

2017 Annual Report / 18



First Capital

First Capital Holdings PLC

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Vision

To be the
leading Investment Bank
in Sri Lanka

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.

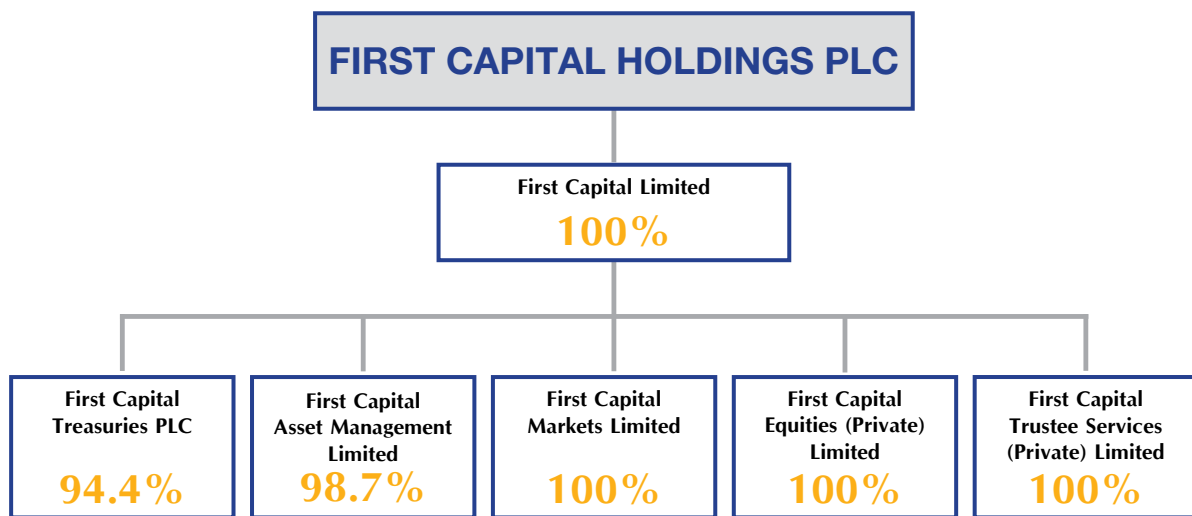
As a company listed on the Colombo Stock Exchange (CSE) since 1994 (Ticker: CFVF), we exemplify requisite financial transparency and governance standards.

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, 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 life-cycles, individual net worth phases as well as varying economic and market cycles.

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

Group Financial Highlights

For the year ended 31 March	2018	2017	Variance
Income statement (Rs'000)			
Income	4,186,064	3,587,574	17%
Net trading income before expenses	1,641,396	629,641	161%
Profit before taxation	1,152,108	245,511	369%
Profit after taxation	1,965,723	231,598	749%
Total comprehensive income	1,875,436	238,434	687%
Selected return ratios (Percentage)			
Return on equity	64.40%	10.05%	541%
Return on capital employed	5.45%	0.68%	701%
Financial position (Rs.'000)			
Total assets	35,192,013	31,689,764	11%
Total shareholders' funds	3,870,576	2,213,613	75%
Stated capital	227,500	227,500	-
Funds employed (Debt/Equity)	34,350,359	31,302,079	10%
Selected ratios (Times/ Percentage)			
Leverage Ratio (Debt to Equity)	7.87	13.14	40%
Interest cover	1.42	1.08	31%
Capital Adequacy Ratio - First Capital Treasuries PLC	14.69%	27.92%	-47%
Share related information			
Earnings per share (Rs.)	18.49	2.09	785%
Dividend per share (Rs.)	2.00	2.00	-
Dividend payout	10.82%	95.69%	-89%
Net assets per share (Rs.)	36.49	20.92	74%
Closing share price (Rs.)	31.80	20.10	58%
Market capitalisation (Rs. Mn)	3,219.75	2,035.12	58%
Number of shares issued	101,250,000	101,250,000	-

Rs. 1.64BN

Net Trading Income before Expenses

Rs. 1.97BN

Profit After Tax

Rs. 18.49

Earnings per Share

Rs. 34.35BN

Funds Employed (Debt/Equity)

