditors of the Company. In addition to the audit services, M/s. KPMG also provides certain non-audit services as well. However, External Auditors would not engage in any services which may compromise the independence of the Auditor. All such services have been provided with the full knowledge of the Audit Committee and are assessed to ensure that there is no compromise on the independence of the External Auditors.

The Audit Committee appraises the performance of External Auditors on an annual basis. Based on the evaluation results the Committee proposes the appointment of the External Auditors to the Board for endorsement and approval of the shareholders. The endorsement is submitted to the shareholders for approval at the Annual General Meeting (AGM). The representatives of the External Auditors are expected to be present at the AGM and have the opportunity to make a statement on the Company's financial statements and results of operations if they desire to do so. The External Auditors are also expected to be available to respond to the questions during the meeting.

There were no disagreements with the Company's External Auditors on any matter of accounting principles or practices, financial statements disclosures, or auditing scope or procedures in the period under review.

## Corporate Governance Contd.

### COMPANY SECRETARIES

KHL Corporate Services Limited serves as the Company Secretaries for First Capital Holdings PLC. The Company Secretaries ensure compliance with Board procedures, the Companies Act, Regulations of the Securities and Exchange Commission of Sri Lanka and the Colombo Stock Exchange. The Company Secretaries keep the Board informed of relevant new regulations and requirements.

Company's adherence to the Corporate Governance Rules as required by Section 7.10 of the Listing Rules of the Colombo Stock Exchange are summarised below;

	CSE Rule	Status of Compliance	Details/Reference
<b>7.10.1 Non-Executive Director (NED)</b>			
a./b./c.	At least 2 members or one third of the Board, whichever is higher should be NEDs as at the conclusion of immediately preceding AGM. Any change to this ratio should be rectified within 90 days.	Complied	Four out of six Directors are NEDs
<b>7.10.2 Independent Directors</b>			
a.	At least 2 or one third of the NEDs, whichever is higher shall be independent.	Complied	All four Non-Executive directors are determined to be independent
b.	Each NED should submit annually a signed and dated declaration of his/her independence or non-independence.	Complied	All NEDs have submitted their confirmations on independence as per the criteria laid down in the listing rules
<b>7.10.3 Disclosures Relating to Directors</b>			
a./b.	The Board should determine the independence or otherwise of the NEDs and disclose in the annual report the names of the NEDs determined to be 'independent.'	Complied	Profile of Directors on pages 13 - 15
c.	A brief resume of each Director with information on his/her area of expertise should be included in the annual report.	Complied	
d.	Upon appointment to the Board, a brief resume of the new director should be provided to the exchange for dissemination to the public.	Complied	

	CSE Rule	Status of Compliance	Details/Reference
<b>7.10.5 Remuneration Committee</b>			
a. 1	Remuneration committee should comprise at least 2 independent NEDs or more than 2 NEDs majority of whom shall be independent.	Complied	<p>The Remuneration Committee consists of two Non-Executive Directors namely, Mr. Eardley Perera and Mr. Chandana de Silva. Mr. Eardley Perera functions as the Chairman of the committee.</p> <p>The committee is mandated with ensuring accountability, transparency and fairness in reward structures that recognised the relationship between performance and reward.</p> <p>The committee functions with delegated authority from the Board and is responsible for setting the Company's remuneration policy and ensuring its continued ability to attract and retain high caliber candidates.</p> <p>The Company bases remuneration on both individual and company performance whilst paying due regard to staff retention. The committee recommends increment levels and determines the remuneration payable to the executive directors.</p> <p>The aggregate remuneration paid to the Directors is given in the Note 10 to the financial statements.</p>
a. 2	One NED shall be appointed as chairman of the committee by the Board of Directors.	Complied	
b.	Remuneration committee shall recommend the remuneration of the CEO and Executive Directors to the Board.	Complied	
c.	The Annual Report should include the names of the Remuneration committee members, a statement of remuneration policy and the aggregate remuneration paid to Executive and Non-Executive Directors.	Complied	
<b>7.10.6 Audit Committee</b>			
a. 1	Audit Committee should comprise at least 2 independent NEDs or more than 2 NEDs majority of whom shall be independent.	Complied	Audit Committee Report on page 41.
a. 2	One NED shall be appointed as chairman of the committee by the Board of Directors.	Complied	
a. 3	Chief Executive Officer and the Chief Financial Officer shall attend the Audit Committee meetings.	Complied	
a. 4	The chairman of the Audit Committee or one member should be a member of a recognised professional accounting body.	Complied	

## Corporate Governance Contd.

	CSE Rule	Status of Compliance	Details/Reference
<b>B Functions of the Audit Committee</b>			
b.1	Overseeing the preparation, presentation of the financial statements and adequacy of disclosures in accordance with SLFRS/LKAS	Complied	Audit Committee Report on page 41.
b. 2	Overseeing the compliance with financial reporting requirements and information requirements as per laws and regulations	Complied	
b. 3	Overseeing the processes to ensure internal controls and risk management functions are adequate to meet the requirements of Sri Lanka Auditing Standards	Complied	
b. 4	Assessing the independence and performance of the external auditors	Complied	
b. 5	Making recommends to the Board pertaining to appointment or reappointment or removal of external auditors and to approve their remuneration and terms of engagement	Complied	
C	The annual report should include the names of the audit committee members, the basis for the determination of the independence of the external auditors and a report of the Audit Committee setting out the manner of compliance with the above requirements during the specified period	Complied	

# AUDIT COMMITTEE REPORT

## COMPOSITION

The Audit Committee consists of two Independent Non-Executive Directors of the company. The Committee is chaired by Ms. Minette Perera.

The members of the Board appointed Audit Committee are as follows.

Ms. Minette Perera – Chairperson – Independent Non-Executive Director

Mr. Nishan Fernando – Independent Non-Executive Director

Brief profiles of the members of the Board appointed Audit Committee are given on Pages 13 to 15 of the Annual Report.

## MEETINGS

Five audit committee meetings were held during the year under review. Managing Director, Chief Executive Officer, Chief Financial Officer and the Risk and Compliance Officer attend the meetings by invitation. The External Auditors and Internal Auditors are also present at meetings on a need basis. The proceedings of the Audit Committee meetings are reported to the Board of Directors on a regular basis.

## FUNCTIONS

The primary function of the Committee is to assist the Board in fulfilling its oversight responsibilities, primarily through:

- » Overseeing management's conduct of the Group's financial reporting process and systems of internal accounting and financial controls;
- » Monitoring the independence and performance of the Group's external auditors; and
- » Providing an avenue of communication among the external auditors, internal auditors, management and the Board.

## FINANCIAL REPORTING SYSTEM

The Committee reviewed the financial reporting system adopted by the company with particular reference to the following;

- » The preparation, presentation and adequacy of the disclosures in the Company's annual and interim financial statements in accordance with the Sri Lanka Accounting Standards, the Companies Act No. 7 of 2007 and other applicable statutes.
- » The underlying rationale and basis for the significant estimates and judgments to the financial statements.

## INTERNAL AUDIT

The Internal Audit function of the company has been outsourced to M/s. PricewaterhouseCoopers. Control weaknesses highlighted in the internal audit reports were examined by the Committee and follow up action taken by the management on the audit recommendations were also reviewed. The committee reviewed the effectiveness of the internal audit function and the scope and procedures for internal audit during the ensuing year.

## EXTERNAL AUDIT

External Auditors' management letters pertaining to the previous year's audit and the Management's response thereto were discussed during the year. Follow up action taken by the management to ensure that the recommendations contained in the management letter were implemented was reviewed. Further, the draft annual financial statements for 2016/17 were also reviewed with the External Auditors prior to release.

The Committee reviewed the non-audit services provided by the auditors to ensure that the provision of these services does not impair their independence.

The fees payable to the auditors have been recommended by the committee to the Board for approval.

Having reviewed the effectiveness of the External Audit, the Audit Committee also recommended to the Board of Directors that Messrs KPMG be reappointed as Auditors for the financial year ending 31 March 2018, subject to the approval of the shareholders at the Annual General Meeting.

(Sgd.)

**Minette Perera (Ms.)**

*Chairperson – Audit Committee*

9 August 2017

Colombo

## RELATED PARTY TRANSACTIONS REVIEW COMMITTEE REPORT

### **ESTABLISHMENT OF THE RELATED PARTY TRANSACTIONS REVIEW COMMITTEE**

The Board of Directors of the Company adopted the Code of Best Practice on Related Party Transactions issued by the Securities and Exchange Commission of Sri Lanka (the "Code") on voluntarily basis in April 2014, which was subsequently incorporated into the listing rules (Section 9) of the Colombo Stock Exchange (CSE) with effect from 1 January 2016.

### **PURPOSE OF THE COMMITTEE**

The purpose of the Related Party Transactions Review Committee (the Committee) as set out in its Charter which was adopted by the Board with effect from April 2014 to review in advance proposed related party transactions, other than those transactions explicitly exempted in conformity with the listing rules, which are not of an on-going or recurrent nature and in the case where related party transactions are of an on-going or recurrent nature, to establish guidelines for the senior management to follow.

### **COMPOSITION OF THE COMMITTEE**

The Committee consists of Three (3) members with a combination of Independent Non-Executive Directors and an Executive Director. The members of the committee as at 31 March 2017 are:

Ms. Minette Perera – Independent Non-Executive Director  
(Chairperson)  
Mr. Nishan Fernando – Independent Non-Executive Director  
Mr. Dinesh Schaffter – Managing Director

The Company Secretary functions as the Secretary to the Committee.

### **MEETINGS**

The Committee held four meetings on a quarterly basis during the year under review. Proceedings of the committee meetings are regularly reported to the Board of Directors.

### **DURING THE YEAR UNDER REVIEW:**

There were no non-recurrent related party transactions that exceeded the thresholds that required the immediate market disclosure, shareholder approval or disclosure in the Annual Report, as required under Section 9 of the Continuing Listing Requirements of the CSE.

There were no recurrent related party transactions that exceeded the thresholds that required the immediate market disclosure or shareholder approval as required under Section 9 of the Continuing Listing Requirements of the CSE. Recurrent related party transactions that require disclosure in the Annual Report are given in Note 42 of the Financial Statements.

### **DECLARATION BY THE BOARD OF DIRECTORS**

A declaration by the Board of Directors relating to compliance under the listing rules is given on pages 36 to 40 of the Annual Report.

(Sgd.)

**Minette Perera (Ms.)**

*Chairperson – Related Party Transactions Review Committee*

9 August 2017

Colombo

## INDEPENDENT AUDITORS' REPORT



KPMG  
(Chartered Accountants)  
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### TO THE SHAREHOLDERS OF FIRST CAPITAL HOLDINGS PLC

#### Report on the Financial Statements

We have audited the accompanying financial statements of First Capital Holdings PLC ("the Company"), and the consolidated financial statements of the Company and its subsidiaries ("the Group"), which comprise the statement of financial position as at 31 March 2017, the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information as set out on pages 44 to 102 of the Annual Report.

#### Board's Responsibility for the Financial Statements

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

#### Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial statements that give a true and fair view 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 entity's internal control.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Board, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as at 31 March 2017, and of its financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

#### Report on Other Legal and Regulatory Requirements

As required by section 163 (2) of the Companies Act No. 07 of 2007, we state the following:

- a) The basis of opinion and scope and limitations of the audit are as stated above.
- b) In our opinion:
  - » 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,
  - » The financial statements of the Company give a true and fair view of its financial position as at 31 March 2017, and of its financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.
  - » The financial statements of the Company and the Group comply with the requirements of sections 151 and 153 of the Companies Act No.07 of 2007.

Chartered Accountants

Colombo  
9 August 2017

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

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

Principals - S.R.I. Perera FCMA(UK), LLB, Attorney-at-Law, H.S. Goonewardene ACA  
Ms. C.T.K.N. Perera ACA

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March,	Note	Group		Company	
		2017 Rs. '000	2016 Rs. '000	2017 Rs. '000	2016 Rs. '000 (Restated)
<b>Income</b>	4	<b>3,587,574</b>	1,550,780	<b>773,605</b>	335,594
Direct income	5	<b>3,508,973</b>	1,510,990	<b>773,605</b>	321,112
Direct expenses	6	<b>(2,936,775)</b>	(1,006,676)	<b>(708,295)</b>	(280,359)
<b>Net trading income</b>		<b>572,198</b>	504,314	<b>65,310</b>	40,753
Other income	7	<b>78,601</b>	39,790	-	14,482
Loss on fair valuation of financial investments - held for trading	8	<b>(21,158)</b>	(105,974)	-	-
		<b>629,641</b>	438,130	<b>65,310</b>	55,235
<b>Operating expenses</b>					
Personnel expenses		<b>(212,198)</b>	(211,187)	<b>(15,779)</b>	-
Premises, equipment and establishment expenses		<b>(39,480)</b>	(54,288)	<b>(5,240)</b>	(4,539)
Other operating expenses	9	<b>(132,452)</b>	(120,201)	<b>(18,047)</b>	(12,548)
		<b>(384,130)</b>	(385,676)	<b>(39,066)</b>	(17,087)
<b>Operating profit</b>		<b>245,511</b>	52,454	<b>26,244</b>	38,148
Share of profit from equity accounted investees (net of tax)		-	9,606	<b>194,110</b>	14,200
<b>Profit before taxation</b>	10	<b>245,511</b>	62,060	<b>220,354</b>	52,348
Income tax expenses	11	<b>(13,913)</b>	(14,600)	<b>(8,290)</b>	(5,782)
<b>Profit for the year</b>		<b>231,598</b>	47,460	<b>212,064</b>	46,566
<b>Other comprehensive income</b>					
<b>Items that will never be reclassified to profit or loss</b>					
Actuarial gain on defined benefit plans		<b>6,836</b>	541	-	-
Actuarial gain on defined benefit plans (Equity accounted investees)		-	-	<b>6,592</b>	507
<b>Items that are or may be reclassified to profit or loss</b>					
Available for sale financial assets reclassified to profit or loss (Equity accounted investees)		-	1,564	-	1,564
<b>Other comprehensive income</b>		<b>6,836</b>	2,105	<b>6,592</b>	2,071
<b>Total comprehensive income for the year</b>		<b>238,434</b>	49,565	<b>218,656</b>	48,637
<b>Profit attributable to:</b>					
Equity holders of the parent		<b>212,064</b>	46,566	<b>212,064</b>	46,566
Non-controlling interests		<b>19,534</b>	894	-	-
		<b>231,598</b>	47,460	<b>212,064</b>	46,566
<b>Total comprehensive income attributable to:</b>					
Equity holders of the parent		<b>218,656</b>	48,637	<b>218,656</b>	48,637
Non-controlling interests		<b>19,778</b>	928	-	-
		<b>238,434</b>	49,565	<b>218,656</b>	48,637
Basic Earnings per Share (Rs.)	12.1	<b>2.09</b>	0.46	<b>2.09</b>	0.46

Figures in brackets indicate deductions.

The notes disclosed on pages 49 to 102 form an integral part of these Consolidated Financial Statements.

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at,	Note	Group		31.03.2017 Rs. '000	Company 31.03.2016 Rs. '000 (Restated)	31.03.2015 Rs. '000 (Restated)
		31.03.2017 Rs. '000	31.03.2016 Rs. '000			
<b>ASSETS</b>						
Cash at banks and in hand		55,340	31,066	8,477	4,998	10,804
Derivative financial instruments	13	24,075	40,861	-	-	-
Financial investments - Held for trading	14	23,799,894	11,326,163	-	-	-
Financial investments - Available for sale	15	332,803	2,000	1,000	1,000	1,000
Financial investments - Loans and receivables	16	6,625,115	8,529,332	8,378,338	3,650,664	2,695,882
Group balances receivable	29	-	-	-	16,837	-
Trade and other receivables	17	540,521	576,353	2,303	1,073	709
Non - current assets held for sale	18	42,416	42,416	-	-	-
Taxes receivable	19	104,032	62,379	-	-	5,628
Investment in venture capital	20	-	-	-	-	6,000
Investment in associates	21	-	-	-	-	408,876
Investment in subsidiary	22	-	-	1,781,495	1,791,189	1,786,088
Deferred tax asset	23	36,703	37,703	-	-	-
Property, plant and equipment	24	14,295	16,648	1,515	9	274
Intangible assets	25	114,570	115,363	41	-	-
<b>Total Assets</b>		<b>31,689,764</b>	<b>20,780,284</b>	<b>10,173,169</b>	<b>5,465,770</b>	<b>4,915,261</b>
<b>LIABILITIES</b>						
Bank overdrafts		224,445	207,681	29,909	-	-
Derivative financial instruments	26	2,240	20,835	-	-	-
Securities sold under re-purchase agreements	27	21,102,897	14,487,714	-	-	-
Short term borrowings	28	6,768,015	2,886,142	7,202,850	2,820,725	2,124,385
Group balances payable	29	-	-	11,375	399	55
Trade and other payables	31	358,793	237,920	29,499	26,597	19,663
Taxes payable	19	3,956	331	3,251	30	-
Long term borrowings	30	453,077	-	453,077	-	-
Retirement benefit obligations	32	22,696	24,385	-	-	-
Borrowings on debentures	33	540,032	730,400	324,837	515,804	515,080
<b>Total Liabilities</b>		<b>29,476,151</b>	<b>18,595,408</b>	<b>8,054,798</b>	<b>3,363,555</b>	<b>2,659,183</b>
<b>EQUITY</b>						
Stated capital	34	227,500	227,500	227,500	227,500	227,500
Risk reserve	35	854,456	822,022	854,456	822,022	820,964
Retained earnings		1,036,415	1,052,693	1,036,415	1,052,693	1,209,178
Fair valuation reserve	36	-	-	-	-	(1,564)
<b>Equity attributable to the equity holders of the parent</b>		<b>2,118,371</b>	<b>2,102,215</b>	<b>2,118,371</b>	<b>2,102,215</b>	<b>2,256,078</b>
Non-controlling interests		95,242	82,661	-	-	-
<b>Total Equity</b>		<b>2,213,613</b>	<b>2,184,876</b>	<b>2,118,371</b>	<b>2,102,215</b>	<b>2,256,078</b>
<b>Total Equity and Liabilities</b>		<b>31,689,764</b>	<b>20,780,284</b>	<b>10,173,169</b>	<b>5,465,770</b>	<b>4,915,261</b>
Net assets per share (Rs.)		20.92	20.76	20.92	20.76	22.28

Figures in brackets indicate deductions.

The notes disclosed on pages 49 to 102 form an integral part of these Consolidated Financial Statements.

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



**Mangala Jayashantha**  
Chief Financial Officer

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



**Dilshan Wirasekara**  
Director/ Chief Executive Officer



**Dinesh Schaffter**  
Managing Director

9 August 2017  
Colombo

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to equity holders of parent				Total	Non-controlling Interests	Total Equity
	Stated Capital	Risk Reserve	Retained Earnings	Fair Valuation Reserve			
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
<b>Group</b>							
<b>Balance as at 1 April 2015</b>	<b>227,500</b>	<b>820,964</b>	<b>1,209,178</b>	<b>(1,564)</b>	<b>2,256,078</b>	<b>81,733</b>	<b>2,337,811</b>
<b>Total comprehensive income for the year</b>							
Profit for the year	-	-	46,566	-	46,566	894	47,460
Other comprehensive income	-	-	507	1,564	2,071	34	2,105
<b>Total comprehensive income</b>	<b>-</b>	<b>-</b>	<b>47,073</b>	<b>1,564</b>	<b>48,637</b>	<b>928</b>	<b>49,565</b>
<b>Transactions with equity holders</b>							
<b>Distribution to equity holders</b>							
Dividend paid - Final 2014/15	-	-	(202,500)	-	(202,500)	-	(202,500)
<b>Total distribution to equity holders</b>	<b>-</b>	<b>-</b>	<b>(202,500)</b>	<b>-</b>	<b>(202,500)</b>	<b>-</b>	<b>(202,500)</b>
Transfers to risk reserve	-	1,058	(1,058)	-	-	-	-
<b>Total Transactions with equity holders</b>	<b>-</b>	<b>1,058</b>	<b>(203,558)</b>	<b>-</b>	<b>(202,500)</b>	<b>-</b>	<b>(202,500)</b>
<b>Balance as at 31 March 2016</b>	<b>227,500</b>	<b>822,022</b>	<b>1,052,693</b>	<b>-</b>	<b>2,102,215</b>	<b>82,661</b>	<b>2,184,876</b>
<b>Balance as at 1 April 2016</b>	<b>227,500</b>	<b>822,022</b>	<b>1,052,693</b>	<b>-</b>	<b>2,102,215</b>	<b>82,661</b>	<b>2,184,876</b>
<b>Total comprehensive income for the year</b>							
Profit for the year	-	-	212,064	-	212,064	19,534	231,598
Other comprehensive income	-	-	6,592	-	6,592	244	6,836
<b>Total comprehensive income</b>	<b>-</b>	<b>-</b>	<b>218,656</b>	<b>-</b>	<b>218,656</b>	<b>19,778</b>	<b>238,434</b>
<b>Transactions with equity holders</b>							
<b>Distribution to equity holders</b>							
Dividend paid - Interim 2016/17 (Note 37)	-	-	(202,500)	-	(202,500)	-	(202,500)
Dividend paid to shareholders with NCI*	-	-	-	-	-	(7,197)	(7,197)
<b>Total distribution to equity holders</b>	<b>-</b>	<b>-</b>	<b>(202,500)</b>	<b>-</b>	<b>(202,500)</b>	<b>(7,197)</b>	<b>(209,697)</b>
Transfers to risk reserve	-	32,434	(32,434)	-	-	-	-
<b>Total transactions with equity holders</b>	<b>-</b>	<b>32,434</b>	<b>(234,934)</b>	<b>-</b>	<b>(202,500)</b>	<b>(7,197)</b>	<b>(209,697)</b>
<b>Balance as at 31 March 2017</b>	<b>227,500</b>	<b>854,456</b>	<b>1,036,415</b>	<b>-</b>	<b>2,118,371</b>	<b>95,242</b>	<b>2,213,613</b>

\* Non controlling interests

Figures in brackets indicate deductions.

The notes disclosed on pages 49 to 102 form an integral part of these Consolidated Financial Statements.

	Stated Capital Rs. '000	Risk Reserve Rs. '000	Retained Earnings Rs. '000	Fair Valuation Reserve Rs. '000	Total Equity Rs. '000
<b>Company</b>					
<b>Balance as at 1 April 2015</b>	<b>227,500</b>	<b>-</b>	<b>549,887</b>	<b>-</b>	<b>777,387</b>
Impact on adopting equity method as at 1 April 2015 (Note 22.2)	-	820,964	659,291	(1,564)	1,478,691
<b>Restated Balance as at 1 April 2015</b>	<b>227,500</b>	<b>820,964</b>	<b>1,209,178</b>	<b>(1,564)</b>	<b>2,256,078</b>
<b>Total comprehensive income for the year</b>					
Profit for the year	-	-	46,566	-	46,566
Other comprehensive income	-	-	507	1,564	2,071
<b>Total comprehensive income</b>	<b>-</b>	<b>-</b>	<b>47,073</b>	<b>1,564</b>	<b>48,637</b>
<b>Transactions with equity holders</b>					
<b>Distribution to equity holders</b>					
Dividend paid - Final 2014/15	-	-	(202,500)	-	(202,500)
<b>Total distribution to equity holders</b>	<b>-</b>	<b>-</b>	<b>(202,500)</b>	<b>-</b>	<b>(202,500)</b>
Transfer to risk reserve	-	1,058	(1,058)	-	-
<b>Total transactions with equity holders</b>	<b>-</b>	<b>1,058</b>	<b>(203,558)</b>	<b>-</b>	<b>(202,500)</b>
<b>Balance as at 31 March 2016 (Restated - Note 22.2)</b>	<b>227,500</b>	<b>822,022</b>	<b>1,052,693</b>	<b>-</b>	<b>2,102,215</b>
Balance as at 1 April 2016 (Restated - Note 22.2)	227,500	822,022	1,052,693	-	2,102,215
<b>Total comprehensive income for the year</b>					
Profit for the year	-	-	212,064	-	212,064
Other comprehensive income	-	-	6,592	-	6,592
<b>Total comprehensive income</b>	<b>-</b>	<b>-</b>	<b>218,656</b>	<b>-</b>	<b>218,656</b>
<b>Transactions with equity holders</b>					
<b>Distribution to equity holders</b>					
Dividend paid - Interim 2016/17 (Note 37)	-	-	(202,500)	-	(202,500)
<b>Total distribution to equity holders</b>	<b>-</b>	<b>-</b>	<b>(202,500)</b>	<b>-</b>	<b>(202,500)</b>
Transfer to risk reserve	-	32,434	(32,434)	-	-
<b>Total transactions with equity holders</b>	<b>-</b>	<b>32,434</b>	<b>(234,934)</b>	<b>-</b>	<b>(202,500)</b>
<b>Balance as at 31 March 2017</b>	<b>227,500</b>	<b>854,456</b>	<b>1,036,415</b>	<b>-</b>	<b>2,118,371</b>

Figures in brackets indicate deductions.

The notes disclosed on pages 49 to 102 form an integral part of these Consolidated Financial statements.

## CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March,	Group		Company	
	2017 Rs. '000	2016 Rs. '000	2017 Rs. '000	2016 Rs. '000
<b>Cash flows from operating activities</b>				
Interest receipts and gains realised	3,468,308	1,491,104	548,729	141,896
Interest payments and other direct cost	(2,593,338)	(767,557)	(701,695)	(279,635)
Other receipts	10,573	18,255	-	783
Cash payments to employees and suppliers	(377,294)	(353,941)	(38,831)	(14,708)
Operating profit before changes in operating assets and liabilities	508,249	387,861	(191,797)	(151,664)
Decrease in financial investments - Held for trading	(12,496,700)	(1,206,464)	-	-
(Increase)/ Decrease in financial investments - Loans and receivables	1,939,913	410,766	(4,502,799)	(775,565)
(Increase)/ Decrease in trade and other receivables	35,832	(51,829)	(1,230)	(364)
(Increase)/ Decrease in group balance receivables	-	-	16,837	(16,837)
Increase/(Decrease) in trade and other payables	119,283	(48,159)	(5,026)	6,934
Increase group balances payables	-	-	10,975	344
Increase in short term borrowings	3,544,746	659,044	4,375,529	694,237
Increase/ (Decrease) in securities sold under re-purchase agreements	6,615,184	(581,442)	-	-
Cash generated from/ (used in) operations	266,507	(430,223)	(297,511)	(242,915)
Tax paid (Note 19)	(36,062)	(9,839)	(2,709)	(124)
Gratuity paid (Note 32)	(99)	(911)	-	-
<b>Net cash flows from/(used in) operating activities</b>	<b>230,346</b>	<b>(440,973)</b>	<b>(300,220)</b>	<b>(243,039)</b>
<b>Cash flows from investing activities</b>				
Purchase of property, plant, equipment and intangible assets	(8,950)	(13,050)	(1,783)	(12)
Proceeds on sale of property, plant, equipment and intangible assets	6,885	-	-	-
Proceed from sale of equity accounted investees	-	432,745	-	432,745
Acquisition of financial investments - available for sale	(330,803)	-	-	-
Dividend receipts	64,571	7,836	210,396	-
Proceed from sale of venture capital investments	-	7,000	-	7,000
<b>Net cash flows from/ (used) in investing activities</b>	<b>(268,297)</b>	<b>434,531</b>	<b>208,613</b>	<b>439,733</b>
<b>Cash flows from financing activities</b>				
Dividend paid (Note 37)	(202,500)	(202,500)	(202,500)	(202,500)
Dividend paid to shareholders with non-controlling interest	(7,197)	-	-	-
Redemption of listed debentures	(185,400)	-	(185,400)	-
Dividend tax paid	(12,519)	-	-	-
Net proceeds from interest bearing long term borrowings	453,077	-	453,077	-
<b>Net cash flows from/ (used in) financing activities</b>	<b>45,461</b>	<b>(202,500)</b>	<b>65,177</b>	<b>(202,500)</b>
Net cash inflow/ (outflow) for the year	7,510	(208,942)	(26,430)	(5,806)
Cash and cash equivalents at the beginning of the year (Note A)	(176,615)	32,327	4,998	10,804
Cash and cash equivalents at the end of the year (Note B)	(169,105)	(176,615)	(21,432)	4,998
<b>Note A</b>				
Cash at banks and in hand	31,066	33,193	4,998	10,804
Bank overdrafts	(207,681)	(866)	-	-
	(176,615)	32,327	4,998	10,804
<b>Note B</b>				
Cash at banks and in hand	55,340	31,066	8,477	4,998
Bank overdrafts	(224,445)	(207,681)	(29,909)	-
	(169,105)	(176,615)	(21,432)	4,998

Figures in brackets indicate deductions.

The notes disclosed on pages 49 to 102 form an integral part of these Consolidated Financial Statements.

# NOTES TO THE FINANCIAL STATEMENTS

## 1. REPORTING ENTITY

First Capital Holdings PLC (“Company”) is a public limited liability company incorporated and domiciled in Sri Lanka on 23 March 1992. The registered office and place of business of the Company is No. 2, Deal Place, Colombo 03. The shares of the Company have a primary listing on the Colombo Stock Exchange. The staff strength of the Group as at 31 March 2017 is 89 (2016 – 86).

The Consolidated Financial Statements for the year 2016/17 include the Company and its Subsidiaries (together referred to as the “Group” and individually as “Group entities”).

The Financial Statements of all companies in the Group have a common Financial year which ends on 31 March. The Company’s parent undertaking and controlling party is Dunamis Capital PLC which is incorporated in Sri Lanka.

There were no significant changes in the nature of the principal activities of the Group Companies, except for incorporation of a new subsidiary to engage in trustee services in corporate debt securities and amalgamation of First Capital Investments (Private) Limited with First Capital Limited which more fully is explained in Note 1.1.2.

### 1.1 Principal Activities

#### 1.1.1 Company

The principal activities of the Company continued to be engaging in investment activities and management of subsidiaries.

#### 1.1.2 Subsidiaries

Name of Subsidiary	Principal Activities
First Capital Limited (Note A below)	Engages in debt structuring, corporate finance and advisory services and investment in and management of subsidiaries.
First Capital Treasuries PLC	Engages in business operations as a Primary Dealer in Government Securities.
First Capital Markets Limited	Engages in granting of margin trading facilities for trading of listed securities and acting as a stock dealer/ broker in listed debt securities.
First Capital Asset Management Limited	Engages in management of clients’ investment portfolios and management of Unit Trusts.

Name of Subsidiary	Principal Activities
First Capital Investments (Private) Limited (Note A below)	Engaged in the management of subsidiaries.
First Capital Equities (Private) Limited	Engages in stock broking of Listed Securities.
First Capital Trustee Services (Private) Limited	Engages in trustee services in corporate debt securities (Incorporated in May 2016)

#### Note A

First Capital Investments (Private) Limited was amalgamated with First Capital Limited during the year 2016/17 under a single corporate entity, First Capital Limited (Effective date of the business amalgamation is 8 November 2016).

## 2. BASIS OF PREPARATION

### 2.1 Statement of Compliance

The Consolidated Financial Statements of the Group and the Financial Statements of the Company which comprise the Statement of Financial Position, Statement of Profit or Loss and Other Comprehensive Income, Statement of Changes in Equity, Statement of Cash Flows and Notes thereto have been prepared in accordance with the Sri Lanka Accounting Standards (SLFRSs and LKASs) laid down by the Institute of Chartered Accountants of Sri Lanka, and in compliance with the requirements of the Companies Act no. 7 of 2007 and provide appropriate disclosures as required by the Listing Rules of the Colombo Stock Exchange.

### 2.2 Approval of Financial Statements by Directors

The Consolidated Financial Statements for the year ended 31 March 2017 were authorised for issue by the Board of Directors on 9 August 2017.

### 2.3 Basis of Measurement

The Financial Statements have been prepared on the historical cost basis and applied consistently with no adjustments being made for inflationary factors affecting the Financial Statements, except for the following,

- » Investment in subsidiaries/ associates using equity method of Accounting
- » Non – derivative Financial instruments at fair value through profit or loss are measured at fair value
- » Derivative financial instruments are measured at fair value
- » Financial investments - available for sale are measured at fair value
- » Retirement benefit obligations - present value of the defined benefit obligations

## Notes to the Financial Statements Contd.

### 2.4 Functional and Presentation Currency

The Consolidated Financial Statements are presented in Sri Lankan Rupees, which is the Group's functional currency. Financial information presented in Sri Lankan Rupees has been rounded to the nearest thousand unless indicated otherwise.

### 2.5 Materiality, Aggregation and Offsetting

Each material class of similar items is presented separately in the financial statements. Items of dissimilar nature or function are presented separately unless they are immaterial.

Assets and liabilities are grouped by nature and listed in an order that reflects their relative liquidity and maturity pattern. Assets and liabilities are offset and the net amount reported in the Statement of Financial Position only where there is:

- » a current enforceable legal right to offset the asset and liability; and
- » an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Income and expenses are not offset unless required or permitted by Sri Lanka Accounting Standards.

### 2.6 Use of Judgments and Estimates

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

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

Information about significant areas of estimation, uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amounts recognised in the Consolidated Financial Statements is set out below.

#### 2.6.1 Going Concern

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

#### 2.6.2 Fair Valuation of Financial Instruments

Where the fair values of financial assets and financial liabilities recorded in the statement of financial position cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of mathematical models. The inputs to these models are derived from observable market data where possible. However, if they are not available, judgment is required to establish fair values. The valuation of financial instruments is described in more detail in Note 39.

#### 2.6.3 Impairment of Available for Sale Investments

The Company reviews its securities classified as available for sale investments at each reporting date to assess whether they are impaired. In particular, management's judgment is required in the estimation of the amount and timing of future cash flows when determining the impairment loss. These estimates are based on assumptions about a number of factors and actual results may differ.

The Company also records impairment charges on available for sale equity investments when there has been a significant or prolonged decline in the fair value below their cost. The determination of what is 'significant' or 'prolonged' requires judgment.

#### 2.6.4 Defined Benefit Obligations

The group annually measures the present value of the promised retirement benefits for gratuity, which is a Defined Benefit Plan. The cost of providing benefits under the defined benefits plans is determined using the projected unit credit method. This involves making assumptions on discount rates, future salary increases, mortality rates. All assumptions are reviewed at each reporting date. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty. See Note 32 for the assumptions used.

#### 2.6.5 Useful Life Time of Property, Plant and Equipment

The Group reviews the residual values, useful lives and methods of depreciation of Property, Plant and Equipment at each reporting date. Judgment of the management is exercised in the estimation of these values, rates, methods and hence they are subject to uncertainty.

### 3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements, and have been applied consistently by Group entities, except for the change in accounting policy as explained in Note 21 and 22 to the Financial Statements.

### 3.1 Basis of Consolidation

#### 3.1.1 General

The consolidated financial statements are the financial statements of the Group, prepared by consistent application of consolidation procedures which include amalgamation of the financial statements of the parent and subsidiaries.

Thus the consolidated financial statements present financial information about the Group as a single economic entity distinguishing the equity attributable to the parent (controlling interest) and attributable to minority shareholders with non-controlling interest.

#### 3.1.2 Business Combinations

Business combinations are accounted for using the acquisition method as at the acquisition date – i.e. when control is transferred to the Group. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, the Group takes into consideration potential voting rights that currently are exercisable.

The Group measures goodwill at the acquisition date as:

- » the fair value of the consideration transferred; plus
- » the recognised amount of any non-controlling interests in the acquiree; plus
- » if the business combination is achieved in stages, the fair value of the pre-existing equity interest in the acquiree; less
- » the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

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

Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

Any contingent consideration payable is measured at fair value at the acquisition date. If the contingent consideration is classified as equity, then it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes in the fair value of the contingent consideration are recognised in profit or loss.

#### 3.1.3 Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity if it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entities.

The Company accounts for investment in subsidiaries using equity method. The investment is initially recognised at cost. Subsequently to initial recognition share of profit or loss and other comprehensive income of the subsidiaries as capitalised to the investment. The Dividends received from subsidiaries are treated as reduction of investment.

The financial statements of subsidiaries are included in the Consolidated Financial Statements from the date that control effectively commences until the date that control effectively ceases.

The Consolidated Financial Statements are prepared to a common financial year which ends on 31 March.

Where Subsidiaries have been sold or acquired during the year, their operating results have been included to the date of disposal or from the date of acquisition. Upon the loss of control, the Group derecognises the assets and liabilities of the subsidiary, any non-controlling interest and the other components of equity related to the subsidiary.

#### 3.1.4 Step Acquisitions

The group elects the remeasurement approach for step acquisition that result in significant influence being exerted in a company. Under this approach, the previously held interest is remeasured to fair value through profit or loss. Obtaining significant influence is seen as an economic event that changes the nature of the investment, which is also consistent with the approach for the loss of significant influence.

When significant influence is achieved in stages, the group remeasures its previously held equity interest in the acquiree at its acquisition-date fair value and recognises the resulting gain or loss, if any, in profit or loss. The amount that was recognised in other comprehensive income, is recognised on the same basis as would be required if the group had disposed directly of the previously held equity interest. Previously held interests will in almost all cases have been available-for-sale investments and therefore already at fair value and as a result, no remeasurement in the statement of financial position arises in practice, but because the investment is treated as sold there is reclassification to profit or loss of the available-for-sale revaluation reserve.

## Notes to the Financial Statements Contd.

### 3.1.5 Non-Controlling Interests

Non-Controlling Interests are measured at their proportionate share of the acquiree's identifiable net assets at the acquisition date. Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

For each business combination, the Group elects to measure any non-controlling interests in the acquiree either:

- » at fair value; or
- » at their proportionate share of the acquiree's identifiable net assets, which are generally at fair value.

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as transactions with owners in their capacity as owners. Adjustments to non-controlling interests are based on a proportionate amount of the net assets of the subsidiary. No adjustments are made to goodwill and no gain or loss is recognised in profit or loss.

### 3.1.6 Acquisitions of Non-Controlling Interest

Acquisition of non-controlling interest is accounted for as transactions with equity holders. Therefore, no goodwill is recognised as a result of such transactions.

A list of Subsidiaries within the Group is provided on Page 51.

### 3.1.7 Goodwill and Gain from a Bargain Purchase arising on the Acquisition of Subsidiaries

Goodwill represents the excess of the cost of the acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the acquiree. When the excess is negative (bargain purchase), it is recognized immediately in profit or loss. Goodwill on the acquisition of subsidiaries is presented as intangible assets and stated at cost less accumulated impairment loss. Goodwill is tested for impairment as described in LKAS 36 – Impairment of Assets.

### 3.1.8 Loss of Control

On the loss of control, the Group derecognises the assets and liabilities of the subsidiary, any non-controlling interests and the other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently that retained interest is accounted for as an equity-accounted investee or in accordance with the Group's accounting policy for financial instruments depending on the level of influence retained.

### 3.1.9 Transactions Eliminated on Consolidation

Intra-group balances, and income and expenses arising from intra- group transactions are eliminated in preparing the Consolidated Financial Statements. Unrealised gains arising from transactions with equity accounted investees are eliminated to the extent of the Group's interest in the investee against the investment in the investee. Unrealised losses are eliminated in the same way as unrealised gains except that they are only eliminated to the extent that there is no evidence of impairment.

### 3.1.10 Interest in associate

Associates are those entities in which the Group has significant influence but not control or joint control, over the financial and operating policies. Interests in associates are accounted for using equity method. They are initially recognised at cost. Subsequent to initial recognition, the Consolidated Financial Statements and separate Financial Statements include the investor's share of profit or loss and Other Comprehensive Income of equity accounted investees, until the date on which significant influence ceases. The Dividends received from associates are treated as reduction of investment.

### 3.1.11 Material Gains or Losses, Provisional Values or Error Corrections

There were no material gains or losses, provisional values or error corrections recognised during the year in respect of business combinations that took place in previous periods.

### 3.1.12 Unconsolidated Structured Entities

The Group manages and administrates assets held in unit trusts on behalf of investors.

These are entities which are not consolidated because the Group does not control them through voting rights, contract, funding agreements, or other means. The extent of the Group's interests to unconsolidated structured entities will vary depending on the type of structured entities.

The details relating to unconsolidated structured Entities are disclosed in Note 38 to the financial statements.

## 3.2 Foreign Currency

### 3.2.1 Foreign Currency Transactions

Transactions in foreign currencies are translated into the respective functional currency of Group entities at the spot exchange rates at the date of the transactions.

Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated into the

functional currency at the spot exchange rate (Closing rate) at that date. The foreign currency gain or loss on monetary items is the difference between the amortised cost in the functional currency at the beginning of the year, adjusted for effective interest and payments during the year, and the amortised cost in the foreign currency translated at the spot exchange rate at the end of the year.

Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into the functional currency at the spot exchange rate at the date on which the fair value is determined. Non-monetary items that are measured based on historical cost in a foreign currency are translated using the spot exchange rate at the date of the transaction.

Foreign currency differences arising on translation are generally recognised in profit or loss.

### 3.3 Interest Income and expense

Interest income and expense are recognised in profit or loss using the effective interest method. The 'effective interest rate' is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial asset or financial liability (or, where appropriate, a shorter period) to the carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Group estimates future cash flows considering all contractual terms of the financial instrument, but not future credit losses.

The calculation of the effective interest rate includes transaction costs and fees and points paid or received that are an integral part of the effective interest rate. Transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial asset or financial liability.

Interest income and expense presented in the statement of profit or loss and Other Comprehensive Income include:

- » interest on financial assets and financial liabilities measured at amortised cost calculated on an effective interest basis; and
- » interest on available-for-sale investment securities calculated on an effective interest basis.

Interest income and expense on all trading assets and liabilities are considered to be incidental to the Group's trading operations and are presented together with all other changes in the fair value of trading assets and liabilities in net trading income.

Fair value changes on other derivatives held for risk management purposes, and other financial assets and financial liabilities carried at fair value through profit or loss, are presented in net income as gain on fair valuation of other financial instruments at fair value through profit or loss in the statement of profit or loss and OCI.

### 3.4 Gain on Sale of Financial Investments Held for Trading

Gain on Sale of Financial Investments Held for Trading' comprises realised trading gains on disposal of government securities, quoted shares and listed debentures, are presented in direct income as sale of financial investments at fair value through profit or loss in the statement of profit or loss and other comprehensive income.

### 3.5 Gain on Redemption of Units

Gain on Redemption of units comprises realised trading gain on disposal of investment in unit trust, is presented in direct income as sale of financial investments at fair value through profit or loss in the statement of profit or loss and other comprehensive income.

### 3.6 Gain on Disposal of Financial Investments Available for Sale

Gain on Disposal of Financial Investments Available for Sale comprises realised capital gain on disposal of investment in equity securities classified as available for sale, is presented in other income as sale of financial investments available for sale in the statement of profit or loss and other comprehensive income.

### 3.7 Interest Rate Swap Income

Interest Rate Swap Income comprises realised gain on interest rate swap contracts, is presented in direct income as Interest Rate Swap Income in the statement of profit or loss and other comprehensive income.

### 3.8 Gain on Fair Valuation of Financial Investments Held for Trading

Fair Valuation changes on of Financial Investments Held for Trading comprises unrealised gains on fair valuation (marked to market valuation) of government securities, quoted shares, investment in unit trust and listed debentures, are presented in profit or loss as gain on fair valuation of Financial Investments Held for Trading in the statement of profit or loss and other comprehensive income.

### 3.9 Fee and Commission Income

Investment management fees and placement fees are recognised as the related services are performed. Fee and commission expenses are recognised on an accrual basis.

## Notes to the Financial Statements Contd.

Commission income on dealing/brokering in listed shares is recognised as the related services are performed. Commission expenses are recognised on an accrual basis.

Other fees and commission expense relate mainly to transaction and service fees, which are expensed as the services are received.

### 3.10 Dividend Income

Dividend income from financial investments held for trading is recognised in profit or loss on an accrual basis when the Company's right to receive the dividend is established.

This is usually on the ex-dividend date for equity securities. Dividends are presented in net trading income or net gain / (loss) from financial investments based on the underlying classification of the equity investment.

### 3.11 Income Tax

Income tax expense comprises current and deferred tax. It is recognised in profit or loss except to the extent that it relates to items recognised directly in equity or in Other Comprehensive Income (OCI).

Current tax assets and liabilities and deferred tax assets and liabilities are offset only to the extent that they relate to income taxes imposed by the same taxation authority, there is a legal right and intentions to settle on a net basis and it is allowed under the tax law of the relevant jurisdiction.

#### 3.11.1 Current Tax

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted on the reporting date, and any adjustment to tax payable in respect of previous years.

Provision for taxation is based on the profit for the year adjusted for taxation purposes in accordance with the provisions of the Inland Revenue Act, No. 10 of 2006 and the amendments thereto.

#### 3.11.2 Deferred Tax

Deferred taxation is provided using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the tax base of assets and liabilities, which is the amount attributed to those assets and liabilities for tax purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the

carrying amount of assets and liabilities, using tax rates enacted or substantively enacted on the reporting date.

Deferred tax is not recognised for:

- » temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- » temporary differences related to investments in subsidiaries to the extent that it is probable that they will not reverse in the foreseeable future; and
- » taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

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

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

#### 3.11.3 Other Tax Exposures

##### 3.11.3.1 Withholding Tax on Dividends (WHT)

Dividend distributed out of taxable profit of the Subsidiaries is subject to a deduction of 10% at source and is not available for set off against the tax liability of the Company. Thus, the withholding tax deducted at source is added to the tax expense of the subsidiaries in the Consolidated Financial Statements as a consolidation adjustment.

Withholding tax that arose from the distribution of dividends by the Company is recognised at the same time as the liability to pay the related dividend is recognised.

### 3.11.3.2 Value Added Tax on Financial Services (FSVAT)

The total value addition of group companies computed based on the section 25A of the VAT Act No. 14 of 2002 and subsequent amendments thereto is liable for Value Added Tax on Financial Services at 15%. (April 2016 – 11%)

### 3.11.3.3 Value Added Tax (VAT)

The Fee and Commission income of the group companies as defined in the VAT Act No. 14 of 2002 and subsequent amendments thereto is liable for Value Added Tax at 15%. (April 2016 – 11%)

### 3.11.3.4 Economic Service Charge (ESC)

As per the provisions of the Economic Service Charge Act No. 13 of 2006, ESC is payable on the liable turnover at specified rates. ESC paid is deductible from the income tax liability. Any unclaimed liability can be carried forward and set-off against the income tax payable in the two subsequent years.

### 3.11.3.5 Nation Building Tax (NBT)

In accordance with the provisions of the Nation Building Tax Act, No. 9 of 2009 and the subsequent amendments thereto, Nation Building Tax is payable at the rate of 2% on the liable turnover.

## 3.12 Financial Assets and Financial Liabilities

### 3.12.1 Recognition

The Group initially recognises all financial assets and liabilities on the settlement date.

However, for financial assets/ liabilities held at fair value through profit and loss any changes in fair value from the trade date to settlement date is accounted in profit or loss while for available for sale financial assets any change in fair value from the trade date to settlement date is accounted in Other Comprehensive Income.

A financial asset or a financial liability is measured initially at fair value plus, for an item not at fair value through profit or loss, transaction costs that are directly attributable to its acquisition or issue.

### 3.12.2 Classification

#### Financial Assets

At inception a financial asset is classified in one of the following categories:

- » at fair value through profit or loss (either as held for trading or designated at fair value through profit or loss)
- » loans and receivables

- » held to maturity financial assets
- » available-for-sale financial assets

#### Financial Liabilities

The Group initially recognises all financial liabilities on the date that they are originated and classifies its financial liabilities as measured at amortised cost or fair value through profit or loss.

### 3.12.2.1 Financial Assets and Financial Liabilities at Fair Value through Profit or Loss

A financial asset or a financial liability is classified as fair value through profit or loss if it is classified as held for trading or is designated as such upon initial recognition. Financial assets and financial liabilities are designated at fair value through profit or loss when;

- » The designation eliminates or significantly reduces measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities on a different basis
- » A group of financial assets and/or liabilities is managed and its performance evaluated on a fair value basis
- » The asset or liabilities include embedded derivatives and such derivatives are required to be recognised separately

Upon initial recognition attributable transaction costs are recognised in profit or loss as incurred. Financial assets and financial liabilities at fair value through profit or loss are measured at fair value and changes therein are recognised in profit or loss.

### 3.12.2.2 Loans and Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and that the Group does not intend to sell immediately or in the near term.

Securities purchased under resale agreements, unquoted debentures, commercial papers, short term lending, securitised papers and fixed deposits are classified as loans and receivables.

### 3.12.2.3 Held-to-Maturity Financial Assets (HTM)

Held-to-maturity investments are non-derivative assets with fixed or determinable payments and fixed maturity that the Group has the positive intent and ability to hold to maturity, and which were not designated as at fair value through profit or loss or as available-for-sale.

## Notes to the Financial Statements Contd.

Held-to-maturity investments are carried at amortised cost using the effective interest method. A sale or reclassification of a more than insignificant amount of held-to-maturity investments would result in the reclassification of all held-to-maturity investments as available-for-sale, and would prevent the Group from classifying investment securities as held to maturity for the current and the following two financial years. However, sales and reclassifications in any of the following circumstances would not trigger a reclassification:

- » sales or reclassifications that are so close to maturity that changes in the market rate of interest would not have a significant effect on the financial asset's fair value;
- » sales or reclassifications after the Group has collected substantially all of the asset's original principal; and
- » sales or reclassifications attributable to non-recurring isolated events beyond the Group's control that could not have been reasonably anticipated.

### 3.12.2.4 Available-for-Sale Financial Assets (AFS)

'Available-for-sale investments' are non-derivative investments that are designated as available-for-sale or are not classified as another category of financial assets. Available-for-sale investments comprise equity securities and debt securities. Unquoted equity securities whose fair value cannot be measured reliably are carried at cost. All other available-for-sale investments are measured at fair value after initial recognition.