64.40%

Return on Equity

Rs. 3.87BN

Net Assets

Operational Highlights

Rs. 236BN

Value of Government Securities
channelled to the public

Rs. 24BN

Total funds raised through
Corporate Debt Structuring and Placement

Rs. 5.1BN

Assets Under Management

First Capital Wealth Fund ranked best
long-term performing Income Fund
amongst peers over the five years
ended 31 March 2018

Chairman's Statement



Presenting to you the Annual Report and Financial Statements of First Capital Holdings PLC for the year 2017/18, I am pleased to announce that the Group performed exceedingly well. While all Group Companies tabled significantly improved outcomes for the year under review, in particular the performance of the Primary Dealer operation - First Capital Treasuries PLC, which simply put, was outstanding.

FINANCIAL RECAP

Bolstered by a strong contribution from First Capital Treasuries PLC, Group net trading income before operating expenses for 2017/18 stood at Rs. 1.64Bn, up by a phenomenal 161% from Rs. 630Mn reported in the previous financial year. Similarly, consolidated net profits too reached an all-time high of Rs. 1.97Bn, compared to Rs. 232Mn reported in the previous year. The results include recognition of a deferred tax asset of Rs. 902Mn.

A significant improvement in all other performance indicators was also evident. Return on Equity (ROE) increased from 10% in 2016/17 to 64% in the year under review, while Earnings Per Share (EPS) and Net Assets Per Share (NAV) increased from Rs. 2.09 and Rs. 20.92 respectively at the end of 2016/17 to Rs. 18.49 and Rs. 36.49 respectively by end of March 2018.

Maintaining its track record for providing sustainable returns to shareholders, a dividend of Rs. 2/- per share was declared and paid to First Capital Holdings PLC shareholders in April 2018.

STRENGTHENING CORE FUNDAMENTALS

I believe the year-on-year improvement in the Group's financial results clearly testifies to the fact that our fundamentals are strong and strategies well placed. However, we do operate in a highly competitive industry and rapidly changing market characterised by unforeseen economic impacts and heightened regulations. To be successful amidst this environment, it is imperative that we make continuous improvements across all areas of the business. Achieving this involves diligently studying the markets and our responses to them, and using our resources where they have the greatest impact.

This is exactly what we do, as each year we become increasingly proactive and take an ever more disciplined approach to upscale our business on an ongoing basis.

In the year under review, we remained cognisant of the economic and regulatory developments as well as market sentiments affecting our business to ensure the Group benefits from the best possible outcomes, as evidenced by the results

Chairman's Statement Contd.

as at 31 March 2018. Moreover, it was this thinking that led to the decision to exit the Margin Trading operation by the end of the financial year 2017/18, which I believe is a timely move that will ensure our resources are better served in more value-adding business models across the Group.

More broadly, we also accelerated our investment agenda focusing mainly on strengthening the island-wide footprint to gain more visibility in order to firm up our client franchise.

I am confident that these investments will better position the Group for future growth, and I expect to see the results reflected positively in our net trading income in due course.

GOVERNANCE AND RISK

As part of the First Capital Holdings PLC Board, my fellow Directors and I remain fully committed to maintain good governance practices across all aspects of the business. Our aim is to promote transparent and ethical business conduct at all levels in order to create a solid foundation for our business to generate value for our Stakeholders.

Throughout the year we continued refining the Group's governance framework, improving the system of policies and procedures to utilise the best of our talent and resources in order to enable each business vertical to operate as efficient, lean and ethical organisations.

The Board is also responsible for overseeing the risk management framework and internal control systems that are designed to manage the Group's risk appetite within the acceptable level of tolerance. As part of this responsibility, periodic reviews were carried out throughout the year to determine the effectiveness and adequacy of the Group's risk framework and systems in safeguarding the shareholders' investment and the Group's assets.

OUTLOOK AND STRATEGY

Moving ahead, the Group will strive to achieve its strategic objectives by continuing to grow the business incrementally, in line with our desired risk profile together with suitable cost control mechanisms to boost operating profit. Doing so amidst the highly charged environment in which we operate however would require further action in the form of preemptive management strategies coupled with agile business models that would allow the Group to swiftly capitalise on potential upside in the market in the years ahead.