Interest income is recognised in profit or loss using the effective interest method. Dividend income is recognised in profit or loss when the Group becomes entitled to the dividend. Foreign exchange gains or losses on available-for-sale debt security investments are recognised in profit or loss. Impairment losses are recognised in profit or loss.

Other fair value changes, other than impairment losses, are recognised in OCI and presented in the fair value reserve within equity. When the investment is sold, the gain or loss accumulated in equity is reclassified to profit or loss.

### 3.12.2.5 Financial Liabilities Measured at Amortised Cost

Financial liabilities not classified as fair value through profit or loss is recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition these financial liabilities are measured at amortised cost using the effective interest rate method.

Borrowing on debentures, commercial paper borrowing, securitised papers and repo borrowing are classified as financial liabilities measured at amortised cost.

### 3.12.3 Derecognition

#### 3.12.3.1 Financial Assets

The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset derecognised) and the sum of,

- (i) the consideration received (including any new asset obtained less any new liability assumed) and
- (ii) any cumulative gain or loss that had been recognised in OCI is recognised in profit or loss. Any interest in transferred financial assets that qualify for derecognition that is created or retained by the Group is recognised as a separate asset or liability.

The Group enters into transactions whereby it transfers assets recognised on its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets or a portion of them. In such cases, the transferred assets are not derecognised. Examples of such transactions are securities lending and sale and repurchase transactions.

In transactions in which the Group neither retains nor transfers substantially all of the risks and rewards of ownership of a financial asset and it retains control over the asset, the Group continues to recognise the asset to the extent of its continuing involvement, determined by the extent to which it is exposed to changes in the value of the transferred asset.

#### 3.12.3.2 Financial Liabilities

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire.

Where an existing financial liability is replaced by another from the same borrower on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as derecognition of the original liability and the recognition of a new liability. The difference between the carrying value of the original

financial liability and the consideration paid is recognised in profit or loss.

#### 3.12.4 Reclassification

Reclassifications of financial assets, other than as set out below, or of financial liabilities between measurement categories are not permitted following initial recognition.

Held for trading non-derivative financial assets are transferred out of the held at fair value through profit or loss category in the following circumstances:

- » To the available for sale category where in rare circumstances, they are no longer held for the purpose of selling or repurchasing in the near term; or
- » To the loan and receivables category where they are no longer held for the purpose of selling or repurchasing in the near term and they would have met the definition of a loan and receivable at the date of reclassification and the Group has the intent and ability to hold the assets for the foreseeable future or until maturity.

Financial assets are transferred out of the available-for-sale category to the loan and receivables category where they would have met the definition of a loan and receivable at the date of reclassification and the Group has the intent and ability to hold the assets for the foreseeable future or until maturity.

Held-to-maturity assets are reclassified to the available-for-sale category if the portfolio becomes tainted following the sale of other than an insignificant amount of held-to-maturity assets prior to their maturity.

Financial assets are reclassified at their fair value on the date of reclassification. For financial assets reclassified out of the available-for-sale category into loans and receivables, any gain or loss on those assets recognised in shareholders' equity prior to the date of reclassification is amortised to the profit or loss over the remaining life of the financial asset, using the effective interest method.

#### 3.12.5 Offsetting

Financial assets and liabilities are offset and the net amount presented in the Consolidated Statement of Financial Position when, and only when, the Group has a legal right to set off the recognised amounts and it intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Income and expenses are presented on a net basis only when permitted under LKAs/SLFRSs, or for gains and losses arising

from a group of similar transactions such as in the Group's trading activity.

#### 3.12.6 Amortised Cost Measurement

The amortised cost of a financial asset or liability is the amount at which the financial asset or liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initial amount recognised and the maturity amount, minus any reduction for impairment.

#### 3.12.7 Fair Value Measurement

'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 in the principal or, in its absence, the most advantageous market to which the Group has access at that date. The fair value of a liability reflects its non-performance risk.

When available, the Group measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

If there is no quoted price in an active market, then the Group uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

The best evidence of the fair value of a financial instrument at initial recognition is normally the transaction price – i.e. the fair value of the consideration given or received. If the Group determines that the fair value at initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique that uses only data from observable markets, then the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value at initial recognition and the transaction price. Subsequently, that difference is recognised in profit or loss on an appropriate basis over the life of the instrument but no later than when the valuation is wholly supported by observable market data or the transaction is closed out.

If an asset or a liability measured at fair value has a bid price and an ask price, then the Group measures assets and long positions

## Notes to the Financial Statements Contd.

at a bid price and liabilities and short positions at an ask price.

Portfolios of financial assets and financial liabilities that are exposed to market risk and credit risk that are managed by the Group on the basis of the net exposure to either market or credit risk are measured on the basis of a price that would be received to sell a net long position (or paid to transfer a net short position) for a particular risk exposure. Those portfolio-level adjustments are allocated to the individual assets and liabilities on the basis of the relative risk adjustment of each of the individual instruments in the portfolio.

The fair value of a demand deposit is not less than the amount payable on demand, discounted from the first date on which the amount could be required to be paid.

The Group recognises transfers between levels of the fair value hierarchy as of the end of the reporting period during which the change has occurred.

### 3.12.8 Identification and Measurement of Impairment

At each reporting date, the Group assesses whether there is objective evidence that financial assets not carried at fair value through profit or loss are impaired. A financial asset or a group of financial assets is impaired when objective evidence demonstrates that a loss event has occurred after the initial recognition of the asset(s) and that the loss event has an impact on the future cash flows of the asset(s) that can be estimated reliably.

Objective evidence that financial assets are impaired includes:

- » significant financial difficulty of the borrower or issuer;
- » default or delinquency by a borrower;
- » the restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise;
- » indications that a borrower or issuer will enter bankruptcy;
- » the disappearance of an active market for a security; or
- » observable data relating to a group of assets such as adverse changes in the payment status of borrowers or issuers in the group, or economic conditions that correlate with defaults in the group.

In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment. The Group considers evidence of impairment for loans and advances and held-to-maturity investment securities at both a specific asset and a collective level. All individually significant loans and

advances and held-to-maturity investment securities are assessed for specific impairment.

Those found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Loans and advances and held-to-maturity investment securities that are not individually significant are collectively assessed for impairment by grouping together loans and advances and held-to-maturity investment securities with similar risk characteristics.

In assessing collective impairment, the Group uses statistical modelling of historical trends of the probability of default, the timing of recoveries and the amount of loss incurred, and makes an adjustment if current economic and credit conditions are such that the actual losses are likely to be greater or lesser than is suggested by historical trends. Default rates, loss rates and the expected timing of future recoveries are regularly benchmarked against actual outcomes to ensure that they remain appropriate.

Impairment losses on assets measured at amortised cost are calculated as the difference between the carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate.

If the terms of a financial asset are renegotiated or modified or an existing financial asset is replaced with a new one due to financial difficulties of the borrower, then an assessment is made of whether the financial asset should be derecognised. If the cash flows of the renegotiated asset are substantially different, then the contractual rights to cash flows from the original financial asset are deemed to have expired. In this case, the original financial asset is derecognised and the new financial asset is recognised at fair value. The impairment loss before an expected restructuring is measured as follows.

- » If the expected restructuring will not result in derecognition of the existing asset, then the estimated cash flows arising from the modified financial asset are included in the measurement of the existing asset based on their expected timing and amounts discounted at the original effective interest rate of the existing financial asset.
- » If the expected restructuring will result in derecognition of the existing asset, then the expected fair value of the new asset is treated as the final cash flow from the existing financial asset at the time of its derecognition. This amount is discounted from the expected date of derecognition to the reporting date using the original effective interest rate of the existing financial asset.

Impairment losses are recognised in profit or loss and reflected in an allowance account against loans and receivables or held-to-maturity investment securities. If an event occurring after the impairment was recognised causes the amount of impairment loss to decrease, then the decrease in impairment loss is reversed through profit or loss.

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

If, in a subsequent period, the fair value of an impaired available-for-sale debt security increases and the increase can be related objectively to an event occurring after the impairment loss was recognised, then the impairment loss is reversed through profit or loss; otherwise, any increase in fair value is recognised through OCI. Any subsequent recovery in the fair value of an impaired available-for-sale equity security is always recognised in OCI.

The Group writes off a lending or an investment debt security, either partially or in full, and any related allowance for impairment losses, when Group Credit determines that there is no realistic prospect of recovery.

### 3.13 Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, balances with banks that are subject to an insignificant risk of changes in their value. Cash and cash equivalents are carried at amortised cost in the Statement of Financial Position.

For the purpose of the Statement of Cash Flows, cash and cash equivalents, net of unfavorable balances.

### 3.14 Repos/ Reverse Repos

Securities sold subject to repurchase agreements (Repos) remain on the balance sheet. The counterparty liability is included under borrowings. Securities purchased under agreements to resell (Reverse Repos) are recorded as loans and advances. The difference between sale and repurchase price (vice versa) is treated as interest and accrued over the life of the agreements using the effective interest method.

### 3.15 Derivative Financial Instruments

Derivatives are financial instruments that derive their value in response to changes in interest rates, financial instrument prices, commodity prices, foreign exchange rates, credit risk and indices. Derivatives are categorised as trading unless they are designated as hedging instruments. The Group has not designated any derivatives as hedging instruments and has not followed hedge accounting as at the reporting date.

All derivatives are initially recognised and subsequently measured at fair value, with all revaluation gains or losses recognised in profit or loss. All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative. Derivative assets and liabilities arising from different transactions are only offset if the transactions are with the same counterparty, a legal right of offset exists and parties intend to settle the cash flows on a net basis.

### 3.16 Property, Plant and Equipment

Property, plant and equipment are tangible items that are held for use in the production or supply of goods or services or for administrative purposes and are expected to be used during more than one period.

#### 3.16.1 Recognition and Measurement

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

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

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

Any gain or loss on disposal of an item of property and equipment (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognised within other income in profit or loss.

#### 3.16.2 Subsequent Costs

Subsequent expenditure is capitalised only when it is probable that the future economic benefits of the expenditure will flow to the Group. Ongoing repairs and maintenance are expensed as incurred.

#### 3.16.3 Depreciation

Depreciation is calculated to write off the cost of items of property and equipment less their estimated residual values

## Notes to the Financial Statements Contd.

using the straight-line method over their estimated useful lives, and is generally recognised in profit or loss. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term. Land is not depreciated.

The estimated useful lives of significant items of property and equipment are as follows:

Asset Type	Life Time (Years)
Computer Equipment	3 - 6
Fixtures & Fittings	3 - 5
Furniture	3 - 5
Office Equipment	3 - 5
Motor Vehicles	3

### 3.16.4 Derecognition

The carrying amount of an item of property, plant and equipment is derecognised on disposal or when no future economic benefits are expected from its use or disposal. The gain or loss arising from the derecognition of an item of property, plant and equipment is included in profit or loss when the item is derecognised.

When replacement costs are recognised in the carrying amount of an item of property, plant and equipment, the remaining carrying amount of the replaced part is derecognised.

### 3.17 Non-current Assets held for Sale

Non-current assets that are expected to be recovered primarily through sale rather than through continuing use are classified as "Held for Sale" once identified that the carrying amount will be recovered principally through a sale transaction rather than through continuing use. These are assets which are available for immediate sale in their present condition, subject to only the terms that are usual and customary for sale of such assets and their sale is highly probable.

Non-Current Assets held for Sale are presented separately on the face of the Statement of Financial Position at the lower of its carrying amount and fair value less costs to sell.

Assets classified as Non-Current Assets held for Sale are neither amortised nor depreciated.

Impairment loss on initial classification as held for sale and subsequent gains and losses on re-measurement are recognised in profit or loss.

### 3.18 Intangible assets and goodwill

#### 3.18.1 Goodwill

Goodwill that arises on the acquisition of subsidiaries is presented with intangible assets. For the measurement of goodwill at initial recognition see Note 3.1.7. Subsequent to initial recognition, goodwill is measured at cost less accumulated impairment losses.

#### 3.18.2 Software

Software acquired by the Group is measured at cost less accumulated amortisation and any accumulated impairment losses.

Subsequent expenditure on software assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.

Software is amortised on a straight-line basis in profit or loss over its estimated useful life, from the date on which it is available for use. The estimated useful life of software for the current and comparative periods is three years.

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

#### 3.18.3 Business License

Business License that arose upon the acquisition of subsidiaries is included in intangible assets. An intangible asset with an indefinite useful life is not amortised. In accordance with LKAS 36, the group tests the intangible assets with an indefinite useful life for impairment by comparing its recoverable amount with its carrying amount

- (a) annually, and
- (b) whenever there is an indication that the intangible asset may be impaired.

Business License that arose upon the acquisition of subsidiaries is included in intangible assets. Business License is measured at cost.

### 3.19 Impairment of Non-Financial Assets

At each reporting date, the Group reviews the carrying amounts of its non-financial assets (other than investment

properties and deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

Goodwill is tested annually for impairment. For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that is largely independent of the cash inflows of other assets or CGUs. Goodwill arising from a business combination is allocated to CGUs or groups of CGUs that are expected to benefit from the synergies of the combination.

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

An impairment loss is recognised if the carrying amount of an asset or CGU exceeds its recoverable amount.

The Group's corporate assets do not generate separate cash inflows and are used by more than one CGU. Corporate assets are allocated to CGUs on a reasonable and consistent basis and tested for impairment as part of the testing of the CGUs to which the corporate assets are allocated.

Impairment losses are recognised in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

### 3.20 Debt Securities

Repo borrowings, borrowing on debentures, Commercial papers, securitised papers and short term borrowing are the Group's sources of debt funding. When the Group sells a financial asset and simultaneously enters into an agreement to repurchase the asset (or a similar asset) at a fixed price on a future date (sale and repurchase agreement), the arrangement is accounted for as a borrowing, and the underlying asset continues to be recognised in the Group's financial statements.

The Group classifies capital instruments as financial liabilities or equity instruments in accordance with the substance of the contractual terms of the instruments.

The borrowing on debentures, Commercial papers, securitised papers and short term borrowing are initially measured at fair value minus incremental direct transaction costs, and subsequently measured at their amortised cost using the effective interest method.

### 3.21 Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation.

### 3.22 Dividends Payable

Dividends on ordinary shares are recognised as a liability and deducted from equity when they are recommended and declared by the Board of Directors.

### 3.23 Other Liabilities

Other liabilities are recorded at amounts expected to be payable at the Reporting date.

### 3.24 Commitments and Contingencies

All discernible risks are accounted for in determining the amount of all known liabilities. The Company's share of any contingencies and capital commitments of a Subsidiary or Associate for which the Company is also liable severally or otherwise are also included with appropriate disclosures.

Contingent liabilities are possible obligations whose existence will be confirmed only by uncertain future events or present obligations where the transfer of economic benefit is not probable or cannot be reliably measured. Contingent liabilities are not recognised in the Statement of Financial Position but are disclosed unless they are remote.

### 3.25 Employee Benefits

#### 3.25.1 Defined Contribution Plan

A defined contribution plan is a post-employment plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay a further amount. Obligations for contributions to defined contribution plans are recognised as expense in the profit or loss as and when they are due.

## Notes to the Financial Statements Contd.

### 3.25.1 (a) Employees' Provident Fund

The company and employee contribute 12% - 15% and 8% - 10% respectively on the salary of each employee to an approved Provident Fund.

### 3.25.1 (b) Employees' Trust Fund

The company contributes 3% of the salary of each employee to the Employees' Trust Fund maintained by the Employees Trust Fund Board.

### 3.25.2 Defined Benefit Plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan.

#### 3.25.2.1 Gratuity

Gratuity is a Defined Benefit Plan. The group annually measures the present value of the promised retirement benefits for gratuity, which is a Defined Benefit Plan. The cost of providing benefits under the defined benefits plans is determined using the projected unit credit method.

Gain or loss arising as a result of changes in assumption is recognised in other comprehensive income (OCI) in the period in which it arises.

The Gratuity liability is not externally funded. These items are grouped under Defined Benefit Liability in the Statement of Financial Position.

### 3.25.3 Short-term Employee Benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

### 3.26 Earnings per Share (EPS)

The Group presents Basic and Diluted Earnings per Share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Group by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to the ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

### 3.27 Statement of Cash Flows

The Statement of Cash Flow has been prepared using the "Direct Method" of preparing Cash Flows in accordance with the Sri Lanka Accounting Standard - (LKAS 7) "Statement of Cash Flows". Cash and cash equivalents comprise short term, highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value.

### 3.28 Subsequent Events

Events after the reporting period are those events, favourable and unfavourable, that occur between the reporting date and the date the Financial Statements are authorised for issue.

All material and important events that occurred after the reporting date have been considered and appropriate disclosures are made in Note 43 to the Financial Statements.

### 3.29 Comparative Information

The comparative information is re-classified wherever necessary to conform with the current year's classification in order to provide a better presentation. The details of such re-classifications have been provided in Notes to the financial statements.

### 3.30 New SLFRS Issued but Not yet Effective as at Reporting Date

Certain new standards, amendments and interpretations to existing standards have been published by the Institute of Chartered Accountants of Sri Lanka, but are not yet effective up to the date of authorisation of these financial statements are given below. Possible impact on the financial statements of the application of the above new standards have not yet been assessed, and the company intends to adopt these standards, interpretations and amendments to existing standards that are expected to be relevant to the group's financial statements when they become effective.

#### 3.30.1 SLFRS 09 - Financial Instruments

SLFRS 09 – "Financial Instruments" replaces the existing guidance in LKAS 39 – Financial Instruments: Recognition and Measurement. SLFRS 09 includes revised guidance on the classification and measurement of financial instruments including a new expected credit loss model for calculating impairment on financial assets.

SLFRS 09 is effective for annual period beginning on or after 01 January 2018 with early adoption permitted.

The Group is assessing the potential impact on its Consolidated Financial Statements resulting from the SLFRS 09. Given the nature of the Group's operations, this standard is expected to have a pervasive impact on the Group's financial statements.

### 3.30.2 SLFRS 15 - Revenue Recognition from Customer Contracts

SLFRS 15 – “Revenue from Contracts with Customers” establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces existing revenue recognition guidance under LKAS 18 – “Revenue” and LKAS 11 – “Construction Contracts”. and IFRIC 13 “Customer Loyalty Programmes”.

SLFRS 15 is effective for annual reporting period beginning on or after 01 January 2018, with early adoption permitted.

The group will adopt these standards when they become effective. Pending the completion of detailed review, the financial impact is not reasonably estimable as at the date of these Financial Statements.

### 3.30.3 Sri Lanka Accounting Standard - SLFRS 16 “Leases”

SLFRS 16 eliminates the current dual accounting model for lessees which distinguishes between On-Balance Sheet finance leases and Off-Balance Sheet operating leases. Instead there will be a single On-Balance Sheet accounting model that is similar to current finance lease accounting.

SLFRS 16 is effective for annual reporting periods beginning on or after January 01, 2019.

The Group is assessing the potential impact on its Financial Statements resulting from the application of SLFRS 16.

### 3.30.4 LKAS 7 - Disclosure Initiative “Statement of Cash Flows”

The amendments to LKAS 7 “Statement of Cash Flows” are part of the Institute of Chartered Accountants of Sri Lanka's Disclosure Initiative and require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash

changes. On initial application of the amendment, entities are not required to provide comparative information for preceding periods. These amendments are effective for annual periods beginning on or after 1 January 2017, with early application permitted. Application of amendments will result in additional disclosures to be provided by the Group.

### 3.30.5 LKAS 12 - Recognition of Deferred Tax Assets for Unrealised Losses

The amendments clarify that an entity needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than the carrying amount.

Entities are required to apply the amendments retrospectively. However, on initial application of the amendments, the change in the opening equity of the earliest comparative period may be recognised in opening retained earnings (or in another component of equity, as appropriate), without allocating the change between opening retained earnings and other components of equity. Entities applying this relief must disclose that fact.

These amendments are effective for annual periods beginning on or after 1 January 2017 with early application permitted. If an entity applies the amendments for an earlier period, it must disclose that fact. This amendment is not expected to have a material impact on the Group/company.

## Notes to the Financial Statements Contd.

For the Year ended 31 March,	Group		Company	
	2017 Rs. '000	2016 Rs. '000	2017 Rs. '000	2016 Rs. '000
<b>4 INCOME</b>				
Direct income (Note 5)	3,508,973	1,510,990	773,605	321,112
Other income (Note 7)	78,601	39,790	-	14,482
	<b>3,587,574</b>	<b>1,550,780</b>	<b>773,605</b>	<b>335,594</b>
<b>5 DIRECT INCOME</b>				
Interest income on financial investments - held for trading	2,670,456	890,242	-	-
Interest income on financial investments - loans and receivables	656,823	262,353	773,605	318,131
Margin trading income	69,818	55,685	-	-
Gain/ (loss) on sale of financial investments - held for trading	(22,082)	68,529	-	-
Gain on redemption of units	6,053	9,292	-	1,126
Fee and commission income	80,444	168,540	-	1,855
Broking income	47,461	56,349	-	-
	<b>3,508,973</b>	<b>1,510,990</b>	<b>773,605</b>	<b>321,112</b>
<b>6 DIRECT EXPENSES</b>				
Interest expenses on re-purchase agreements	2,163,367	647,131	2,374	-
Interest expenses on corporate debt securities	660,576	239,347	632,025	210,463
Brokerage cost	19,850	22,048	2,245	156
Interest expenses on listed debentures	86,189	89,839	71,651	69,740
Other direct expenses	6,793	8,311	-	-
	<b>2,936,775</b>	<b>1,006,676</b>	<b>708,295</b>	<b>280,359</b>
<b>7 OTHER INCOME</b>				
Gain on disposal of equity accounted investee	-	12,699	-	12,699
Gain/(loss) on sale of property, plant and equipment	3,458	(142)	-	-
Dividend income	64,571	7,836	-	-
Exchange gain	-	9,061	-	-
Miscellaneous income	10,572	10,336	-	1,783
	<b>78,601</b>	<b>39,790</b>	<b>-</b>	<b>14,482</b>
<b>8 LOSS ON FAIR VALUATION OF FINANCIAL INVESTMENTS - HELD FOR TRADING</b>				
Government securities	(19,322)	(66,334)	-	-
Listed debentures	(53,829)	27,005	-	-
Listed shares	35,853	(74,373)	-	-
Unit trusts	14,330	(3,048)	-	-
Derivative financial instruments - Government securities	1,810	10,776	-	-
	<b>(21,158)</b>	<b>(105,974)</b>	<b>-</b>	<b>-</b>

Gain/ (loss) on fair valuation of financial investments has been accounted for in accordance with the LKAS 39.

For the Year ended 31 March,	Group		Company	
	2017 Rs. '000	2016 Rs. '000	2017 Rs. '000	2016 Rs. '000
<b>9 OTHER OPERATING EXPENSES</b>				
Professional services expenses	25,059	26,487	4,295	3,624
Sales promotion expenses	32,379	35,337	4,107	338
Value added tax/ Nation building tax on financial services	37,980	17,054	6,402	6,321
Communication and information technology expenses	20,828	19,988	1,434	375
Travelling expenses	5,782	8,590	251	484
Miscellaneous expenses	10,424	12,745	1,558	1,406
	<b>132,452</b>	<b>120,201</b>	<b>18,047</b>	<b>12,548</b>

## 10 PROFIT BEFORE TAX

Profit before taxation is stated after charging all expenses including the following :

Directors' emoluments	22,111	22,771	438	-
Auditors' remuneration - Audit services	1,772	1,640	335	315
- Other services	250	154	40	44
Salaries	122,177	118,656	9,691	-
Depreciation of property, plant and equipment (Note 24)	6,229	20,532	230	277
Amortisation of intangible assets (Note 25)	2,440	2,102	6	-
Employer's contribution to EPF & ETF	21,600	21,333	1,562	-
Retirement benefit cost (Note 32)	5,921	6,801	-	-
Legal fees	4,177	6,093	-	-
Donations	395	1,832	-	-
Specific allowance for impairment of trade and other receivables	728	224	-	-
Specific allowance for impairment of non-current assets held for sale	-	2,000	-	-

## 11 TAXATION

The Company is liable for income tax at the rate of 28% on its taxable profits. Subsidiaries are liable for income tax at the rate of 28% on its taxable profits except for interest income arising in First Capital Treasuries PLC which is tax free and management fee income relating to Unit Trust operations in First Capital Asset Management Limited which is liable for income tax at the rate of 10%.

For the year ended 31 March,	Group		Company	
	2017 Rs. '000	2016 Rs. '000	2017 Rs. '000	2016 Rs. '000
<b>11.1 Income tax expenses</b>				
Current tax expenses	12,666	11,846	5,930	5,782
Over Provision for taxes	(14,632)	-	-	-
Deferred tax expense (Note 23)	1,000	2,556	-	-
Taxes on dividend	14,879	198	2,360	-
	<b>13,913</b>	<b>14,600</b>	<b>8,290</b>	<b>5,782</b>

## Notes to the Financial Statements Contd.

For the year ended 31 March,	Group		Company	
	2017 Rs. '000	2016 Rs. '000	2017 Rs. '000	2016 Rs. '000
<b>11.1 Income tax expenses Contd.</b>				
<b>Reconciliation of accounting profit to income tax</b>				
Profit before taxation	245,511	62,060	220,354	52,348
Adjustment for non-taxable income	(186,517)	(784,588)	(194,110)	(26,899)
	58,994	(722,528)	26,244	25,449
Income tax using the corporate tax rate	14,245	(202,308)	7,348	-
Tax effect of expenses disallowed for tax	3,998	233,998	1,915	7,712
Tax effect of deductible expenses for tax	(169)	3,533	(140)	(160)
Tax effect of other income	1,410	-	-	-
Tax effect of qualifying payments	-	-	-	-
Tax on taxable profits	19,484	35,223	9,123	7,552
Decrease in carried forward losses	(6,818)	(23,377)	(3,193)	(1,770)
	12,666	11,846	5,930	5,782
Over provision for taxes	(14,632)	-	-	-
Income tax charge for the year	12,666	11,846	5,930	5,782
Deemed dividend tax charge for the year	2,360	-	2,360	-
Withholding tax on inter - company dividend	12,519	198	-	-
Income tax expenses	12,913	12,044	8,290	5,782
Deferred tax expense (Note 23)	1,000	2,556	-	-
	13,913	14,600	8,290	5,782

First Capital Treasuries PLC (subsidiary company) is a primary dealer licensed by the Central Bank of Sri Lanka whose interest income derived through government securities does not form a part of receipt on trade or business for the purpose of computing assessable income of the subsidiary company in accordance with the Section 32 of Inland Revenue Act No. 10 of 2006.

A decision made by the Board of Review of the Department of Inland Revenue in respect of income tax for the year 2003/04 acknowledged the above position in July 2010. No tax provisions have been made in this regard in the financial statements subsequently. However the said judgment above does not preclude the Department of Inland Revenue from issuing assessments in the future. Details relating to current assessments have been disclosed in Note 40 (b) and (c) to the financial statements (Contingent Liabilities).

## 12 EARNINGS PER SHARE

### 12.1 Basic earnings per share

Earnings per share has been calculated by dividing the profit for the year attributable to equity holders of the parent by the weighted average number of ordinary shares in issue during the year.

For the year ended 31 March,	Group		Company	
	2017	2016	2017	2016
Profit attributable to equity holders of the parent (Rs. '000)	212,064	46,566	212,064	46,566
Weighted average number of ordinary shares in issue	101,250,000	101,250,000	101,250,000	101,250,000
Earnings per share (Rs.)	2.09	0.46	2.09	0.46

## 12.2 Diluted earnings per share

There were no potential dilutive ordinary shares outstanding at anytime during the year ended 31 March 2017. Therefore Diluted Earnings Per Share is same as Basic Earnings Per Share.

As at,	Group		Company	
	31.03.2017 Rs. '000	31.03.2016 Rs. '000	31.03.2017 Rs. '000	31.03.2016 Rs. '000
<b>13 DERIVATIVE FINANCIAL INSTRUMENTS</b>				
Forward purchase contracts	-	40,227	-	-
Forward sales contracts	24,075	634	-	-
	<b>24,075</b>	<b>40,861</b>	<b>-</b>	<b>-</b>
<b>14 FINANCIAL INVESTMENTS - HELD FOR TRADING</b>				
Quoted shares (Note 14.1)	187,189	294,238	-	-
Government securities (Note 14.2)	21,641,429	9,206,856	-	-
Quoted debentures (Note 14.3)	1,463,368	1,267,633	-	-
Investment in unit trusts (Note 14.4)	507,908	557,436	-	-
	<b>23,799,894</b>	<b>11,326,163</b>	<b>-</b>	<b>-</b>

As at,	No. of shares		Market values		Cost	
	31.03.2017	31.03.2016	31.03.2017 Rs. '000	31.03.2016 Rs. '000	31.03.2017 Rs. '000	31.03.2016 Rs. '000
<b>14.1 Quoted shares - Group</b>						
ACL Cables PLC	315,978	415,978	17,221	20,814	19,184	25,255
Janashakthi Insurance Company PLC	1,703,446	1,703,446	25,722	27,032	35,975	35,975
Lanka Walltile PLC	398,816	398,816	37,090	39,080	51,598	51,598
Nations Trust Bank PLC	340,000	475,000	25,160	34,956	36,261	50,658
Orient Finance PLC	1,568,818	3,333,300	14,432	42,978	23,532	50,000
Royal Ceramics Lanka PLC	217,375	217,375	25,868	21,581	25,278	25,278
Seylan Bank PLC	237,610	466,401	20,672	39,782	25,780	50,603
Softlogic Finance PLC	678,179	378,179	21,024	14,364	24,892	14,392
MTD Walkers PLC	-	226,242	-	7,472	-	14,533
Lanka IOC PLC	-	333,002	-	10,734	-	20,128
Laugfs Gas PLC	-	554,445	-	20,071	-	21,704
Renuka Agri Foods PLC	-	5,000,509	-	15,374	-	25,278
Total			<b>187,189</b>	<b>294,238</b>	<b>242,500</b>	<b>385,402</b>

As at,	Market values		Face values	
	31.03.2017 Rs. '000	31.03.2016 Rs. '000	31.03.2017 Rs. '000	31.03.2016 Rs. '000
<b>14.2 Government securities - Group</b>				
Treasury bills	556,464	1,674,508	575,860	1,796,481
Treasury bonds	21,084,965	7,532,348	21,438,672	7,759,078
	<b>21,641,429</b>	<b>9,206,856</b>	<b>22,014,532</b>	<b>9,555,559</b>

## Notes to the Financial Statements Contd.

## 14.2.1 Securities pledged as collateral

Out of the government securities classified as held for trading, the following amounts had been pledged as collateral for re-purchase agreements entered into by the Group.

As at,	Group			
	Market Values		Face Values	
	31.03.2017 Rs. '000	31.03.2016 Rs. '000	31.03.2017 Rs. '000	31.03.2016 Rs. '000
Treasury bills	509,352	1,655,974	569,835	1,788,959
Treasury bonds	13,493,027	6,946,981	14,121,217	7,392,319
	<b>14,002,379</b>	<b>8,602,955</b>	<b>14,691,052</b>	<b>9,181,278</b>

	Group		Company	
	31.03.2017 Rs. '000	31.03.2016 Rs. '000	31.03.2017 Rs. '000	31.03.2016 Rs. '000
	<b>14.3 Quoted debentures</b>			
Lanka Orix Leasing Company PLC	405,328	533,041	-	-
Janashakthi PLC	474,296	495,071	-	-
Lanka Orix Finance PLC	180,995	239,521	-	-
Dunamis Capital PLC	400,991	-	-	-
Citizen Development Bank PLC	1,758	-	-	-
	<b>1,463,368</b>	<b>1,267,633</b>	<b>-</b>	<b>-</b>

## 14.3.1 Securities pledged as Collateral

## Group

Out of the quoted debentures classified as held for trading, a sum of Rs. 1,433.8 Mn (Market Value) has been pledged as collateral for re-purchase agreements entered into by the Group (31 March 2016 - Rs. 1,007.1 Mn)

	Group		Company	
	31.03.2017 Rs. '000	31.03.2016 Rs. '000	31.03.2017 Rs. '000	31.03.2016 Rs. '000
	<b>14.4 Investment in unit trusts</b>			
First Capital Wealth Fund	460,366	437,331	-	-
First Capital Gilt -Edged Fund	8,312	7,535	-	-
First Capital Money Market Fund	491	75,093	-	-
JB Vantage Short Term Gilt Fund	1,107	1,012	-	-
First Capital Equity Fund	37,632	36,465	-	-
	<b>507,908</b>	<b>557,436</b>	<b>-</b>	<b>-</b>

## 15 FINANCIAL INVESTMENTS - AVAILABLE FOR SALE

Investment in Bartleet Transcapital Limited (Equity investments)	1,000	1,000	1,000	1,000
Investment in Lanka Financial Service Bureau Limited (Equity investments)	1,000	1,000	-	-
Investment in Kanrich Finance Limited (Note 15.1)	330,803	-	-	-
	<b>332,803</b>	<b>2,000</b>	<b>1,000</b>	<b>1,000</b>

## 15.1 Investment Kanrich Finance Limited

Investment made during the year	330,803	-	-	-
Gain/ (loss) on fair valuation	-	-	-	-
<b>Balance at the end of the year</b>	<b>330,803</b>	<b>-</b>	<b>-</b>	<b>-</b>

During the year 2016/17, First Capital Limited acquired 8,270,077 ordinary shares at Rs. 40 per share in Kanrich Finance Limited which is equivalent to 10% stake and the said investment is classified under Financial Investments - Available for sale.

As at,	Group		Company	
	31.03.2017 Rs. '000	31.03.2016 Rs. '000	31.03.2017 Rs. '000	31.03.2016 Rs. '000
<b>16 FINANCIAL INVESTMENTS - LOANS AND RECEIVABLES</b>				
Corporate debt securities	76,769	284,040	-	-
Investments under re-sale agreements (Note 16.1)	1,389,439	5,985,365	5,099	180,909
Investments in fixed deposits (Note 16.2)	2,801	14,224	624	400
Short term lending (Note 16.3)	5,156,106	2,245,703	7,927,535	2,834,628
Long term lending	-	-	445,080	634,727
	<b>6,625,115</b>	<b>8,529,332</b>	<b>8,378,338</b>	<b>3,650,664</b>
<b>16.1 Investments under re-sale agreements</b>				
Government securities	902,301	5,903,738	-	-
Corporate debt securities	487,138	81,627	5,099	180,909
	<b>1,389,439</b>	<b>5,985,365</b>	<b>5,099</b>	<b>180,909</b>
<b>16.2 Investments in fixed deposits</b>				
Fixed deposits (Note 16.2.a)	7,801	19,224	5,624	5,400
Less : Specific allowance for impairment	(5,000)	(5,000)	(5,000)	(5,000)
	<b>2,801</b>	<b>14,224</b>	<b>624</b>	<b>400</b>

16.2.a Group investments in fixed deposits amounting to Rs. 7 Mn (Company - Rs. 5 Mn) have been pledged as collateral for banking facilities (As at 31 March 2016 - Group 7 Mn, Company - Rs. 5 Mn).

	Group		Company	
	31.03.2017 Rs. '000	31.03.2016 Rs. '000	31.03.2017 Rs. '000	31.03.2016 Rs. '000
<b>16.3 Short term lending</b>				
Short term lending (Gross)	5,343,766	2,433,363	7,927,535	2,834,628
Less : Specific allowance for impairment	(187,660)	(187,660)	-	-
	<b>5,156,106</b>	<b>2,245,703</b>	<b>7,927,535</b>	<b>2,834,628</b>

	Group		Company	
	31.03.2017 Rs. '000	31.03.2016 Rs. '000	31.03.2017 Rs. '000	31.03.2016 Rs. '000
<b>17 TRADE AND OTHER RECEIVABLES</b>				
Trade receivables (Note 17.1)	335,607	388,071	-	-
Loans (Note 17.2)	671	936	-	-
Other receivable (Note 17.3)	204,243	187,346	2,303	1,073
	<b>540,521</b>	<b>576,353</b>	<b>2,303</b>	<b>1,073</b>
<b>17.1 Trade receivables</b>				
Margin trading debtors (Note 17.1.a)	286,302	311,177	-	-
Stock broking debtors (Note 17.1.b)	49,305	76,894	-	-
	<b>335,607</b>	<b>388,071</b>	<b>-</b>	<b>-</b>

## Notes to the Financial Statements Contd.

As at,	Group		Company	
	31.03.2017 Rs. '000	31.03.2016 Rs. '000	31.03.2017 Rs. '000	31.03.2016 Rs. '000
<b>17.1 Trade receivables</b> <i>Contd.</i>				
17.1.a Margin trading debtors				
Margin trading debtors	349,810	374,685	-	-
Less : Specific allowance for impairment	(63,508)	(63,508)	-	-
	286,302	311,177	-	-
17.1.b Stock broking debtors				
Stock broking debtors	49,305	77,118	-	-
Less : Write offs during the year	-	(224)	-	-
	49,305	76,894	-	-
<b>17.2 Loans</b>				
Koolair Venture Power (Private) Limited	28,000	28,000	-	-
Specific allowance for impairment	(28,000)	(28,000)	-	-
	-	-	-	-
Staff loans	671	936	-	-
	671	936	-	-
<b>17.3 Other receivable</b>				
Rent deposit	37,257	43,875	-	-
Deposit with CSE	7,750	7,750	-	-
Advance paid for land and premises (Note 41)	77,300	77,300	-	-
Miscellaneous	81,936	58,421	2,303	1,073
	204,243	187,346	2,303	1,073

As at,	31.03.2017 Rs. '000	31.03.2016 Rs. '000
<b>18 NON-CURRENT ASSETS HELD FOR SALE - GROUP</b>		
Investments in equities (Note 18.1)	42,416	42,416
	42,416	42,416

As at,	No. of shares	31.03.2017 Rs. '000	31.03.2016 Rs. '000
<b>18.1 Investments in equities</b>			
Ceyspence (Private) Limited	2,861,856	71,432	71,432
Ceyaki Shipping (Private) Limited	3,116,600	29,928	29,928
		101,360	101,360
Specific allowance for impairment		(58,944)	(58,944)
		42,416	42,416

This represents equity investments in shipping business made by First Capital Limited. All these businesses are in the process of liquidation and stated at their realisable values as at the reporting date. A Provision of Rs. 37.78Mn has been accounted for with respect to estimated liability on income tax and settlement of creditors in the investee companies.

As at,	Group		Company	
	31.03.2017 Rs. '000	31.03.2016 Rs. '000	31.03.2017 Rs. '000	31.03.2016 Rs. '000
<b>19. a. TAXES RECEIVABLES</b>				
Balance at the beginning of the year	62,379	65,972	-	5,628
Over provision for the previous year	14,632	-	-	-
Provision for the year	(5,818)	(12,044)	-	(5,782)
Payment made during the year	32,839	8,451	-	124
<b>Balance at the end of the year</b>	<b>104,032</b>	<b>62,379</b>	<b>-</b>	<b>(30)</b>
<b>19. b. TAXES PAYABLES</b>				
Balance at the beginning of the year	331	1,719	30	-
Provision made during the year	6,848	-	5,930	-
Payment made during the year	(3,223)	(1,388)	(2,709)	-
<b>Balance at the end of the year</b>	<b>3,956</b>	<b>331</b>	<b>3,251</b>	<b>-</b>
<b>20 INVESTMENTS IN VENTURE CAPITAL</b>				
Balance at the beginning of the year	-	8,600	-	8,600
Specific allowance for impairment	-	(2,600)	-	(2,600)
	-	6,000	-	6,000
Less : Disposal during the year	-	(6,000)	-	(6,000)
	-	-	-	-

**21 INVESTMENT IN ASSOCIATES**

The Company changed its accounting policy on investments in associates from Cost Basis to Equity Method of Accounting in accordance with the provisions of "LKAS 27 - Separate financial Statements (2016)" with effect from financial year 2016/17 with the objective of fair presentation. Accordingly, comparative figures have been restated for the impact of adopting the equity method of accounting.

	Group			Company	
	31.03.2017 Rs. '000	31.03.2016 Rs. '000	31.03.2017 Rs. '000	31.03.2016 Rs. '000 (Restated)	31.03.2015 Rs. '000 (Restated)
Orient Finance PLC (Stake of 25%)					
No. of shares	-	28,907,500	-	28,907,500	28,907,500
Balance at the beginning of the year	-	408,876	-	408,876	323,750
Amount invested in equity accounted investee					81,451
Share of:					
- Profit or loss from continuing operations	-	9,606	-	9,606	5,925
- Other comprehensive income/ (expense)	-	1,564	-	1,564	(2,250)
Less : Dividend received	-	-	-	-	-
Disposals made during the year	-	(420,046)	-	(420,046)	-
<b>Equity value of investment as at the year end</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>408,876</b>

## Notes to the Financial Statements Contd.

Impact to the Statement of Financial Position, Profit or Loss and Other Comprehensive income via change in accounting policy on investments in associates is shown in Note 22.2 to the financial statements.

### 22 INVESTMENT IN SUBSIDIARY - COMPANY

The Company changed its accounting policy on investment in subsidiaries from Cost Basis to Equity Method of Accounting in accordance with the provisions of "LKAS 27 - Separate financial Statements (2016)" with effect from financial year 2016/17 with the objective of fair presentation. Accordingly, comparative figures have been restated for the impact of adopting the equity method of accounting.

As at,	Company					
	No. of shares			Value of shares		
	31.03.2017	31.03.2016	31.03.2015	31.03.2017	31.03.2016	31.03.2015
			Rs. '000	Rs. '000	Rs. '000	
				(Restated)	(Restated)	
<b>First Capital Limited</b>						
Balance at the beginning of the year	11,688,653	11,688,653	11,687,653	1,781,495	1,791,189	1,786,088
Shares acquired during the year	-	-	1,000	-	-	-
Balance at the end of the year	11,688,653	11,688,653	11,688,653	1,781,495	1,791,189	1,786,088
Holding percentage	99.9%	99.9%	99.9%	99.9%	99.9%	99.9%

#### 22.1 Adjustments due to restatement

	31.03.2017	31.03.2016
	Rs. '000	Rs. '000
Opening balance	1,791,189	311,072
Adjustments on application of Equity Method	-	1,475,016
Restated balance	1,791,189	1,786,088
Add - Share of profit during the year	194,110	4,594
Share of other comprehensive income during the year	6,592	507
Less - Dividend	(210,396)	-
Closing balance	1,781,495	1,791,189

22.2 Impact to the Statement of Financial Position, Profit or Loss and Other Comprehensive income via change in accounting policy on investment in subsidiaries/ associates (equity accounted investees) is shown below.

Impact to Statement of Financial Position As at 31 March 2016	Company		
	As previously reported Rs. 000	Adjustment Rs. 000	Restated Rs. 000
<b>Assets</b>			
Investment in subsidiaries	311,072	1,480,117	1,791,189
Total assets	3,985,653	1,480,117	5,465,770
<b>Equity</b>			
Risk reserve	-	822,022	822,022
Retained earnings	394,598	658,095	1,052,693
Total	394,598	1,480,117	1,874,715
Total equity and liabilities	3,985,653	1,480,117	5,465,770

Impact to Statement of Financial Position As at 31 March 2015	Company		
	As previously reported Rs. 000	Adjustment Rs. 000	Restated Rs. 000
<b>Assets</b>			
Investment in subsidiaries	311,072	1,475,016	1,786,088
Investment in associate	405,201	3,675	408,876
Total assets	3,436,570	1,478,691	4,915,261
<b>Equity</b>			
Risk reserve	-	820,964	820,964
Retained earnings	549,887	659,291	1,209,178
Fair valuation reserves	-	(1,564)	(1,564)
Total	549,887	1,478,691	2,028,578
Total equity and liabilities	3,436,570	1,478,691	4,915,261

Impact to Profit or Loss and Other Comprehensive Income For the year ended 31 March 2016	Company		
	As previously reported Rs. 000	Adjustment Rs. 000	Restated Rs. 000
<b>Statement of profit or loss</b>			
Share of profit of equity-accounted investees (net of tax)	-	14,200	14,200
<b>Other comprehensive income</b>			
Share of other comprehensive income of equity-accounted investees (net of tax)	-	2,071	2,071
Earnings per share	0.47	(0.01)	0.46

As at,	Group		Company	
	31.03.2017 Rs. '000	31.03.2016 Rs. '000	31.03.2017 Rs. '000	31.03.2016 Rs. '000
<b>23 DEFERRED TAX ASSET</b>				
Balance at the beginning of the year	37,703	40,259	-	-
Reversal made during the year (Note 11.1)	(1,000)	(2,556)	-	-
Balance at the end of the year	36,703	37,703	-	-

Deferred tax asset is recognised by capitalising the brought forward tax losses if there is an assurance beyond reasonable doubt that sufficient future taxable income will be available to allow the benefit of the loss to be realised. Having considered the matter, First Capital Holdings PLC ("the company") has decided not to recognise the deferred tax asset arising from the carried forward tax losses amounting to Rs. 139.1Mn for the financial year ended 2016/17.

The deferred tax asset has been computed on the basis of 28% (tax rate which is applicable for 2016/17 and 2015/16) except for unit trust operations of First Capital Asset Management Limited which is based on 10% (2015/16 – 10%).

## Notes to the Financial Statements Contd.

	Office Equipment Rs. '000	Furniture Rs. '000	Fixtures and Fittings Rs. '000	Motor Vehicles Rs. '000	Total Rs. '000
<b>24 PROPERTY, PLANT AND EQUIPMENT - GROUP</b>					
<b>Cost</b>					
As at 1 April 2016	58,378	8,225	25,816	21,915	114,334
Additions	5,030	512	1,761	-	7,303
Disposals	(3,309)	(196)	(4,100)	(5,960)	(13,565)
As at 31 March 2017	<b>60,099</b>	<b>8,541</b>	<b>23,477</b>	<b>15,955</b>	<b>108,072</b>
<b>Accumulated depreciation/ Impairment losses</b>					
As at 1 April 2016	48,014	7,511	22,355	19,806	97,686
Charge for the year	2,925	404	791	2,109	6,229
Disposals	(1,932)	(196)	(2,050)	(5,960)	(10,138)
As at 31 March 2017	<b>49,007</b>	<b>7,719</b>	<b>21,096</b>	<b>15,955</b>	<b>93,777</b>
<b>Carrying values</b>					
As at 31 March 2017	<b>11,092</b>	<b>822</b>	<b>2,381</b>	<b>-</b>	<b>14,295</b>
As at 31 March 2016	10,364	714	3,461	2,109	16,648

	Office Equipment Rs. '000	Furniture Rs. '000	Fixtures and Fittings Rs. '000	Motor Vehicles Rs. '000	Total Rs. '000
<b>24 PROPERTY, PLANT AND EQUIPMENT - COMPANY</b>					
<b>Cost</b>					
As at 1 April 2016	12	-	-	4,940	4,952
Additions	1,198	321	217	-	1,736
Disposals	-	-	-	-	-
As at 31 March 2017	<b>1,210</b>	<b>321</b>	<b>217</b>	<b>4,940</b>	<b>6,688</b>
<b>Accumulated depreciation/ Impairment losses</b>					
As at 1 April 2016	3	-	-	4,940	4,943
Charge for the year	140	54	36	-	230
Disposals	-	-	-	-	-
As at 31 March 2017	<b>143</b>	<b>54</b>	<b>36</b>	<b>4,940</b>	<b>5,173</b>
<b>Carrying values</b>					
As at 31 March 2017	<b>1,067</b>	<b>267</b>	<b>181</b>	<b>-</b>	<b>1,515</b>
As at 31 March 2016	9	-	-	-	9

Based on the assessment of potential impairment carried out by the Company as at 31 March 2017, no provision was required to be made in the Financial Statements. (Provision for impairment losses as at 31 March 2016 - Nil)

Group's Property, Plant and Equipment included fully depreciated assets having a gross amount of Rs. 75.2 Mn as at 31 March 2017 (2015/16 Rs. 64.5 Mn).

There were no capitalised borrowing costs relating to the acquisition of Property, Plant and Equipment during the year (2015/16 - Nil).

There were no restrictions on the title of the Property, Plant and Equipment as at 31 March 2017 (as at 31 March 2016 - Nil).

There were no items of Property, Plant and Equipment pledged as security as at 31 March 2017 (as at 31 March 2016 - Nil).

	Software Rs. '000	Business License (Note 25 a) Rs. '000	Goodwill (Note 25 b) Rs. '000	Total Rs. '000
<b>25 INTANGIBLE ASSETS - GROUP</b>				
<b>Gross value</b>				
Balance as at 1 April 2016	27,176	28,800	80,872	136,848
Additions	1,647	-	-	1,647
Disposals	-	-	-	-
Balance as at 31 March 2017	<b>28,823</b>	<b>28,800</b>	<b>80,872</b>	<b>138,495</b>
<b>Amortisation/ Impairment losses</b>				
Balance as at 1 April 2016	21,485	-	-	21,485
Amortisation	2,440	-	-	2,440
Disposals	-	-	-	-
Balance as at 31 March 2017	<b>23,925</b>	<b>-</b>	<b>-</b>	<b>23,925</b>
<b>Carrying Values as at 31 March 2017</b>	<b>4,898</b>	<b>28,800</b>	<b>80,872</b>	<b>114,570</b>
Carrying Values as at 31 March 2016	5,691	28,800	80,872	115,363

**Note 25 a**

The Business License represents stock broking license which derived through acquisition of First Capital Equities (Private) Limited during year 2013/14.

## Notes to the Financial Statements Contd.

**Note 25 b**

Goodwill on acquisition of subsidiary companies

As at,	Gross Goodwill	Impairment provision	Carrying values	Carrying value
	Rs.'000	Rs.'000	31.03.2017 Rs.'000	31.03.2016 Rs.'000
<b>Subsidiary</b>				
First Capital Limited	54,535	-	54,535	54,535
First Capital Equities (Private) Limited	26,337	-	26,337	26,337
	<b>80,872</b>	<b>-</b>	<b>80,872</b>	<b>80,872</b>

As required by LKAS 36 - "Impairment of Assets", goodwill is tested for impairment annually and assessed for any indications of impairment at each reporting date to ensure that the carrying amount does not exceed the recoverable amount. Accordingly, the management of the company conducted an assessment and concluded that there are no indications of impairment of the goodwill as at 31 March 2017.

	Software Rs. '000	Total Rs. '000
<b>25 INTANGIBLE ASSETS - COMPANY</b>		
<b>Gross value</b>		
Balance as at 1 April 2016	-	-
Additions	47	47
Disposals	-	-
<b>Balance as at 31 March 2017</b>	<b>47</b>	<b>47</b>
<b>Amortisation/ Impairment losses</b>		
Balance as at 1 April 2016	-	-
Amortisation	6	6
Disposals	-	-
<b>Balance as at 31 March 2017</b>	<b>6</b>	<b>6</b>
<b>Carrying Values as at 31 March 2017</b>	<b>41</b>	<b>41</b>
Carrying Values as at 31 March 2016	-	-

As at,	Group		Company	
	31.03.2017 Rs. '000	31.03.2016 Rs. '000	31.03.2017 Rs. '000	31.03.2016 Rs. '000
<b>26 DERIVATIVE FINANCIAL INSTRUMENTS</b>				
Forward sale contracts	2,240	20,304	-	-
Forward purchase contracts	-	531	-	-
	<b>2,240</b>	<b>20,835</b>	<b>-</b>	<b>-</b>
<b>27 SECURITIES SOLD UNDER REPURCHASE AGREEMENTS</b>				
Against government securities	19,657,404	13,250,762	-	-
Against corporate debt instruments	1,445,493	1,236,952	-	-
	<b>21,102,897</b>	<b>14,487,714</b>	<b>-</b>	<b>-</b>

As at,	Group		Company	
	31.03.2017 Rs. '000	31.03.2016 Rs. '000	31.03.2017 Rs. '000	31.03.2016 Rs. '000
<b>28 SHORT TERM BORROWINGS</b>				
Borrowings on corporate debt securities	5,710,271	2,068,623	5,710,271	2,820,725
Other short term borrowings	1,057,744	817,519	1,492,579	-
	<b>6,768,015</b>	<b>2,886,142</b>	<b>7,202,850</b>	<b>2,820,725</b>
<b>29. a. GROUP BALANCES RECEIVABLES</b>				
First Capital Limited	-	-	-	16,837
	-	-	-	16,837
<b>29. b. GROUP BALANCES PAYABLES</b>				
First Capital Treasuries PLC	-	-	19	399
First Capital Limited	-	-	11,356	-
	-	-	<b>11,375</b>	<b>399</b>

**30 LONG TERM BORROWINGS - GROUP/ COMPANY**

Bank	As at 01.04.2016 Rs. '000	Facility obtained Rs. '000	Repayment		Accrued interest Rs. '000	As at 31.03.2017 Rs. '000	Tenure of the Loan	Security offered
			Capital	Interest				
			Rs. '000	Rs. '000				
Bank of Ceylon	-	500,000	50,000	44,437	3,077	453,077	5 Years	- Corporate guarantee of Dunamis Capital PLC and First Capital Limited

As at,	Group		Company	
	31.03.2017 Rs. '000	31.03.2016 Rs. '000	31.03.2017 Rs. '000	31.03.2016 Rs. '000
<b>31 TRADE AND OTHER PAYABLES</b>				
Trade payables	144,846	51,655	-	-
Accrued expenses	50,715	47,051	-	-
Advance against non-current assets held for sale	80,218	80,218	-	-
Provision for statutory liabilities	53,515	34,309	-	6,321
Dividend payables	17,590	14,774	17,590	14,703
Other liabilities	11,909	9,913	11,909	5,573
	<b>358,793</b>	<b>237,920</b>	<b>29,499</b>	<b>26,597</b>

## Notes to the Financial Statements Contd.

As at,	Group		Company	
	31.03.2017 Rs. '000	31.03.2016 Rs. '000	31.03.2017 Rs. '000	31.03.2016 Rs. '000
<b>32 RETIREMENT BENEFIT OBLIGATIONS</b>				
Balance at the beginning of the year	24,385	19,036	-	-
Gratuity charge for the year	3,063	4,411	-	-
Interest charge for the year	2,858	2,390	-	-
Actuarial gain for the year	(6,836)	(541)	-	-
Transfers made during the year	(675)	-	-	-
Benefits paid during the year	(99)	(911)	-	-
<b>Balance at the end of the year</b>	<b>22,696</b>	<b>24,385</b>	<b>-</b>	<b>-</b>
<b>The total amount charged to profit or loss in respect of Retirement Benefit Obligations:</b>				
Gratuity charge for the year	3,063	4,411	-	-
Interest charge for the year	2,858	2,390	-	-
	<b>5,921</b>	<b>6,801</b>	<b>-</b>	<b>-</b>
<b>The total amount charged to other comprehensive income in respect of Retirement Benefit Obligations:</b>				
Actuarial gain for the year	(6,836)	(541)	-	-
	<b>(6,836)</b>	<b>(541)</b>	<b>-</b>	<b>-</b>

As required by Sri Lanka Accounting Standard - LKAS 19 - "Employee Benefits", gratuity liabilities are provided for based on the Projected Unit Credit Method.

<b>The principal assumptions used are as follows:</b>	<b>2016/17</b>	<b>2015/16</b>
Expected annual average salary increment	7.5%	9.0%
Discount rate / interest Rate	13%	11%
Staff turnover factor	5%	5%
Retirement age of employees :	<b>55 Years</b>	55 Years

**Sensitivity of the assumptions used**

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

		<b>2016/17 Rs. '000</b>	<b>2015/16 Rs. '000</b>
Increase /(decrease) in discount rate	1%	<b>(1,545)</b>	(2,086)
	-1%	<b>1,729</b>	3,922
			-
Increase /(decrease) in salary increment	1%	<b>1,805</b>	3,947
	-1%	<b>(1,633)</b>	(1,067)

As at,	Group		Company	
	31.03.2017 Rs. '000	31.03.2016 Rs. '000	31.03.2017 Rs. '000	31.03.2016 Rs. '000
<b>33 BORROWINGS ON DEBENTURES</b>				
Debentures issued	711,310	711,310	500,000	500,000
Transaction cost	(2,589)	(2,589)	(930)	(930)
	708,721	708,721	499,070	499,070
Interest payable	16,711	21,679	11,167	16,734
Debentures redeemed during the year	(185,400)	-	(185,400)	-
<b>Balance as at 31 March (Note 33.1)</b>	<b>540,032</b>	<b>730,400</b>	<b>324,837</b>	<b>515,804</b>
<b>33.1 Debentures issued</b>				
First Capital Holdings PLC	324,837	515,804	324,837	515,804
First Capital Treasuries PLC	215,195	214,596	-	-
	540,032	730,400	324,837	515,804

#### Debentures issued by the Company

The debentures include 3,146,000 Rated, Senior, Unsecured, Redeemable, 4 years (2014/2018) and 5 years (2014/2019) Debentures of Rs.100/- each issued in March 2014.

The debentures are quoted on the Colombo Stock Exchange.

Type	Tenure	No. of Debentures	Face value	Carrying value	Carrying value	Allotment Date	Maturity Date	Rate of Interest	Frequency on interest
			31.03.2017 Rs. '000	31.03.2017 Rs. '000	31.03.2016 Rs. '000				
Type A	3 years	-	-	-	191,293	12-Mar-14	11-Mar-17	13.50% (AER-13.50%)	Annually
Type B	4 years	1,292,000	129,200	133,424	133,268	12-Mar-14	11-Mar-18	13.75% (AER-13.75%)	Annually
Type C	5 years	1,854,000	185,400	191,413	191,243	12-Mar-14	11-Mar-19	14.00% (AER-14.00%)	Annually
		3,146,000	314,600	324,837	515,804				

During the year company redeemed 1,854,000 number of debentures (Rs. 185,400,000) relating to maturity of 3 years.

#### Debentures issued by First Capital Treasuries PLC (Subsidiary)

The debentures represent 5,000,000 Rated, Subordinated, Unsecured, Redeemable 5 year (2015/2020) debentures at a face value of Rs. 100/- interest payable at a rate of 9.5% annually issued in February 2015.

## Notes to the Financial Statements Contd.

The debentures are quoted on the Colombo Stock Exchange.

Tenure	No. of Debentures	Face value	Carrying value	Carrying value	Allotment Date	Maturity Date	Rate of Interest	Frequency on interest
		31.03.2017 Rs. '000	31.03.2017 Rs. '000	31.03.2016 Rs. '000				
5 year	5,000,000	500,000	510,304	509,953	5-Feb-15	6-Feb-20	9.50% (AER-9.50% )	Annually
	5,000,000	500,000	510,304	509,953				

Inter- Company investments in Listed Debentures of First Capital Treasuries PLC amounting to Rs. 295 Mn (Including amortised interest cost) has been eliminated (As at 31/03/2016 - Rs. 295 Mn).

As at,	No. of shares		Group		Company	
	31.03.2017	31.03.2016	31.03.2017	31.03.2016	31.03.2017	31.03.2016
			Rs. '000	Rs. '000	Rs. '000	Rs. '000
<b>34 STATED CAPITAL</b>						
Balance at the beginning of the year		101,250,000	227,500	227,500	227,500	227,500
Shares issued during the year		-	-	-	-	-
<b>Balance at the end of the year</b>		101,250,000	227,500	227,500	227,500	227,500

As at,	Group		Company		
	31.03.2017	31.03.2016	31.03.2017	31.03.2016	31.03.2015
	Rs. '000				
<b>35 RISK RESERVE</b>					
Balance at the beginning of the year	822,022	820,964	822,022	820,964	648,793
Transfers made during the year	32,434	1,058	32,434	1,058	172,171
<b>Balance at the end of the year</b>	854,456	822,022	854,456	822,022	820,964

A sum equivalent to 10% of the profit after tax of First Capital Treasuries PLC (subsidiary company) has been transferred to the risk reserve in accordance with the Directions issued by the Central Bank of Sri Lanka.

As at,	Group		Company		
	31.03.2017	31.03.2016	31.03.2017	31.03.2016	31.03.2015
	Rs. '000				
<b>36 FAIR VALUATION RESERVE</b>					
Balance at the beginning of the year	-	(1,564)	-	(1,564)	212,473
Gain on fair valuation of financial investments - Available for Sale	-	-	-	-	20,812
Transfers made to profit or loss during the year	-	-	-	-	(233,285)
Transfers made to profit or loss during the year (Equity accounted Investee)	-	1,564	-	1,564	(1,564)
<b>Balance at the end of the year</b>	-	-	-	-	(1,564)

**37 DIVIDEND PAID**

The Board of Directors of First Capital Holdings PLC declared an interim dividend of Rs. 2/- per share totaling Rs. 202.5 Mn for the year ended 31 March 2017 (2015/16 - Nil).

**38 INVOLVEMENT WITH UNCONSOLIDATED STRUCTURED ENTITIES**

The table below describes the type of structured entities that the Group does not consolidate but in which it holds an interest.

Name of the fund	Nature of Business	Date of Incorporation	Managing Company	Investment made by First Capital Limited and First Capital Asset Management Limited (Rs' 000)	Management fee received by First Capital Asset Management Limited (Rs' 000)
First Capital Wealth Fund	The Unit Trust engages in investment in medium term fixed income securities (i.e. Government Securities and Corporate Debt Securities) on behalf of its clients.	18 August 2010	First Capital Asset Management Limited	460,366	23,711
First Capital Money Market Fund	The Unit Trust engages in investment in Short Term Fixed Income Securities on behalf of its clients.	16 September 2014	First Capital Asset Management Limited	491	4,839
First Capital Gilt -Edged Fund	The Unit Trust engages in investment in Government securities on behalf of its clients.	16 September 2014	First Capital Asset Management Limited	8,312	248
First Capital Fixed Income Fund	The Unit Trust engages in investment in fixed income securities (i.e. Government Securities and Corporate Debt Securities) on behalf of its clients.	25 April 2014	First Capital Asset Management Limited	-	1,553
First Capital Equity Fund	The Unit Trust engages in investment in equity shares on behalf of its clients.	30 July 2015	First Capital Asset Management Limited	37,632	1,466

Summarised financial performance of the above unit trusts for the year ended 31 March 2017 are as follows.

Name of the Fund	Profit after tax			Net Asset per Unit Rs.
	Income Rs. '000	for the year Rs. '000	Total Equity Rs. '000	
First Capital Wealth Fund	183,534	178,410	1,391,082	1,203
First Capital Money Market Fund	105,385	90,713	374,416	1,213
First Capital Gilt -Edged Fund	4,658	4,846	51,808	1,215
First Capital Fixed Income Fund	32,430	19,482	322,691	1,185
First Capital Equity Fund	5,696	926	70,823	980

## Notes to the Financial Statements Contd.

**39 FINANCIAL INSTRUMENTS - FAIR VALUE AND RISK MANAGEMENT****39.1 (a) Accounting classifications**

<b>Group - As at 31 March 2017</b>	<b>Held for trading</b>	<b>Loans and receivables/ Borrowings at amortised cost</b>	<b>Available for sale</b>	<b>Held to maturity</b>	<b>Total carrying amount</b>	<b>Fair value</b>
	<b>Rs. '000</b>	<b>Rs. '000</b>	<b>Rs. '000</b>	<b>Rs. '000</b>	<b>Rs. '000</b>	<b>Rs. '000</b>
<b>Financial assets measured at fair value</b>						
Financial investments - Held for trading	23,799,894	-	-	-	23,799,894	23,799,894
Derivative Financial Instruments	24,075	-	-	-	24,075	24,075
Financial investments - Available for sale	-	-	332,803	-	332,803	332,803
	<b>23,823,969</b>	<b>-</b>	<b>332,803</b>	<b>-</b>	<b>24,156,772</b>	<b>24,156,772</b>
<b>Financial assets not measured at fair value</b>						
Cash at banks and in hand	-	55,340	-	-	55,340	55,340
Financial investments - Loans and receivables	-	6,625,115	-	-	6,625,115	6,625,115
Trade receivables	-	335,607	-	-	335,607	335,607
	<b>-</b>	<b>7,016,062</b>	<b>-</b>	<b>-</b>	<b>7,016,062</b>	<b>7,016,062</b>
<b>Total financial assets</b>	<b>23,823,969</b>	<b>7,016,062</b>	<b>332,803</b>	<b>-</b>	<b>31,172,834</b>	<b>31,172,834</b>
<b>Financial liabilities measured at fair value</b>						
Derivative Financial Instruments	2,240	-	-	-	2,240	2,240
	<b>2,240</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,240</b>	<b>2,240</b>
<b>Financial liabilities not measured at fair value</b>						
Bank overdrafts	-	224,445	-	-	224,445	224,445
Securities sold under re-purchase agreements	-	21,102,897	-	-	21,102,897	21,064,144
Short term borrowings	-	6,768,015	-	-	6,768,015	6,768,015
Long term borrowings	-	453,077	-	-	453,077	453,077
Borrowings on debentures	-	540,032	-	-	540,032	509,412
	<b>-</b>	<b>29,088,466</b>	<b>-</b>	<b>-</b>	<b>29,088,466</b>	<b>29,019,093</b>
<b>Total Financial Liabilities</b>	<b>2,240</b>	<b>29,088,466</b>	<b>-</b>	<b>-</b>	<b>29,090,706</b>	<b>29,021,333</b>

## 39.1 (b) Accounting Classifications

<b>Group - As at 31 March 2016</b>	<b>Held for trading</b>	<b>Loans and receivables/ Borrowings at amortised cost</b>	<b>Available for sale</b>	<b>Held to maturity</b>	<b>Total carrying amount</b>	<b>Fair value</b>
	<b>Rs. '000</b>	<b>Rs. '000</b>	<b>Rs. '000</b>	<b>Rs. '000</b>	<b>Rs. '000</b>	<b>Rs. '000</b>
<b>Financial assets measured at fair value</b>						
Financial investments - Held for trading	11,326,163	-	-	-	11,326,163	11,326,163
Derivative Financial Instruments	40,861	-	-	-	40,861	40,861
Financial investments - Available for sale	-	-	2,000	-	2,000	2,000
	<b>11,367,024</b>	<b>-</b>	<b>2,000</b>	<b>-</b>	<b>11,369,024</b>	<b>11,369,024</b>
<b>Financial assets not measured at fair value</b>						
Cash at banks and in hand	-	31,066	-	-	31,066	31,066
Financial investments - Loans and receivables	-	8,529,332	-	-	8,529,332	8,529,332
Trade receivables	-	388,071	-	-	388,071	388,071
	<b>-</b>	<b>8,948,469</b>	<b>-</b>	<b>-</b>	<b>8,948,469</b>	<b>8,948,469</b>
<b>Total financial assets</b>	<b>11,367,024</b>	<b>8,948,469</b>	<b>2,000</b>	<b>-</b>	<b>20,317,493</b>	<b>20,317,493</b>
<b>Financial liabilities measured at fair value</b>						
Derivative Financial Instruments	20,835	-	-	-	20,835	20,835
	<b>20,835</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>20,835</b>	<b>20,835</b>
<b>Financial liabilities not measured at fair value</b>						
Bank overdrafts	-	207,681	-	-	207,681	207,681
Securities sold under re-purchase agreements	-	14,487,714	-	-	14,487,714	14,394,148
Short term borrowings	-	2,886,142	-	-	2,886,142	2,886,142
Borrowings on debentures	-	730,400	-	-	730,400	704,267
	<b>-</b>	<b>18,311,937</b>	<b>-</b>	<b>-</b>	<b>18,311,937</b>	<b>18,192,238</b>
<b>Total Financial Liabilities</b>	<b>20,835</b>	<b>18,311,937</b>	<b>-</b>	<b>-</b>	<b>18,332,772</b>	<b>18,213,073</b>

## Notes to the Financial Statements Contd.

## 39.1 (c) Accounting Classification

Company - As at 31 March 2017	Loans and receivables/ Borrowings		Available for sale Rs. '000	Held to maturity Rs. '000	Total carrying amount Rs. '000	Fair value Rs. '000
	Held for trading Rs. '000	at amortised cost Rs. '000				
<b>Financial assets measured at fair value</b>						
Derivative Financial Instruments	-	-	-	-	-	-
Financial investments - Held for trading	-	-	-	-	-	-
Financial investments - Available for sale	-	-	1,000	-	1,000	1,000
	-	-	<b>1,000</b>	-	<b>1,000</b>	<b>1,000</b>
<b>Financial assets not measured at fair value</b>						
Cash at banks and in hand	-	8,477	-	-	8,477	8,477
Financial investments - Loans and receivables	-	8,378,338	-	-	8,378,338	8,378,338
	-	<b>8,386,815</b>	-	-	<b>8,386,815</b>	<b>8,386,815</b>
<b>Total financial assets</b>	-	<b>8,386,815</b>	<b>1,000</b>	-	<b>8,387,815</b>	<b>8,387,815</b>
<b>Financial liabilities measured at fair value</b>						
Derivative Financial Instruments	-	-	-	-	-	-
	-	-	-	-	-	-
<b>Financial liabilities not measured at fair value</b>						
Bank overdrafts	-	29,909	-	-	29,909	29,909
Securities sold under re-purchase agreements	-	-	-	-	-	-
Short term borrowings	-	7,202,850	-	-	7,202,850	7,202,850
Borrowings on debentures	-	324,837	-	-	324,837	314,458
	-	<b>7,557,596</b>	-	-	<b>7,557,596</b>	<b>7,547,217</b>
<b>Total financial liabilities</b>	-	<b>7,557,596</b>	-	-	<b>7,557,596</b>	<b>7,547,217</b>

## 39.1 (d) Accounting Classification

Company - As at 31 March 2016	Held for trading Rs. '000	Loans and receivables/ Borrowings at amortised cost Rs. '000	Available for sale Rs. '000	Held to maturity Rs. '000	Total carrying amount Rs. '000	Fair value Rs. '000
<b>Financial assets measured at fair value</b>						
Derivative Financial Instruments	-	-	-	-	-	-
Financial investments - Held for trading	-	-	-	-	-	-
Financial investments - Available for sale	-	-	1,000	-	1,000	1,000
	-	-	<b>1,000</b>	-	<b>1,000</b>	<b>1,000</b>
<b>Financial assets not measured at fair value</b>						
Cash at banks and in hand	-	4,998	-	-	4,998	4,998
Financial investments - Loans and receivables	-	3,650,664	-	-	3,650,664	3,650,664
	-	<b>3,655,662</b>	-	-	<b>3,655,662</b>	<b>3,655,662</b>
<b>Total financial assets</b>	-	<b>3,655,662</b>	<b>1,000</b>	-	<b>3,656,662</b>	<b>3,656,662</b>
<b>Financial liabilities measured at fair value</b>						
Derivative Financial Instruments	-	-	-	-	-	-
	-	-	-	-	-	-
<b>Financial liabilities not measured at fair value</b>						
Bank overdrafts	-	-	-	-	-	-
Securities sold under re-purchase agreements	-	-	-	-	-	-
Short term borrowings	-	2,820,725	-	-	2,820,725	2,820,725
Borrowings on debentures	-	515,804	-	-	515,804	497,636
	-	<b>3,336,529</b>	-	-	<b>3,336,529</b>	<b>3,318,361</b>
<b>Total financial liabilities</b>	-	<b>3,336,529</b>	-	-	<b>3,336,529</b>	<b>3,318,361</b>

## Notes to the Financial Statements Contd.

**39.2 Financial instruments- Fair Value**

The following tables show an analysis of financial instruments at fair value and by level of fair value hierarchy.

<b>39.2 (a) Group - As at 31 March 2017</b>	<b>Total Carrying Value</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total Fair Value</b>
	<b>Rs.'000</b>	<b>Rs.'000</b>	<b>Rs.'000</b>	<b>Rs.'000</b>	<b>Rs.'000</b>
<b>Financial assets measured at fair value</b>					
<b>Derivative financial instruments</b>					
Interest rate swaps	-	-	-	-	-
Forward purchase contracts	-	-	-	-	-
Forward sale contracts	24,075	24,075	-	-	24,075
	<b>24,075</b>	<b>24,075</b>	-	-	<b>24,075</b>
<b>Financial investments - Held for trading</b>					
Investment in government securities	21,641,429	21,641,429	-	-	21,641,429
Investment in listed debentures	1,463,368	1,463,368	-	-	1,463,368
Investment in unit trust	507,908	-	507,908	-	507,908
Investment in listed shares	187,189	187,189	-	-	187,189
	<b>23,799,894</b>	<b>23,291,986</b>	<b>507,908</b>	-	<b>23,799,894</b>
Financial investments - Available for sale	332,803	-	330,803	2,000	332,803
	<b>24,156,772</b>	<b>23,316,061</b>	<b>838,711</b>	<b>2,000</b>	<b>24,156,772</b>
<b>Financial assets not measured at fair value</b>					
Financial investments - Loans and receivables	6,625,115	-	-	6,625,115	6,625,115
Trade receivables	335,607	-	-	335,607	335,607
	<b>6,960,722</b>	-	-	<b>6,960,722</b>	<b>6,960,722</b>
<b>Total financial investments</b>	<b>31,117,494</b>	<b>23,316,061</b>	<b>838,711</b>	<b>6,962,722</b>	<b>31,117,494</b>
<b>Financial liabilities measured at fair value</b>					
<b>Derivative financial instruments</b>					
Forward purchase contracts	-	-	-	-	-
Forward sale contracts	2,240	2,240	-	-	2,240
	<b>2,240</b>	<b>2,240</b>	-	-	<b>2,240</b>
<b>Financial liabilities not measured at fair value</b>					
Securities sold under re-purchase agreements	21,102,897	-	-	21,064,144	21,064,144
Short term borrowings	6,768,015	-	-	6,768,015	6,768,015
Long term borrowings	453,077	-	-	-	-
Borrowings on debentures	540,032	-	509,412	-	509,412
	<b>28,864,021</b>	-	<b>509,412</b>	<b>27,832,159</b>	<b>28,341,571</b>
<b>Total financial liabilities</b>	<b>28,866,261</b>	<b>2,240</b>	<b>509,412</b>	<b>27,832,159</b>	<b>28,343,811</b>

<b>39.2 (b) Group - As at 31 March 2016</b>	<b>Total Carrying Value</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total Fair Value</b>
	<b>Rs.'000</b>	<b>Rs.'000</b>	<b>Rs.'000</b>	<b>Rs.'000</b>	<b>Rs.'000</b>
<b>Financial assets measured at fair value</b>					
<b>Derivative financial instruments</b>					
Forward purchase contracts	40,227	40,227	-	-	40,227
Forward sale contracts	634	634	-	-	634
	<b>40,861</b>	<b>40,861</b>	<b>-</b>	<b>-</b>	<b>40,861</b>
<b>Financial investments - Held for trading</b>					
Investment in government securities	9,206,856	9,206,856	-	-	9,206,856
Investment in shares	1,267,633	1,267,633	-	-	1,267,633
Investment in listed debentures	557,436	-	557,436	-	557,436
Investment in unit trust	294,238	294,238	-	-	294,238
	<b>11,326,163</b>	<b>10,768,727</b>	<b>557,436</b>	<b>-</b>	<b>11,326,163</b>
Financial investments - Available for sale	2,000	-	-	2,000	2,000
	<b>11,369,024</b>	<b>10,809,588</b>	<b>557,436</b>	<b>2,000</b>	<b>11,369,024</b>
<b>Financial assets not measured at fair value</b>					
Financial investments - Loans and receivables	8,529,332	-	-	8,529,332	8,529,332
Trade receivables	388,071	-	-	388,071	388,071
	<b>8,917,403</b>	<b>-</b>	<b>-</b>	<b>8,917,403</b>	<b>8,917,403</b>
<b>Total financial investments</b>	<b>20,286,427</b>	<b>10,809,588</b>	<b>557,436</b>	<b>8,919,403</b>	<b>20,286,427</b>
<b>Financial liabilities measured at fair value</b>					
<b>Derivative financial instruments</b>					
Forward purchase contracts	531	531	-	-	531
Forward sale contracts	20,304	20,304	-	-	20,304
	<b>20,835</b>	<b>20,835</b>	<b>-</b>	<b>-</b>	<b>20,835</b>
<b>Financial liabilities not measured at fair value</b>					
Securities sold under re-purchase agreements	14,487,714	-	-	14,394,148	14,394,148
Short term borrowings	2,886,142	-	-	2,886,142	2,886,142
Borrowings on debentures	730,400	-	704,267	-	704,267
	<b>18,104,256</b>	<b>-</b>	<b>704,267</b>	<b>17,280,290</b>	<b>17,984,557</b>
<b>Total financial liabilities</b>	<b>18,125,091</b>	<b>20,835</b>	<b>704,267</b>	<b>17,280,290</b>	<b>18,005,392</b>

## Notes to the Financial Statements Contd.

<b>39.2 (c) Company - As at 31 March 2017</b>	<b>Total Carrying Value</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total Fair Value</b>
	<b>Rs.'000</b>	<b>Rs.'000</b>	<b>Rs.'000</b>	<b>Rs.'000</b>	<b>Rs.'000</b>
<b>Financial assets measured at fair value</b>					
Financial investments - Available for sale	1,000	-	-	1,000	1,000
	<b>1,000</b>	<b>-</b>	<b>-</b>	<b>1,000</b>	<b>1,000</b>
<b>Financial assets not measured at fair value</b>					
Financial investments - Loans and receivables	8,378,338	-	-	8,378,338	8,378,338
	8,378,338	-	-	8,378,338	8,378,338
<b>Total financial investments</b>	<b>8,379,338</b>	<b>-</b>	<b>-</b>	<b>8,379,338</b>	<b>8,379,338</b>
<b>Financial liabilities measured at fair value</b>					
	-	-	-	-	-
<b>Financial liabilities not measured at fair value</b>					
Short term borrowings	7,202,850	-	-	7,202,850	7,202,850
Long term borrowings	453,077	-	-	453,077	453,077
Borrowings on debentures	324,837	-	314,458	-	314,458
	<b>7,980,764</b>	<b>-</b>	<b>314,458</b>	<b>7,655,927</b>	<b>7,970,385</b>
<b>Total financial liabilities</b>	<b>7,980,764</b>	<b>-</b>	<b>314,458</b>	<b>7,655,927</b>	<b>7,970,385</b>
<b>39.2 (d) Company - As at 31 March 2016</b>					
<b>39.2 (d) Company - As at 31 March 2016</b>	<b>Total Carrying Value</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total Fair Value</b>
	<b>Rs.'000</b>	<b>Rs.'000</b>	<b>Rs.'000</b>	<b>Rs.'000</b>	<b>Rs.'000</b>
<b>Financial assets measured at fair value</b>					
Financial investments - Available for sale	1,000	-	-	1,000	1,000
	<b>1,000</b>	<b>-</b>	<b>-</b>	<b>1,000</b>	<b>1,000</b>
<b>Financial assets not measured at fair value</b>					
Financial investments - Loans and receivables	3,650,664	-	-	3,650,664	3,650,664
	<b>3,650,664</b>	<b>-</b>	<b>-</b>	<b>3,650,664</b>	<b>3,650,664</b>
<b>Total financial investments</b>	<b>3,651,664</b>	<b>-</b>	<b>-</b>	<b>3,651,664</b>	<b>3,651,664</b>
<b>Financial liabilities measured at fair value</b>					
	-	-	-	-	-
<b>Financial liabilities not measured at fair value</b>					
Short term borrowings	2,820,725	-	-	2,820,725	2,820,725
Borrowings on debentures	515,804	-	497,636	-	497,636
	<b>3,336,529</b>	<b>-</b>	<b>497,636</b>	<b>2,820,725</b>	<b>3,318,361</b>
<b>Total financial liabilities</b>	<b>3,336,529</b>	<b>-</b>	<b>497,636</b>	<b>2,820,725</b>	<b>3,318,361</b>

Level 1 - Financial instruments that are measured in whole or in part by reference to published quotes in an active market. A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange and those prices represent actual and regularly occurring market transactions on an arm's length basis.

Level 2 - Financial instruments that are measured at fair value on a recurring basis. As market quotes generally are not readily available or accessible for these securities, their fair value measures are determined using relevant information generated by market transactions involving comparable securities.

Level 3 - Financial Instruments that are not supported by observable market prices information.

### 39.3 Measurement of fair values

#### 39.3.(a) Valuation techniques and significant unobservable inputs

The following table show the valuation techniques used in measuring Level 2 and Level 3 fair values, as well as the significant unobservable inputs used.

#### Financial instruments measured at fair value

Type	Valuation technique	Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurement
Unit trust	The fair values are based on the Net Asset Value published by the respective unit trusts.	Not applicable	Not applicable

#### 39.3.(b) Fair Values - Level 2 and Level 3

#### Reconciliation of level 2 and level 3 fair values

The following table shows a reconciliation from the opening balance to the closing balances for Level 2 and Level 3 fair values.

	Unit Trust Rs.'000	Equity securities (Financial Investments -Available for Sale) Rs.'000	Total Rs.'000
Balance as at 1 April 2016	557,436	2,000	559,436
Purchase	1,152,297	330,803	1,483,100
Sales	(1,216,155)	-	(1,216,155)
Gain on fair valuation of financial investments	14,330	-	14,330
<b>Balance as at 31 March 2017</b>	<b>507,908</b>	<b>332,803</b>	<b>840,711</b>

## Notes to the Financial Statements Contd.

### 39.4. (a) Sensitivity analysis on Listed Debentures (Group)

Sensitivity of the Market Rate (Effect on Statement of profit or loss and other comprehensive income Increase/ (Reduction) in results for the year

	<b>(-) 0.5% Decrease Rs.'000</b>	<b>(-) 1% Decrease Rs.'000</b>	<b>(+) 0.5% Increase Rs.'000</b>	<b>(+) 1% Increase Rs.'000</b>
Lanka Orix Leasing Company PLC	4,695	9,453	(4,632)	(9,201)
Janashakthi PLC	5,027	10,134	(4,950)	(9,823)
Lanka Orix Finance PLC	2,213	4,459	(2,182)	(4,333)
First Capital Treasuries PLC	3,011	6,071	(2,962)	(5,876)
Dunamis Capital PLC - 2014	1,949	3,927	(1,922)	(3,816)
Dunamis Capital PLC - 2015	2,521	5,083	(2,479)	(4,917)
Citizen Development Bank PLC	22	44	(21)	(42)
	<b>19,438</b>	<b>39,171</b>	<b>(19,148)</b>	<b>(38,008)</b>

### 39.4. (b) Sensitivity analysis on Unit Trust (Group)

Sensitivity of the Unit Price (Effect on Statement of profit or loss and other comprehensive income Increase/ (Reduction) in results for the year

	<b>(-) 0.5% Decrease Rs.'000</b>	<b>(-) 1% Decrease Rs.'000</b>	<b>(+) 0.5% Increase Rs.'000</b>	<b>(+) 1% Increase Rs.'000</b>
First Capital Wealth Fund	(23,039)	(46,079)	23,039	46,079
First Capital Money Market Fund	(25)	(49)	25	49
First Capital Gilt -Edged Fund	(417)	(834)	417	834
First Capital Equity Fund	(1,847)	(3,694)	1,847	3,694
JB Vantage Short Term Gilt Fund	(55)	(111)	55	111
	<b>(25,383)</b>	<b>(50,767)</b>	<b>25,383</b>	<b>50,767</b>

### 39.5 Risk Management Framework

The Board of Directors has the overall responsibility for the establishment and oversight of the Group's risk management framework. The Group has established an Enterprise Risk Management Committee (ERMC) which is tasked with reviewing wide-ranging risk categories that includes market, liquidity, credit and operational risk. Functionally, ERMC identifies, measures, monitors and controls risk while keeping the Board of Directors informed.

The Group's risk management policies are established to identify and analyse the risk confronted by the Group, to set appropriate risk limits and controls and to monitor risk and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and products and services offered.

### 39.5 (a) Market Risk

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

Management of market risk includes the following elements:

- » The operational authority for managing market risk is vested with the Investment Committee (IC).
- » Interest rate risk is managed within the approved limits by the Investment Committee.

### 39.5 (b) Liquidity Risk

Liquidity risk is the risk that the Group will not have adequate financial resources to meet Group's obligations as when they fall due. This risk arises from mismatches in the timing of cash flows.

Management of liquidity risk includes the following elements:

- » Taking steps to ensure, as far as possible, that it will always have adequate financial resources to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

### Maturity Analysis of the Financial Assets and Financial Liabilities

Group	Carrying Amount Rs.'000	On Demand Rs.'000	Up to 3 Months Rs.'000	3 Months to 1 Year Rs.'000	1-3 Years Rs.'000	3-5 Years Rs.'000	Over 5 Years Rs.'000
<b>Assets</b>							
Cash at banks and in hand	55,340	55,340	-	-	-	-	-
Derivative financial instruments	24,075	-	24,075	-	-	-	-
Financial investments							
- Held for trading	23,799,894	507,907	349,210	586,570	21,470,790	314,849	570,568
Financial investments							
- Available for sale	332,803	-	-	-	-	330,803	2,000
Financial investments							
- Loans and receivables	6,625,115	-	6,523,180	89,738	11,644	553	-
Other financial assets							
(Trade receivables - Net)	335,607	286,302	49,305	-	-	-	-
<b>Total As at 31 March 2017</b>	<b>31,172,834</b>	<b>849,549</b>	<b>6,945,770</b>	<b>676,308</b>	<b>21,482,434</b>	<b>646,205</b>	<b>572,568</b>
As at 31 March 2016	20,317,493	398,255	8,829,865	1,816,687	7,192,974	1,799,391	280,321
<b>Liabilities</b>							
Bank overdrafts	224,445	224,445	-	-	-	-	-
Derivative financial instruments	2,240	-	1,734	506	-	-	-
Securities sold under repurchase agreements	21,102,897	-	18,501,030	1,481,993	896,967	222,907	-
Short term borrowings	6,768,015	-	6,399,834	368,181	-	-	-
Other financial liabilities							
(Trade payables - Net)	144,846	-	144,846	-	-	-	-
Long term borrowings	453,077	-	25,000	75,000	100,000	253,077	-
Borrowings on debentures	540,032	-	-	149,742	390,290	-	-
<b>Total As at 31 March 2017</b>	<b>29,235,552</b>	<b>224,445</b>	<b>25,072,444</b>	<b>2,075,422</b>	<b>1,387,257</b>	<b>475,984</b>	<b>-</b>
As at 31 March 2016	18,332,772	207,681	12,628,353	3,924,017	1,120,892	451,829	-

## Notes to the Financial Statements Contd.

Company	Carrying Amount Rs.'000	On Demand Rs.'000	Up to 3 Months Rs.'000	3 Months to 1 Year Rs.'000	1-3 Years Rs.'000	3-5 Years Rs.'000	Over 5 Years Rs.'000
<b>Assets</b>							
Cash at banks and in hand	8,477	8,477	-	-	-	-	-
Financial investments							
- Available for sale	1,000	-	-	-	-	-	1,000
Financial investments							
- Loans and receivables	8,378,338	-	7,398,431	718,934	260,973	-	-
<b>Total As at 31 March 2017</b>	<b>8,387,815</b>	<b>8,477</b>	<b>7,398,431</b>	<b>718,934</b>	<b>260,973</b>	<b>-</b>	<b>1,000</b>
As at 31 March 2016	3,655,662	5,398	2,142,959	1,110,012	397,293	-	-
<b>Liabilities</b>							
Bank overdrafts	29,909	29,909	-	-	-	-	-
Short term borrowings	7,202,850	-	6,834,669	368,181	-	-	-
Long term borrowings	453,077	-	25,000	75,000	100,000	253,077	-
Borrowings on debentures	324,837	-	-	139,437	185,400	-	-
Group balances payable	11,375	11,375	-	-	-	-	-
<b>Total As at 31 March 2017</b>	<b>8,022,048</b>	<b>41,284</b>	<b>6,859,669</b>	<b>582,618</b>	<b>285,400</b>	<b>253,077</b>	<b>-</b>
As at 31 March 2016	3,336,928	399	1,954,069	866,656	515,804	-	-

## 39.5 (c) Credit Risk

Credit risk is the risk of financial loss to the Group if a client or counter party to a financial instrument fails to meet its contractual obligations and arises principally from the Group's advances to clients, investment in corporate debt securities, investment in reverse repo agreements and forward transactions.

Management of credit risk includes the following components:

- » Formulating credit policies in consultation with business units covering collateral requirements, credit assessment, risk grading and reporting, documentary and legal procedures and compliance with regulatory and statutory requirements.
- » Establishing the authorisation structure for the approval and renewal of credit facilities.
- » Limiting concentration of exposures to counter parties.
- » Reviewing compliance through regular audits by internal audit.

**Credit Quality by Class of Financial Assets**

<b>Group - As at 31 March 2017</b>	<b>Neither Past due Nor Impaired Rs.'000</b>	<b>Past due But Not Impaired Rs.'000</b>	<b>Individually Impaired Rs.'000</b>	<b>Total Rs.'000</b>
<b>Assets</b>				
Cash at banks and in hand	55,340	-	-	55,340
Derivative financial instruments	24,075	-	-	24,075
Financial investments - Held for trading	23,799,894	-	-	23,799,894
Financial investments - Available for sale	332,803	-	-	332,803
Financial investments - Loans and receivables	6,625,115	-	-	6,625,115
Other financial assets (Trade receivables)	335,607	-	63,508	399,115
<b>Total financial assets</b>	<b>31,172,834</b>	<b>-</b>	<b>63,508</b>	<b>31,236,342</b>

<b>Group - As at 31 March 2016</b>	<b>Neither Past due Nor Impaired Rs.'000</b>	<b>Past due But Not Impaired Rs.'000</b>	<b>Individually Impaired Rs.'000</b>	<b>Total Rs.'000</b>
<b>Assets</b>				
Cash at banks and in hand	31,066	-	-	31,066
Derivative financial instruments	40,861	-	-	40,861
Financial investments - Held for trading	11,326,163	-	-	11,326,163
Financial investments - Available for sale	2,000	-	-	2,000
Financial investments - Loans and receivables	8,529,332	-	-	8,529,332
Other financial assets (Trade receivables)	388,071	-	63,732	451,803
<b>Total financial assets</b>	<b>20,317,493</b>	<b>-</b>	<b>63,732</b>	<b>20,381,225</b>

<b>Company - As at 31 March 2017</b>	<b>Neither Past due Nor Impaired Rs.'000</b>	<b>Past due But Not Impaired Rs.'000</b>	<b>Individually Impaired Rs.'000</b>	<b>Total Rs.'000</b>
<b>Assets</b>				
Cash at banks and in hand	8,477	-	-	8,477
Financial investments - Available for sale	1,000	-	-	1,000
Financial investments - Loans and receivables	8,378,338	-	-	8,378,338
<b>Total financial assets</b>	<b>8,387,815</b>	<b>-</b>	<b>-</b>	<b>8,387,815</b>

## Notes to the Financial Statements Contd.

Company - As at 31 March 2016	Neither Past due Nor Impaired Rs.'000	Past due But Not Impaired Rs.'000	Individually Impaired Rs.'000	Total Rs.'000
<b>Assets</b>				
Cash at banks and in hand	4,998	-	-	4,998
Financial investments - Available for sale	1,000	-	-	1,000
Financial investments - Loans and receivables	3,650,664	-	-	3,650,664
<b>Total financial assets</b>	<b>3,656,662</b>	<b>-</b>	<b>-</b>	<b>3,656,662</b>

**Analysis of Concentration Risk**

The following table shows the risk concentration by sector for the components of the Statement of Financial Position.

Group - As at 31 March 2017	Cash at Banks and in Hand Rs.'000	Derivative Financial Instruments Rs.'000	Financial Investments -Held for Trading Rs.'000	Financial Investments -Loans and Receivables Rs.'000	Financial Investments -Available for Sale Rs.'000	Other Financial Assets (Trade Receivables -Net) Rs.'000	Total Financial Assets Rs.'000
Government	-	-	21,641,429	-	-	-	21,641,429
Corporate	55,340	252	2,158,465	6,166,094	332,803	154,518	8,867,472
Others	-	23,823	-	459,021	-	181,089	663,933
<b>Total</b>	<b>55,340</b>	<b>24,075</b>	<b>23,799,894</b>	<b>6,625,115</b>	<b>332,803</b>	<b>335,607</b>	<b>31,172,834</b>

**Sector Wise Breakdown**

Government	-	-	21,641,429	-	-	-	21,641,429
Corporate	55,340	252	2,158,465	6,166,094	332,803	154,518	8,867,472
Others	-	23,823	-	459,021	-	181,089	663,933
<b>Total</b>	<b>55,340</b>	<b>24,075</b>	<b>23,799,894</b>	<b>6,625,115</b>	<b>332,803</b>	<b>335,607</b>	<b>31,172,834</b>

**Group - As at 31 March 2016**

Group - As at 31 March 2016	Cash at Banks and in Hand Rs.'000	Derivative Financial Instruments Rs.'000	Financial Investments -Held for Trading Rs.'000	Financial Investments -Loans and Receivables Rs.'000	Financial Investments -Available for Sale Rs.'000	Other Financial Assets (Trade Receivables -Net) Rs.'000	Total Financial Assets Rs.'000
Government	-	34,570	9,206,857	5,903,738	-	-	15,145,164
Corporate	31,066	6,291	2,119,306	2,180,122	2,000	184,604	4,523,390
Others	-	-	-	445,472	-	203,467	648,939
<b>Total</b>	<b>31,066</b>	<b>40,861</b>	<b>11,326,163</b>	<b>8,529,332</b>	<b>2,000</b>	<b>388,071</b>	<b>20,317,493</b>

**Sector Wise Breakdown**

Government	-	34,570	9,206,857	5,903,738	-	-	15,145,164
Corporate	31,066	6,291	2,119,306	2,180,122	2,000	184,604	4,523,390
Others	-	-	-	445,472	-	203,467	648,939
<b>Total</b>	<b>31,066</b>	<b>40,861</b>	<b>11,326,163</b>	<b>8,529,332</b>	<b>2,000</b>	<b>388,071</b>	<b>20,317,493</b>

<b>Company - As at 31 March 2017</b>							
	Cash at Banks and in Hand Rs.'000	Derivative Financial Instruments Rs.'000	Financial Investments -Held for Trading Rs.'000	Financial Investments -Loans and Receivables Rs.'000	Financial Investments -Available for Sale Rs.'000	Other Financial Assets (Trade Receivables -Net) Rs.'000	Total Financial Assets Rs.'000
<b>Sector Wise Breakdown</b>							
Government	-	-	-	-	-	-	-
Corporate	8,477	-	-	8,373,240	1,000	-	8,382,717
Others	-	-	-	5,098	-	-	5,098
<b>Total</b>	<b>8,477</b>	<b>-</b>	<b>-</b>	<b>8,378,338</b>	<b>1,000</b>	<b>-</b>	<b>8,387,815</b>

<b>Company - As at 31 March 2016</b>							
	Cash at Banks and in Hand Rs.'000	Derivative Financial Instruments Rs.'000	Financial Investments -Held for Trading Rs.'000	Financial Investments -Loans and Receivables Rs.'000	Financial Investments -Available for Sale Rs.'000	Other Financial Assets (Trade Receivables -Net) Rs.'000	Total Financial Assets Rs.'000
<b>Sector Wise Breakdown</b>							
Government	-	-	-	-	-	-	-
Corporate	4,998	-	-	3,650,664	1,000	-	3,656,662
Others	-	-	-	-	-	-	-
<b>Total</b>	<b>4,998</b>	<b>-</b>	<b>-</b>	<b>3,650,664</b>	<b>1,000</b>	<b>-</b>	<b>3,656,662</b>

#### 39.5 (d) Operational Risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Group's involvement with financial instruments, including 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 behaviour.

The Group's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the business reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity.

## Notes to the Financial Statements Contd.

The primary responsibility for the development and implementation of controls to address operational risk is assigned to senior management within each business unit. This responsibility is supported by the development of overall Group's standards for the management of operational risk in the following areas:

- » Requirements for appropriate segregation of duties, including the independent authorisation of transactions.
- » Requirements for the reconciliation and monitoring of the transaction.
- » Compliance with regulatory and other legal requirements.
- » Documentation of controls and procedures.
- » Development of business contingency plans.
- » Training and professional development.
- » Ethical and business standards.
- » Risk mitigation, including insurance where this is effective.

Compliance with Group's internal controls and procedures is supported by a programme of periodic reviews undertaken by internal audit. The results of internal audit reviews are discussed with the management of the business units with summaries submitted to the Audit Committee.

### 40 CONTINGENT LIABILITIES

There were no material contingent liabilities as at the reporting date which requires disclosure in the financial statements, other than those disclosed below.

#### Company

- (a) First Capital Holdings PLC provided a corporate guarantee on behalf of its subsidiary, First Capital Limited amounting to Rs. 250Mn for its banking facilities.

#### Group

- (b) First Capital Treasuries PLC has appealed against an income tax assessment for 2008/09 amounting to Rs. 101.3Mn and financial VAT for 2010/11 amounting to Rs. 90.2Mn to Court of Appeal and Tax Appeals Commission respectively. The hearing of said appeals has not been concluded yet.
- (c) First Capital Treasuries PLC has appealed against assessments on income tax (2012/13, 2013/14, 2014/15) and financial VAT (2012/13 and 2013/14) amounting to Rs. 584.6Mn and Rs. 123.2Mn respectively to the Department of Inland Revenue and hearings have not been determined yet.
- (d) An appeal was submitted to the Department of Inland Revenue against income tax assessment (2012/13) received by First Capital Equities (Private) Limited amounting to Rs. 7.2Mn.
- (e) First Capital Limited has appealed against an income tax assessment for 2010/11 amounting to Rs. 153.5Mn to the Tax Appeals Commission. The hearing of said appeal has not been concluded yet. Further, the Company received assessment on Financial VAT (2013/14) and income tax (2014/15) amounting to Rs. 46.2Mn and Rs. 26.1Mn respectively.

The related appeals against the said assessments and determinations have been duly submitted. Based on the tax consultant's

opinion, the Board of Directors of First Capital Holdings PLC is of the view that no liability would arise on the above stated tax matters as they are outside the scope of chargeability of taxes.

There were no other material litigations or claims that could have a material impact on the financial position of the group, or which would lead to a disclosure in the financial statements for the year ended 31 March 2017.

#### **41 COMMITMENTS**

There were no material commitments as at the reporting date which require disclosure in the financial statements other than the following.

##### **Capital Commitments**

First Capital Treasuries PLC entered into a sale and purchase agreement to acquire a property (land and premises) for a consideration of Rs. 382Mn and an advance of Rs. 77.3Mn was paid. However consequent to the seller failing to honor the terms of the agreement, legal proceedings were initiated against the seller. The legal proceedings have not been concluded yet.

##### **Other Commitments**

There were forward sale contracts (Government Securities) amounting to Rs. 2,048Mn as at 31 March 2017 (31 March 2016 - Rs. 1,334Mn). However there were no forward purchase contracts as at 31 March 2017 (31 March 2016 - Rs. 1,788Mn).

## Notes to the Financial Statements Contd.

**42 RELATED PARTY DISCLOSURES****42.1 Directorships in other companies**

The Directors of First Capital Holdings PLC are also Directors of the following companies.

Name of the company	Relationship	Ms. Manjula Mathews *	Mr. Dinesh Schaffter	Mr. Nishan Fernando **	Ms. Minette Perera	Mr. Eardley Perera ***	Mr. Chandana de Silva	Mr. Dilshan Wirasekara ****
Dunamis Capital PLC	Parent	Chairperson	Managing Director	-	-	Director	Director	-
First Capital Limited	Subsidiary	Chairperson	Managing Director	Director	Director	Director	Director	Director
First Capital Asset Management Limited	Subsidiary	Chairperson	Managing Director	Director	Director	Director	Director	Director
First Capital Treasuries PLC	Subsidiary	Chairperson	Managing Director	Director	Director	-	Director	Director
First Capital Markets Limited	Subsidiary	Chairperson	Managing Director	Director	Director	Director	Director	Director
First Capital Equities (Private) Limited	Subsidiary	Chairperson	Managing Director	Director	Director	Director	Director	Director
First Capital Trustee Services (Private) Limited	Subsidiary	-	Director	-	-	-	-	Director
Kelsey Homes (Private) Limited	Subsidiary of the Parent	Chairperson	Managing Director	-	-	-	-	-
Kelsey Property Developers (Private) Limited	Subsidiary of the Parent	Chairperson	Managing Director	-	-	-	-	-
Kelsey Developments PLC	Subsidiary of the Parent	Chairperson	Managing Director	-	-	Director	Director	-
Prefab Engineering Project (Private) Limited	Subsidiary of the Parent	-	Managing Director	-	-	Director	Director	-
Premier Synthetic Leather Manufacturers (Pvt) Ltd	Subsidiary of the Parent	Chairperson	Director	-	-	Director	Director	-
Nextventures Limited	Related Party through KMP	Director	Director	-	-	-	-	-
K H L Corporate Services Limited	Related Party through KMP	-	Director	-	-	-	-	-

KMP - Key Management Personnel

- \* Ms. Manjula Mathews retired from the Board of Directors of Dunamis Capital PLC (Ultimate Parent), and its subsidiaries with effect from 30 April 2017.
- \*\* Mr. Nishan Fernando has been appointed as the Chairman of First Capital Holdings PLC and its subsidiaries namely, First Capital Limited, First Capital Treasuries PLC, First Capital Markets Limited, First Capital Asset Management Limited and First Capital Equities (Private) Limited with effect from 01 May 2017 and 16 May 2017 respectively.
- \*\*\* Mr. Eardley Perera has been appointed as the Chairman of Dunamis Capital PLC and Kelsey Developments PLC with effect from 01 May 2017 and 16 May 2017 respectively.
- \*\*\*\* Mr. Dilshan Wirasekara has been appointed as Director/ Chief Executive Officer of First Capital Holdings PLC and its subsidiaries namely, First Capital Limited, First Capital Treasuries PLC, First Capital Markets Limited, First Capital Asset Management Limited and First Capital Equities (Private) Limited with effect from 01 May 2017 and 16 May 2017 respectively.

First Capital Asset Management Limited manages licensed Unit Trusts namely First Capital Wealth Fund, First Capital Fixed Income Fund, First Capital Gilt Edged Fund, First Capital Money Market Fund and First Capital Equity Fund which are also treated as Related Parties of the Company.

The Company carries out transactions with parties who are defined as related parties in Sri Lanka Accounting Standard (LKAS 24), "Related Party Disclosure", in the ordinary course of its business. The details of such transactions are reported below. The pricing applicable to such transactions is based on the assessment of risk and pricing model of the company and is comparable with what is applied to transactions between the Company and its unrelated customers.

Nature of transaction	Group		Company	
	2016/17 Rs.'000	2015/16 Rs.'000	2016/17 Rs.'000	2015/16 Rs.'000
<b>42.2 Transactions with Parent Company</b>				
<b>Statement of Profit or Loss and Other Comprehensive Income</b>				
Interest income	10,054	-	-	-
Fee income	6,850	10,727	-	-
Brokerage income (Stock broking)	1,689	106	-	-
Interest expense	3,849	8,219	-	-
Reimbursement of expenses	24,297	29,413	2,430	-
<b>Statement of Changes in Equity</b>				
Dividend paid	156,340	152,026	156,340	152,026
<b>Statement of Financial Position</b>				
Current account payable	196	-	196	-
Current account receivable	80	-	-	-
Short term lending	479,582	-	-	-
<b>Transactions relating to Corporate Guarantees</b>				
Corporate guarantee received	935,000	-	935,000	-

## Notes to the Financial Statements Contd.

Nature of transaction	Group		Company	
	2016/17 Rs.'000	2015/16 Rs.'000	2016/17 Rs.'000	2015/16 Rs.'000
<b>42.3 Transactions with Subsidiaries</b>				
<b>Statement of Profit or Loss and Other Comprehensive Income</b>				
Interest income	-	-	930,656	300,718
Interest expense	-	-	12,598	4,382
Dividend receipts	-	-	210,396	-
<b>Statement of Financial Position</b>				
Short term lending	-	-	5,111,897	2,834,628
Long term lending	-	-	445,080	634,727
Securities purchased under re- sale agreements (Against corporate debt securities)	-	-	-	180,909
Current account payable	-	-	10,949	399
Current account receivable	-	-	-	16,837
<b>Transactions relating to Corporate Guarantees</b>				
Corporate guarantee provided	-	-	250,000	200,000
Corporate guarantee received	-	-	1,000,000	-

Nature of transaction	Group		Company	
	2016/17 Rs.'000	2015/16 Rs.'000	2016/17 Rs.'000	2015/16 Rs.'000
<b>42.4 Transactions with other related companies</b>				
<b>Statement of Profit or Loss and Other Comprehensive Income</b>				
Interest income	205,415	91,784	-	-
Fee income	3,273	4,453	-	-
Brokerage income (Stock broking)	1,513	196	-	-
Gain/ (loss) realised on sale of government securities	(16,827)	24,729	-	-
Interest expense	27,135	26,750	-	-
Secretarial fees	1,306	850	485	298
<b>Statement of Changes in Equity</b>				
Dividend paid by unit trust	-	-	-	-
<b>Statement of Financial Position</b>				
Investment in unit trust	506,800	556,424	-	-
Short term lending	1,173,488	733,603	-	-
Securities purchased under re- sale agreements (Against corporate debt securities)	35,565	393,357	-	-
Securities sold under re-purchase agreements (Against corporate debt securities)	156,507	237,144	-	-
Short term borrowings	-	65,416	-	-

Outstanding trading investments / borrowings other than investment under resale agreements / borrowings on repurchase agreements with related parties including current account balances at year end are not secured. There are no guarantees involved in investments under resale agreements / borrowings on repurchase agreements. The said transactions have been collateralised through trading securities. The settlement of all transactions occurs in cash. No expenses have been recognised in the current year or prior year for bad or doubtful debts in respect of amounts owed by related parties.

#### 42.5 Transactions with Key Management Personnel and their Close Family Members

According to Sri Lanka Accounting Standard LKAS 24 "Related Party Disclosures", Key Management Personnel, are those having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of that entity. Accordingly, the Board of Directors and Chief Executive Officer have been classified as key management personnel of the entity.

Close Family Members of a Key Management Person are those family members who may be expected to influence, or be influenced by, that individual in their dealings with the Entity. They may include;

- The individual's domestic partner and children;
- Children of the individual's domestic partner; and
- Dependants of the Individual or the individual's domestic partner

Close Family Members are related parties to the Entity.

Transactions with Key Management Personnel and their close family members are disclosed below.

Nature of transaction	Group		Company	
	2016/17 Rs.'000	2015/16 Rs.'000	2016/17 Rs.'000	2015/16 Rs.'000
<b>Statement of Profit or Loss and Other Comprehensive Income</b>				
Interest income	15,527	39	-	-
Brokerage income (Stock broking)	2,996	1,314	-	-
Management fee income (Discretionary fund management)	740	542	-	-
Interest expense	7,870	3,894	-	-
Emoluments paid	33,961	34,433	3,282	-
<b>Statement of Changes in Equity</b>				
Dividend paid by unit trust	624	-	-	-
<b>Statement of Financial Position</b>				
Investments in unit trust	7,752	61,523	-	-
Securities sold under re-purchase agreements (Against government securities)	32,247	4,824	-	-
Securities sold under re-purchase agreements (Against corporate debt securities)	2,008	-	-	-
Investment in Discretionary fund management	87,758	55,707	-	-

42.6 Disclosures in relation to related party transactions in accordance with the Continuing Listing Requirements of the Colombo Stock Exchange (refer to the Next Page).

## Notes to the Financial Statements Contd.

## Recurrent transactions - Group

Name of the related party	Relationship	Nature of the transaction	Aggregate Value of Related Party transaction entered during the financial year Rs '000	Aggregate value of Related Party Transactions as a % of Net Revenue/ Income	Terms and conditions of the Related Transactions
First Capital Limited/First Capital Wealth Fund	Subsidiary/ Related Party via Key Management Personnel	Investment in Unit Trust	460,366	13%	Investment in Unit Trusts made by First Capital Limited at the prevailing price.
First Capital Limited/Kelsey Homes (Pvt) Ltd	Subsidiary/ Subsidiary of the ultimate Parent	Short term lending to Kelsey Homes (Pvt) Ltd by First Capital Limited	495,950	14%	Short term lending made by the Subsidiary at commercial terms.
First Capital Limited/ Dunamis Capital PLC	Subsidiary/ Ultimate Parent	Short term lending to Dunamis Capital PLC by First Capital Limited	479,582	13%	Short term lending to ultimate Parent at commercial terms.
First Capital Limited/ Nextventures Limited	Subsidiary/ Related Party via Key Management Personnel	Short term lending to Nextventures by First Capital Limited	525,561	15%	Short term lending made by the Subsidiary at commercial terms.
First Capital Holdings PLC /Dunamis Capital PLC	Company/ Parent	Corporate Guarantee Facility given by Dunamis Capital PLC	935,000	26%	Receipt of corporate guarantee facility at commercial terms.

## Recurrent transactions - Company

Name of the related party	Relationship	Nature of the transaction	Aggregate Value of Related Party transaction entered during the financial year Rs '000	Aggregate value of Related Party Transactions as a % of Net Revenue/ Income	Terms and conditions of the Related Transactions
First Capital Limited	Subsidiary	Interest income on Short term lending Via First Capital Limited	930,656	26%	Short term lending made at commercial terms.
First Capital Limited	Subsidiary	Short term lending to First Capital Limited	5,111,897	142%	Short term lending made at commercial terms.
Dunamis Capital PLC	Parent	Corporate Guarantee Facility given by Dunamis Capital PLC	935,000	26%	Receipt of corporate guarantee facility at commercial terms.
First Capital Limited	Subsidiary	Corporate Guarantee Facility given by First Capital Limited	1,000,000	28%	Receipt of corporate guarantee facility at commercial terms.

## 43 SUBSEQUENT EVENTS

There have been no material events subsequent to the reporting date which require disclosures/ adjustments in the financial statements.

## INVESTORS' INFORMATION

### INFORMATION ON ORDINARY SHARES

#### 1. Stock Exchange Listing

The Issued ordinary shares of First Capital Holdings PLC are listed on the Colombo Stock Exchange.

#### 2. Distribution of Shareholding

No. of Shares held	31 March 2017				31 March 2016			
	Shareholders		Holding		Shareholders		Holding	
	Number	%	Number	%	Number	%	Number	%
1-1,000	4,514	74.20	1,577,638	1.56	4,533	73.72	1,610,092	1.59
1,001 - 10,000	1,262	20.74	4,462,268	4.41	1,309	21.29	4,614,763	4.56
10,001 - 100,000	277	4.55	7,803,429	7.71	276	4.49	7,345,983	7.26
100,001 - 1,000,000	27	0.44	6,227,953	6.15	26	0.42	6,592,346	6.51
Over 1,000,000	4	0.07	81,178,712	80.17	5	0.08	81,086,816	80.08
<b>Total</b>	<b>6,084</b>	<b>100.00</b>	<b>101,250,000</b>	<b>100.00</b>	<b>6,149</b>	<b>100.00</b>	<b>101,250,000</b>	<b>100.00</b>

#### 3. Analysis of Shareholders

Category of Shareholders	31 March 2017				31 March 2016			
	Shareholders		Holding		Shareholders		Holding	
	Number	%	Number	%	Number	%	Number	%
Individuals	5,913	97.19	15,162,183	14.97	5,977	97.20	15,445,504	15.25
Institutions	171	2.81	86,087,817	85.03	172	2.80	85,804,496	84.75
<b>Total</b>	<b>6,084</b>	<b>100.00</b>	<b>101,250,000</b>	<b>100.00</b>	<b>6,149</b>	<b>100.00</b>	<b>101,250,000</b>	<b>100.00</b>
Resident	6,058	99.57	100,943,594	99.70	6,121	99.54	98,726,801	97.51
Non-Resident	26	0.43	306,406	0.30	28	0.46	2,523,199	2.49
<b>Total</b>	<b>6,084</b>	<b>100.00</b>	<b>101,250,000</b>	<b>100.00</b>	<b>6,149</b>	<b>100.00</b>	<b>101,250,000</b>	<b>100.00</b>

#### 4. Public Holding

	2016/17	2015/16
Number of shares held by the public	22,130,184	25,236,852
Percentage held by the public	21.86%	24.93%

#### 5. Share Price Movement for the Year

	2016/17	2015/16
	Rs.	Rs.
Highest	34.80	43.00
Lowest	18.40	13.80
Year-end	20.10	19.10

## Investors' Information Contd.

## 6. Information on Share Trading and Market Capitalisation

	2016/17	2015/16
Number of transactions	14,173	12,350
Number of shares traded	19,856,080	12,433,072
Value of shares traded (Rs.)	546,302,859	437,672,545
Market capitalisation (Rs.)	2,035,125,000	1,933,875,000

## Top Twenty Shareholders

Names of shareholders	No. of Shares as at 31 March 2017		No. of Shares as at 31 March 2016	
		Holding (%)		Holding (%)
1 1.1 Commercial Bank of Ceylon PLC/ Dunamis Capital PLC	50,951,368	50.32	4,986,392	4.92
1.2 Seylan Bank PLC/ Dunamis Capital PLC	25,400,000	25.09	25,400,000	25.09
1.3 Dunamis Capital PLC	2,768,448	2.73	45,626,756	45.06
2 Seylan Bank PLC/ Janashakthi PLC	2,058,896	2.03	2,917,000	2.88
3 Janashakthi General Insurance Limited	858,650	0.85	858,650	0.85
4 Mr. Kankanamge Sunil Dharmabandu Senaweera	435,000	0.43	435,000	0.43
5 Mr. Charitha Prasanna De Silva	355,000	0.35	355,000	0.35
6 Mr. Arunasalam Sithampalam	339,000	0.33	339,000	0.33
7 People's Leasing & Finance PLC/ Mr. D.M.P. Disanayake	330,379	0.33	356,250	0.35
8 Commercial Bank of Ceylon PLC/ Janashakthi PLC	300,703	0.30	300,703	0.30
9 Seylan Bank PLC/ Sashimaal Ruhash Fernando	294,732	0.29	-	-
10 Mr. Dhanusha Senajit Duke De Lanerolle	235,000	0.23	235,000	0.23
11 Commercial Bank of Ceylon PLC/ U.C. Bandaranayake	225,000	0.22	230,000	0.23
12 Pan Asia Banking Corporation PLC/ A.C. Jayasinghe	211,860	0.21	-	-
13 Mr. Nagen Dayaranjan Kurukulasuriya	208,836	0.21	208,836	0.21
14 Bimpu Finance PLC	208,286	0.21	-	-
15 Mr. Christopher Waylon Vandort	205,821	0.20	-	-
16 Dr. Subashi Nemindi Samarasinghe	200,616	0.20	200,616	0.20
17 Timex Garments (Pvt) Ltd	200,000	0.20	-	-
18 Mr. Wickramatunga Arachchi Pathiranage Don Mahupala Wickramatunga	165,000	0.16	-	-
19 Mr. Jayasuriya Mudiyanseage Jayaweera	163,758	0.16	-	-
20 Mrs. Eileen Monica Perera	151,033	0.15	151,033	0.15
	86,267,386	85.20	82,600,236	81.58

## INFORMATION ON LISTED DEBENTURES

### 1. INFORMATION ON LISTED DEBENTURES

#### 1.1 First Capital Holdings PLC

Date of Allotment	Type	Frequency on interest payment	No. of Debentures issued and allotted	Face Value Rs. '000	Rate of Interest	Tenure	Date of Maturity
12-Mar-14	Type B	Annually	1,292,000	129,200	13.75% (AER-13.75%)	4 years	11-Mar-18
12-Mar-14	Type C	Annually	1,854,000	185,400	14.00% (AER-14.00%)	5 years	11-Mar-19
			3,146,000*	314,600			

\* Listed, Rated, Senior, Unsecured, Redeemable Debentures.

#### 1.2 First Capital Treasuries PLC

Date of Allotment	Frequency on interest payment	No. of Debentures issued and allotted	Face Value Rs. '000	Rate of Interest	Tenure	Date of Maturity
5-Feb-15	Annually	5,000,000**	500,000	9.50% (AER-9.50%)	5 years	6-Feb-20

\*\* Listed, Rated, Subordinated, Unsecured, Redeemable Debentures.

### 2. OBJECTIVE OF THE ISSUES

#### First Capital Holdings PLC

- » To minimise assets and liabilities mismatch and minimise the interest rate risk by diversifying the funding mix of the Company.

#### First Capital Treasuries PLC

- » To enhance the Long Term Funding Base of the Company by way of Tier II capital and increase the capital adequacy.
- » To minimise the interest rate risk by issuing Listed Debentures with a fixed interest rate.

## Information on Listed Debentures Contd.

### 3 MARKET VALUE

#### 3.1 First Capital Holdings PLC

Debentures with 3 year, 4 year and 5 year maturities have not been traded during the year ended 31 March 2017. Hence, the par value is recognised as their respective market values.

<b>4 year fixed rate (13.75% p.a. payable annually)</b>	<b>31-03-2017</b>	<b>31-03-2016</b>
Highest price	-	-
Lowest price	-	-
Last traded price	-	-
<b>5 year fixed rate (14.00% p.a. payable annually)</b>		
Highest price	-	-
Lowest price	-	-
Last traded price	-	-

<b>Debenture Interest Yield</b>	<b>As at 31-03-2017</b>	<b>As at 31-03-2016</b>
4 year fixed rate (13.75 % p.a. payable annually)	<b>13.75%</b>	13.75%
5 year fixed rate (14.00 % p.a. payable annually)	<b>14.00%</b>	14.00%

<b>Yield of comparable Government Securities</b>	<b>As at 31-03-2017</b>	<b>As at 31-03-2016</b>
4 Year treasury bond	<b>12.47%</b>	10.99%
5 Year treasury bond	<b>12.46%</b>	11.74%

#### 3.2 First Capital Treasuries PLC

Debentures with 5 year maturity have been traded during the year ended 31 March 2017. Traded price is recognised as its respective market value.

<b>5 year fixed rate (9.50% p.a. payable annually)</b>	<b>31-03-2017</b>	<b>31-03-2016</b>
Highest price	<b>97.01</b>	98.27
Lowest price	<b>97.01</b>	95.37
Last traded price	<b>97.01</b>	95.37

<b>Debenture Interest Yield</b>	<b>As at 31-03-2017</b>	<b>As at 31-03-2016</b>
5 year fixed rate (9.50 % p.a. payable annually)	<b>9.79%</b>	9.96%

<b>Yield of Comparable Government Securities</b>	<b>As at 31-03-2017</b>	<b>As at 31-03-2016</b>
5 Year treasury bond	<b>11.98%</b>	12.19%

#### 4. DEBT RELATED RATIOS

4.(a) Debt Ratios (Group)	As at 31-Mar-17	As at 31-Mar-16
Debt/equity ratio (times)	13.14	8.37
Quick asset ratio (times)	1.09	1.15
Interest cover (times)	1.08	1.07

4.(b) Debt Ratios (Company)	As at 31-Mar-17	As at 31-Mar-16
Debt/equity ratio (times)	3.77	5.32
Quick asset ratio (times)	1.15	1.30
Interest cover (times)	1.31	1.20

#### 5. CREDIT RATINGS

##### 5.1 First Capital Holdings PLC

ICRA Lanka Limited has reaffirmed credit rating of [SL]"A-" to First Capital Holdings PLC. Long and short term corporate credit ratings of the company have been reaffirmed [SL]"A- and [SL]A2+" respectively. Company's long term issue rating of LKR 500Mn Listed, Unsecured, Senior Debenture (2014/19) have also been reaffirmed [SL]"A-" by ICRA Lanka Limited.

##### 5.2 First Capital Treasuries PLC

ICRA Lanka Limited has reaffirmed credit rating of [SL]"A-" to First Capital Treasuries PLC and long term debt (debentures) have been reaffirmed [SL]"BBB".

## TEN YEAR SUMMARY

Year ended 31 March	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
<b>Group Trading Results</b>	<b>Based on LKAS/SLFRS - (Note A)</b>						<b>Based on SLAS</b>			
Gross income	3,587,574	1,550,780	2,817,633	1,829,852	1,768,713	935,806	1,716,279	2,728,174	2,333,106	1,997,223
Profit before tax	245,511	62,060	1,071,123	398,785	517,319	(310,279)	605,172	1,164,349	349,263	114,481
Taxation	(13,913)	(14,600)	(86,224)	(68,689)	(23,272)	(14,858)	378,303	(482,105)	(157,679)	(39,475)
Profit/(loss) after tax	231,598	47,460	984,899	330,096	494,047	(325,137)	983,475	682,244	191,584	75,006
Other comprehensive income, net of income tax	6,836	2,105	(210,616)	(44,438)	254,098	-	-	-	-	-
Total comprehensive income/(loss)	238,434	49,565	774,283	285,658	748,145	(325,137)	-	-	-	-

Year ended 31 March	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
<b>Group Financial Position</b>	<b>Based on LKAS/SLFRS - (Note B)</b>						<b>Based on SLAS</b>			
<b>ASSETS</b>										
Cash at banks and in hand	55,340	31,066	33,193	38,298	18,304	7,187	6,436	6,748	5,673	13,758
Derivative financial instruments	24,075	40,861	40,609	19,844	10,378	17,583	74,328	-	-	-
Financial investments - Held for trading	23,799,894	11,326,163	10,236,450	11,639,241	9,932,984	3,720,979	8,271,366	-	-	-
Financial investments - Available for sale	332,803	2,000	2,000	304,938	346,563	92,465	2,000	-	-	-
Financial investments - Loans and receivables	6,625,115	8,529,332	8,920,212	3,276,554	3,590,811	3,100,936	2,226,568	-	-	-
Dealing securities	-	-	-	-	-	-	-	8,334,377	8,458,981	6,088,740
Taxes receivable	104,032	62,379	65,972	62,549	17,426	-	-	-	-	-
Resale agreements	-	-	-	-	-	-	-	1,422,439	2,175,624	5,242,193
Trade and Other Receivables	540,521	576,353	524,524	755,566	356,608	428,861	877,148	261,589	68,477	223,097
Investment securities	-	-	-	-	-	-	-	379,259	617,234	-
Investment in venture capital	-	-	6,000	6,000	6,000	8,000	8,000	8,000	19,486	30,100
Investment in equity accounted investees	-	-	408,876	-	-	-	-	203,198	-	-
Property, plant and equipment	14,295	16,648	26,357	51,517	30,301	4,353	8,128	10,070	7,807	8,178
Other assets	193,689	195,482	200,408	206,424	147,458	191,209	192,248	198,148	198,280	250,842
<b>TOTAL ASSETS</b>	<b>31,689,764</b>	<b>20,780,284</b>	<b>20,464,601</b>	<b>16,360,931</b>	<b>14,456,833</b>	<b>7,571,573</b>	<b>11,666,222</b>	<b>10,823,828</b>	<b>11,551,562</b>	<b>11,856,908</b>
<b>LIABILITIES</b>										
Bank overdrafts	224,445	207,681	866	7,775	5,338	662	9,578	1,586	312	16,311
Derivative financial instruments	2,240	20,835	31,359	-	837	-	117	-	-	-
Securities sold under re-purchase agreements	21,102,897	14,487,714	14,837,179	12,368,398	11,771,296	4,845,633	8,687,508	9,128,799	9,501,917	11,235,067
Short term borrowings	6,768,015	2,886,142	2,224,579	1,052,435	579,471	1,338,519	997,342	391,053	1,143,300	-
Tax payables	3,956	331	1,719	-	-	4,120	15,754	453,724	145,256	68,665
Retirement benefit obligations	22,696	24,385	19,036	19,040	9,677	7,055	7,483	5,637	5,172	4,668
Borrowings on debentures	540,032	730,400	725,776	452,248	-	-	-	-	-	-
Long term borrowings	453,077	-	-	-	-	-	-	-	-	-
Other liabilities	358,793	237,920	286,276	432,032	135,056	159,808	204,539	212,560	153,926	122,103
<b>TOTAL LIABILITIES</b>	<b>29,476,151</b>	<b>18,595,408</b>	<b>18,126,790</b>	<b>14,331,928</b>	<b>12,501,675</b>	<b>6,355,797</b>	<b>9,922,321</b>	<b>10,193,359</b>	<b>10,949,883</b>	<b>11,446,814</b>

Year ended 31 March	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Group Financial Position	Based on LKAS/SLFRS - (Note B)						Based on SLAS			
<b>EQUITY</b>										
Stated capital	227,500	227,500	227,500	227,500	227,500	227,500	227,500	227,500	387,480	387,480
Risk reserve	854,456	822,022	820,964	648,793	553,704	432,916	432,916	224,287	61,082	19,896
Retained earnings	1,036,415	1,052,693	1,209,178	859,019	842,508	500,572	1,019,616	129,044	5,088	(86,130)
Fair valuation reserve	-	-	(1,564)	212,473	254,098	-	-	-	-	-
	<b>2,118,371</b>	2,102,215	2,256,078	1,947,785	1,877,810	1,160,988	1,680,032	580,831	453,650	321,246
Non-controlling interests	95,242	82,661	81,733	81,218	77,348	54,788	63,869	-	-	-
Minority interest	-	-	-	-	-	-	-	49,638	148,029	88,848
<b>TOTAL EQUITY</b>	<b>2,213,613</b>	2,184,876	2,337,811	2,029,003	1,955,158	1,215,776	1,743,901	630,469	601,679	410,094
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>31,689,764</b>	20,780,284	20,464,601	16,360,931	14,456,833	7,571,573	11,666,222	10,823,828	11,551,562	11,856,908
<b>Financial Ratios</b>										
Earning/(Loss) per Share - Times	2.09	0.46	9.33	3.13	4.57	(3.13)	9.23	6.38	3.92	1.91
Dividend per Share	2.00	-	4.00	4.00	-	2.00	-	15.00	-	-
Dividend Payout (%)	95.69%	-	42.87%	127.80%	-	-	-	235.11%	-	-
Return on Equity (%)	10.05%	2.10%	45.11%	16.57%	31.16%	-21.97%	82.84%	110.74%	37.87%	25.44%
Leverage (Times)	13.14	8.37	7.61	6.84	6.32	5.09	5.55	15.10	17.69	27.40

**Note A**

Group Trading Results relating to 2016/17, 2015/16, 2014/15, 2013/14, 2012/13 and 2011/12 have been presented in accordance with the new volume of Sri Lanka Accounting Standards (SLFRSs).

**Note B**

Group Financial Position as at 31 March 2017, 31 March 2016, 31 March 2015, 31 March 2014, 31 March 2013, 31 March 2012 and 31 March 2011 have been presented in accordance with the new volume of Sri Lanka Accounting Standards (SLFRSs).

## GLOSSARY OF FINANCIAL AND BUSINESS TERMS

- » **Accounting Policies:** The specific principles, bases, conventions, rules and practices adopted by an entity in preparing and presenting financial statements.
- » **Accrual Basis:** Recognising the effects of transactions and other events when they occur without waiting for receipt or payment of cash or cash equivalent.
- » **Additional Issue:** The issuance of new shares for sale to public by a company that has already held its Initial Public Offering (IPO).
- » **Amortisation:** The systematic allocation of the depreciable amount of an intangible asset over its useful life.
- » **Amortised Cost:** Amount at which the financial asset or financial liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount and minus any reduction for impairment or uncollectability.
- » **Annual Equivalent Rate (AER):** The interest rate on a financial product, loan or investment re-stated from its nominal interest rate to an interest rate with annual compound interest payable in arrears.
- » **Annual Equivalent basis:** The methodology of using the Annual Equivalent Rate to depict the interest rate on a financial product.
- » **Asset:** A resource controlled by the entity as a result of past events and from which future economic benefits are expected to flow to the entity.
- » **Assets Under Management (AUM):** The total market value of all the financial assets which a financial institutions such as an asset manager of unit trusts, investment company, venture capital firm or private equity company manages on behalf of its clients and themselves.
- » **Associate:** An associate is an entity, including an unincorporated entity such as a partnership, over which the investor has significant influence and that is neither a subsidiary nor an interest in a joint venture.
- » **Available for Sale (AFS):** AFS are those non-derivative financial assets which are designated as available for sale or are not classified as loans and receivable, held-to-maturity investments or financial assets at fair value through profit or loss.
- » **Asset Backed Securitisations:** Short or long-term financial securities which are backed by financial assets and also referred to Securitisations.
- » **Average Weighted Deposit Rate (AWDR):** Weighted average interest rates offered for interest bearing deposits by commercial banks.
- » **Business Model/Business Platform:** A representation for the operation of a business, identifying its revenue sources, customer base, products, services and financing sources. In this report we use the term business platform to refer to the core services or main businesses represented in the Company's business model. These core areas are Capital Markets Advisory, Wealth Management Fixed Income and Equities.
- » **Call Money Rate:** Inter-bank overnight lending rate.
- » **Capital Adequacy Ratio (CAR):** A measure of a Primary Dealer's capital and is a prudential requirement reflecting the dealer's level of stability. Two categories of capital are measured by the CAR namely Tier 1 and Tier 2.
  - » Tier 1 capital in view of local Primary Dealers consists of shareholders' equity, retained earnings or other surpluses and preference shares types as selectively set out by the Central Bank of Sri Lanka.
  - » Tier 2 capital includes revaluation reserves, subordinated term debt, perpetual subordinated debt and cumulative preference shares as selectively set out by the Central Bank of Sri Lanka.
- » **Capital Employed:** The sum of shareholders' equity and debt liabilities simplified as Total Assets less Current Liabilities denoting the total amount of capital used in the acquisition of profits.
- » **Capital Reserves:** The profits of a company which (for various reasons) are not regarded as distributable to shareholders as dividends. These include gains on the revaluation of capital assets.

- » **Cash Equivalents:** Short-term, highly liquid investments which are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.
- » **Commercial Paper:** A short term unsecured promissory note issued in the open market by quoted public companies representing an obligation of the issuing entity.
- » **Consolidated Financial Statements:** Financial Statement of a holding company and its subsidiaries based on their combined assets, liabilities and operating results.
- » **Contingent Liabilities:** Conditions or situations at the reporting date, the financial affects of which are to be determined by future events which may or may not occur.
- » **Core Businesses:** Principal areas of business. In this report we refer to core businesses of the Company as Capital Markets Advisory, Wealth Management Fixed Income and Equities.
  - » **Capital Market Advisory** refers to a range of advisory services offered by the Company including capital raising, capital market strategy, treasury/ liquidity management and project finance.
  - » **Wealth Management** refers to the Company's wealth and asset management activities which include unit trust investments, discretionary portfolio management and tailored financial advice and products such as lifestyle investment.
  - » **Fixed Income** refers to the range of fixed income based investment products and secondary market trading services in addition to primary dealing offered by the Company.
  - » **Equities** refer to the stock broking and margin trading services offered by the Company in view of secondary market trading in equity products.
- » **Corporate Governance:** Process by which corporate entities are governed to promote stakeholder interest. Shareholders exert collective pressure on management to ensure equitable decision making on matters that may affect the value of their holdings and base their response on statutory requirements or on so called "Best Practice".
- » **Cost Method:** Cost method is a method of accounting for an investment whereby the investment is recognised at cost. The investor recognises income from the investment only to the extent that the investor receives distributions from accumulated profits of the investee arising after the date of acquisition. Distributions received in excess of such profits are regarded as a recovery of investment and are recognised as a reduction of the cost of the investment.
- » **Credit Rating:** An evaluation of a corporate's ability to repay its obligations or likelihood of not defaulting, carried out by an independent rating agency.
- » **Credit Risk:** The risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.
- » **Deal Pipeline:** The approach of an investment bank to secure initial contact with a potential client, qualifying that prospect into a lead and further actions that lead into the different stages of execution to closing of the transaction on the client's behalf. Potential validated leads may be numerically estimated to depict the value of a deal pipeline. It is a reflection of the investment bank's potential or 'transactions-in-the-making'
- » **Debt Market:** This also refers to as the bond market. A financial market where participants can issue new fixed income securities, known as the primary market, or buy and sell fixed income securities, known as the secondary market.
- » **Deferred Tax:** Sum set aside in the financial statements for taxation that may become payable in a financial year other than the current financial year.
- » **De-recognition:** Removal of a previously recognised financial asset or financial liability from an entity's Statement of Financial Position.
- » **Dividend Cover:** Profit after tax divided by gross dividends. This measures the number of times the dividend is covered by distributable profits.
- » **Depreciation:** The systematic allocation of the depreciable amount of an asset over its useful life.
- » **Dividend Yield:** Dividend earned per share as a percentage of its market value.

## Glossary of Financial and Business Terms Contd.

- » **Earnings per Share:** Profit attributable to ordinary shareholders, divided by the weighted average number of ordinary shares in issue.
- » **Effective Interest Method:** A method of calculating the amortised cost of a financial asset or a financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period.
- » **Events occurring after the Reporting Period:** Significant events that occur between the reporting date and the date on which financial statements are authorised for issue.
- » **Equity Instrument:** Equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities.
- » **Equity Method:** The equity method is a method of accounting whereby the investment is initially recognised at cost and adjusted thereafter for the post-acquisition changes in the investor's share of net assets of the investee. The profit or loss of the investor includes the investor's share of the profit or loss of the investee.
- » **Fair Value:** 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.
- » **Financial Asset or Financial Liability at Fair Value through Profit or Loss:** Financial asset or financial liability that is held for trading or upon initial recognition designated by the entity as 'at fair value through profit or loss'.
- » **Financial Instrument:** Any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.
- » **Fixed Income Securities:** Securities whose current income is fixed or based on some underlying index. These are also known as debt securities since they represent a fixed obligation of the company unlike equity, which pays dividends only when the company makes profits.
- » **Fixed Income AUM:** This refers to Assets Under Management which are made up purely of fixed income investments and also referred to Assets Under Management.
- » **Forward Rate Agreement:** An agreement between two parties who wish to protect themselves against a future movement in interest rates.
- » **Full Service Investment Banking:** Where an investment bank provides both advisory services in addition to trading, market making and research amongst other services on a broad array of financial products. This is in contrast to boutique or non-full service investment banking where the investment bank provides at least one but not all types of fee and fund based services that comprise investment banking.
- » **Fund:** See Unit Trust.
- » **Gross Dividends:** The portion of profit inclusive of tax withheld distributed to shareholders.
- » **Group:** A group is a parent and all its subsidiaries.
- » **Guarantee:** A promise made for a fee by a third party (Guarantor), who is not a party to the contract between two others, that the guarantor will be liable if one of the parties fails to fulfill the contractual obligations.
- » **Held to Maturity Investment:** Non-derivative financial assets with fixed or determinable payments and fixed maturity that an entity has the positive intention and ability to hold to maturity.
- » **Impairment:** This occurs when recoverable amount of an asset is less than its carrying amount.
- » **Impairment Allowances:** Impairment allowances are provisions held on the Statement of Financial Position as a result of the raising of a charge against profit for the incurred loss. An impairment allowance may either be identified or unidentified and individual (specific) or collective respectively.
- » **Inorganic Growth:** Business expansion and enhanced outreach achieved by acquiring new businesses through mergers, acquisitions and take-overs.
- » **Intangible Asset:** An identifiable non-monetary asset without physical substance held for use in the production/ supply of goods/services or for rental to others or for administrative purposes.

- » **Interest Rate Risk:** The risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.
- » **Interest Rate SWAP:** An interest rate SWAP is a contract, whereby two parties agree to exchange a set of interest cash flows based on a notional principle on pre-arranged dates. Normally fixed rate is exchanged for a floating rate.
- » **Interest Cover:** A ratio showing the number of times interest charges is covered by earnings before interest and tax.
- » **IPO or Initial Public Offering:** The first sale of a company's shares to the public, leading to the listing of its shares on the stock market.
- » **Joint Control:** Joint control is the contractually agreed sharing of the control over an economic activity and exists only when the strategic financial and operating decisions relating to the activity require the unanimous consent of the parties sharing control.
- » **Key Management Personnel:** Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly.
- » **Lease:** An agreement whereby the lessor conveys to the lessee in return for a payment or series of payments the right to use an asset for an agreed period of time.
- » **Liabilities:** Debt or obligations of a business.
- » **Liquidity Risk:** The risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities.
- » **Listed:** A company or its financial securities which are admitted for trading on a stock exchange.
- » **Loans and Receivables:** Non derivative financial assets with fixed or determinable payments that are not quoted in an active market other than those intends to sell immediately or in the near term and designated as fair value through profit or loss or available for sale on initial recognition.
- » **Margin Trading:** A credit facility given to investors who wish to expand their investment portfolio.
- » **Market Maker:** In the local context, a market maker is a Primary Dealer that undertakes to buy or sell securities at specified prices for buying and selling, at all times, thus providing liquidity in that security.
- » **Market Value per Share:** The price at which an ordinary share is transacted in the stock market.
- » **Market Capitalisation:** The market value of a company at a given date obtained by multiplying the share price by the number of issued shares.
- » **Materiality:** The relative significance of a transaction or an event, the omission or misstatement of which could influence the decisions of users of financial statements.
- » **Money Broker:** Inter-bank money broker approved by the Central Bank of Sri Lanka.
- » **Mergers and Acquisitions (M&A):** Transactions in which the ownership of companies, other businesses or their operating units are transferred or combined. They are considered as capital market strategy or tactical management transactions that can allow companies to grow, decrease in size, change the nature of their business or enhance their competitive position.
- » **Net Assets per Share:** Net assets (total assets less total liabilities) divided by the number of shares issued.
- » **Non-controlling Interest:** Portion of the profit or loss and net assets of a subsidiary attributable to equity interests that are not owned, directly or indirectly through subsidiaries, by the parent.
- » **Operational Risk:** This refers to the risk of loss resulting from inadequate or failed internal processes, people and systems, or from external events.
- » **Organic Growth:** The process of business growth through increased output, customer base expansion, or new product development, as opposed to through Mergers and Acquisitions-which is inorganic growth.

## Glossary of Financial and Business Terms Contd.

- » **Outright:** The purchase or sale of a currency or security for delivery on any date other than spot (not being a swap transaction).
- » **Overnight:** Deposit or swap transaction for settlement on transaction date to or against the next business day after transaction date.
- » **Parent:** A parent is an entity that has one or more subsidiaries.
- » **Policy Rates:** The rates that are used by a central bank to implement or signal its monetary policy stance. The Central Bank of Sri Lanka uses the Standing Deposit Facility Rate and Standing Lending Facility Rate as policy rates.
- » **Portfolio:** Income generating assets such as loans, finance leases, investment securities and bills discounted etc.
- » **Price Earnings Ratio:** Market price of a share divided by earnings per share.
- » **Primary Market:** A capital market where newly issued securities are offered to the public directly by the issuer. Initial Public Offerings and new issues where a company offers its shares or debentures directly to investors constitute the primary market.
- » **Primary Dealer:** A dealer in government securities licensed by the Central Bank of Sri Lanka.
- » **Prime Lending Rate (PLR):** The interest rate a commercial bank will offer to its best customers.
- » **Related Parties:** Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions.
- » **Related Party Transactions:** A transfer of resources, services or obligations between related parties, regardless of whether a price is charged or not.
- » **Repurchase Agreement:** An agreement (Repo for short) is the simultaneous sale and repurchase of a security on different settlement dates.
- » **Return on Equity (ROE):** Profit after tax less preference share dividends if any, expressed as a percentage of ordinary shareholders' equity.
- » **Return on Assets:** Post-tax profit divided by average total assets.
- » **Revenue Reserves:** Reserves which may be distributed to shareholders as dividends.
- » **Reverse Repurchase Agreement:** An agreement (Reverse Repo for short) is the simultaneous purchase and resale of a security on different settlement dates.
- » **Rights Issue:** The issue of new shares with the right given to existing shareholders to purchase them in proportion to their shareholdings. This raises new capital for the company, often including a premium.
- » » **Secondary Market:** A capital market where investors purchase securities or assets from other investors, rather than from the issuing companies themselves. The Colombo Stock Exchange is a secondary market.
- » **Shareholders' Funds:** Shareholders funds consist of issued and fully paid ordinary share capital plus capital and revenue reserves.
- » **Standing Deposit Facility Rate (SDLR):** The floor rate of interest for the absorption of overnight excess liquidity from the banking system by the Central Bank of Sri Lanka.
- » **Standing Lending Facility Rate (SDFR):** The interest rate applicable on reverse repurchase transactions of the Central Bank of Sri Lanka with commercial banks on an overnight basis providing the ceiling rate for the injection of overnight liquidity to the banking system by the Central Bank of Sri Lanka.
- » **Statutory Reserve Requirement (SRR):** The proportion of rupee deposit liabilities that commercial banks are required to maintain as a deposit with the Central Bank of Sri Lanka.
- » **Subsidiary:** A subsidiary is an enterprise that is controlled by another enterprise (known as the parent company). Control is the power to govern the financial and operating policies of an enterprise so as to obtain benefits from its activities.

- » **Substance Over Form:** The consideration that the accounting treatment and the presentation in financial statements of transactions and the events are governed by their financial reality and not merely by its legal form.
- » **Swap (currency):** The simultaneous purchase and sale of identical amounts of a currency for different value dates.
- » **Term Repo:** A Repo with more than one day's duration. In this report we use it in relation to the Platinum Bond issued by the Company which is a Repo investment with medium to long term horizon. Also see Repurchase Agreement.
- » **Transaction Costs:** Incremental costs which are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability.
- » **Unit Trust:** An undertaking formed to invest in securities under the terms of a trust deed. May also be referred to as Fund or Mutual Fund.
- » **Unlisted:** A financial instrument that is not traded on a stock exchange. This also refers to a company that has not been admitted to the stock exchange or acquired 'listed' status.
- » **Venture Capital Company:** Venture Capital Company is an entity which is specialised in engagement of the business of providing equity investment in relation to commencement or expansion of business project.
- » **Yield Curve:** The graphical depiction of the relationship between the yield on Treasury securities and the corresponding period.

## NOTICE OF MEETING

Notice is hereby given that the 25<sup>th</sup> Annual General Meeting of First Capital Holdings PLC will be held on 7 September 2017 at Level 6, Conference Hall of the Institute of Chartered Accountants of Sri Lanka, No.30A, Malalasekera Mawatha, Colombo 07 at 10.00 a.m. to transact the following businesses.

1. To receive the Report of the Board of Directors and the Audited Financial Statements of the Company for the year ended 31 March 2017 together with the report of the Auditors thereon.
2. To re-elect Ms. Minette D. A. Perera who retires by rotation in terms of Article 93 of the Articles of Association of the Company and offers herself for re-election.
3. To re-appoint Mr. A. D. E. I. Perera as a Director of the Company in terms of Section 211 of the Companies Act, No. 7 of 2007.

"IT IS HEREBY RESOLVED that it be declared that the age limit of 70 years referred to in Section 210 of the Companies Act, No.7 of 2007 shall not apply in relation to Mr. A. D. E. I. Perera, who is over 70 years of age and that he be re-appointed as a Director of the Company."

4. To re-elect Mr. Dilshan G. Wirasekara who was appointed to the Board on 1 May 2017, in terms of Article 99 of the Articles of Association of the Company.
5. To re-appoint Messrs KPMG, Chartered Accountants as Auditors of the Company for the ensuing year and authorise the Directors to determine their remuneration.
6. To authorise the Directors to determine and make donations.

By Order of the Board

(Sgd.)

**K H L Corporate Services Limited**

*Secretaries*

At Colombo

9 August 2017

Note :

1. A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote on behalf of him/her.
2. A proxy need not be a member of the Company.
3. A Form of Proxy is enclosed for this purpose.
4. The Completed Form of Proxy must be deposited at the office of the Company Secretaries, K H L Corporate Services Limited, No.15, Walukarama Road, Colombo 03 not less than 48 hours before the time fixed for the meeting.





## FORM OF PROXY

I / We, ..... of .....  
 ..... being a Member/s of the First Capital Holdings  
 PLC, hereby appoint Mr/Mrs/Miss .....  
 (holder of NIC No. .... ) of .....  
 ..... failing whom,

- |                                |              |
|--------------------------------|--------------|
| 1. Mr. W. Nishan I.C. Fernando | failing whom |
| 2. Mr. Dinesh Schaffter        | failing whom |
| 3. Mr. A.D.E.I. Perera         | failing whom |
| 4. Ms. Minette D.A. Perera     | failing whom |
| 5. Mr. Chandana L. de Silva    | failing whom |
| 6. Mr. Dilshan G. Wirasekara   |              |

as my/our Proxy to represent me/us and vote on my/our behalf at the 25<sup>th</sup> Annual General Meeting of the Company to be held on 7 September 2017 at Level 6, Conference Hall of the Institute of Chartered Accountants of Sri Lanka, No. 30A, Malalasekera Mawatha, Colombo 07 at 10.00 a.m. and at any adjournment thereof and at every poll which may be taken in consequence thereof.

Please indicate your preference by placing a 'X' in the box of your choice against each Resolution.

	FOR	AGAINST
1. Receiving of the Report of the Board of Directors and the Audited Financial Statements of the Company for the year ended 31 March 2017 together with the report of the Auditors thereon.	<input type="checkbox"/>	<input type="checkbox"/>
2. Re-election of Ms. Minette D. A. Perera who retires by rotation in terms of Articles 93 of the Articles of Association	<input type="checkbox"/>	<input type="checkbox"/>
3. Re-appointment of Mr. A.D.E.I. Perera as a Director in terms of Section 211 of the Companies Act No. 7 of 2007.	<input type="checkbox"/>	<input type="checkbox"/>
4. Re-election of Mr. Dilshan G. Wirasekara in terms of Articles 99 of the Articles of Association	<input type="checkbox"/>	<input type="checkbox"/>
5. Re-appointment of Messrs KPMG, Chartered Accountants as Auditors of the Company for the ensuing year and authorising the Directors to determine their remuneration.	<input type="checkbox"/>	<input type="checkbox"/>
6. Authorising Directors to determine and make donations.	<input type="checkbox"/>	<input type="checkbox"/>

Signed on this..... day of ..... 2017

Signature/s.....

.....  
 Shareholder's N.I.C./P.P./Co. Reg. No.

## Form of Proxy Contd.

### **INSTRUCTIONS FOR THE COMPLETION OF THE FORM OF PROXY**

1. Please perfect the Form of Proxy overleaf, after filling in legibly your full name and address, by signing in the space provided and fill in the date of signature and your National Identity Card Number.
2. The completed Form of Proxy should be deposited at the office of the Secretaries, K H L Corporate Services Limited of No.15, Walukarama Road, Colombo 03, 48 hours before the time appointed for the holding of the meeting.
3. If an Attorney has signed the Form of Proxy, the relevant Power of Attorney should also accompany the completed Form of Proxy for registration, if such Power of Attorney has not already been registered with the Company.
4. If the Shareholder is a company or a corporate body, the Proxy should be executed under its Common Seal in accordance with its Articles of Association or Constitution.
5. If there is any doubt as to how the vote is to be exercised, by reason of the manner in which the Form of Proxy has been completed, no vote will be recorded by the Form of Proxy.

# CORPORATE INFORMATION

<b>NAME OF COMPANY</b>	- First Capital Holdings PLC
<b>NAME OF SUBSIDIARIES</b>	- First Capital Limited First Capital Treasuries PLC First Capital Markets Limited First Capital Asset Management Limited First Capital Equities (Private) Limited First Capital Trustee Services (Private) Limited
<b>LEGAL FORM</b>	- Public Limited Liability Company listed on the Colombo Stock Exchange (Incorporated in Sri Lanka on 23 March 1992)
<b>COMPANY REGISTRATION NUMBER</b>	- PQ 44
<b>REGISTERED OFFICE</b>	- No. 2, Deal Place Colombo 3 Sri Lanka
<b>BOARD OF DIRECTORS</b>	- Mr. Nishan Fernando Mr. Dinesh Schaffter Mr. Dilshan Wirasekara Mr. Eardley Perera Ms. Minette Perera Mr. Chandana de Silva
<b>SECRETARIES</b>	- K H L Corporate Services Limited No. 15, Walukarama Road, Colombo 3 Tel: 0112 639807 / 0112 639898
<b>REGISTRARS</b>	- SSP Corporate Services (Private) Limited No. 101 Inner Flower Road, Colombo 3 Tel: 0112 573894
<b>LAWYERS</b>	- Messrs Neelakandan & Neelakandan Attorneys - at - Law and Notaries Public M&N Building (Level 5) No. 2 Deal Place, Colombo 3
<b>EXTERNAL AUDITORS</b>	- Messrs KPMG Chartered Accountants 32 A, Sir Mohamad Macan Marker Mawatha P.O. Box 186, Colombo 3
<b>PRINCIPAL BANKERS</b>	- Seylan Bank PLC Hatton National Bank PLC Bank of Ceylon Peoples' Bank Commercial Bank of Ceylon PLC Cargills Bank Limited National Development Bank PLC Sampath Bank PLC



For more information...  
<http://www.firstcapital.lk/>