BOARD CHANGES

It is with great pleasure that I note the appointment of Mr. Dilshan Wirasekara, our CEO, to the First Capital Holdings PLC Board. As Group CEO for the past 4 years, Dilshan has steered First Capital Holdings PLC towards what is perhaps the most outstanding growth phase in Group's 35-year history. I have no doubt that under his leadership the Group will continue to reach even greater heights in the years ahead.

I also wish to welcome Dr. Nishan de Mel who was appointed as an Independent Non-Executive Director of First Capital Holdings PLC with effect from 13 October 2017. An Economist by profession, Dr. de Mel is a well-respected industry expert with over 20 years of experience in the corporate sector. His knowledge and expertise will undoubtedly be an invaluable asset to the Group in the coming years.

APPRECIATIONS

In conclusion, I would like to express my sincere thanks to my colleagues on the Board for their unstinted support extended to me at all times and to take this opportunity to thank the Director/CEO, the Management and all Employees of the First Capital Group, for their commitment and dedication towards delivering exceptional results year after year.

My grateful thanks are also due to officials of the Central Bank of Sri Lanka, Securities and Exchange Commission of Sri Lanka and Colombo Stock Exchange, for their valuable guidance and support.

In closing, I wish to thank the shareholders and all other stakeholders of the Group, for their unwavering trust and confidence that have been the pillars of our success. I look forward to your continued patronage in the years ahead as well.

(Sgd.)

Nishan Fernando
Chairman

Director / Chief Executive Officer's Review



Hitting several historical milestones, the First Capital Holdings PLC concluded the financial year ended 31 March 2018 with its best-ever performance to-date with consolidated gross income, net trading income and operating profit, all reaching record highs.

Up by 16% from the previous year, gross income crossed the Rs. 4 billion mark to reach an all-time high of Rs. 4.19Bn as at 31 March 2018, while net trading income (before operating expenses) increased by 161% from Rs. 630Mn in 2016/17 to a peak of Rs. 1.64Bn in 2017/18. Operating profit of Rs. 1.15Bn in 2017/18 was higher than four-times of the amount reported in the previous year.

Bolstered by these remarkable results, First Capital Holdings PLC recorded its highest-ever consolidated profit after tax of Rs. 1.97Bn in 2017/18. This includes recognition of a deferred tax asset of Rs. 902Mn. The Group's leverage factor returned to customary levels in 2017/18 following the unusual spike seen in the previous financial year, while ROE reported a 6.4-fold increase over the previous year. In yet another historical landmark, the Group's consolidated asset base touched Rs. 35Bn as at 31 March 2018. Backed by exceptional financial results, coupled with solid

fundamentals, the Group continued to maintain the SL[A-] (with stable outlook) credit rating issued by ICRA Lanka for the 3rd consecutive year.

OPERATING ENVIRONMENT

Triggered by what is believed to be a broad-based cyclical upturn in trade and investment activity seen across all advanced economies, the global economic conditions showed signs of recovery in 2017. Emerging from a prolonged three-year slump, global GDP is estimated to have grown by 3% compared to only 2.3% in the previous year. Available statistics indicate that the US economy rebounded strongly on the back of strengthening private investment and robust domestic spending. In the Euro region too, growth gained substantial momentum with member countries reporting better-than-expected results thanks to widespread policy stimulus packages and strengthening global demand.

The Sri Lankan economy continued to operate under subdued conditions. As per the official data released by the Department of Census and Statistics, Sri Lanka's real GDP growth decelerated from 4.5% recorded in 2016 to 3.1% in 2017 as many key sectors came under pressure. Although the Sri Lankan rupee depreciated against the US dollar due

Director / Chief Executive Officer's Review Contd.

to outflows of foreign investment from government securities and the equity markets in the first half of the year, improved investor sentiments, and the continuation of the IMF-EFF programme attracted foreign inflows in the second half that helped ease the pressure on the rupee towards end-2017.

Liquidity in the domestic money market remained tight until mid-July 2017, as a result of the maturing of Treasury bills from the Central Bank holdings and foreign exchange sales by the Central Bank in view of capital outflows. With market liquidity levels in negative territory, the AWCMR hovered at the upper bound of the standing rate corridor until mid-July 2017. Commendably, efforts by the Central Bank to conduct a high level of OMO's helped prevent any further escalation of the situation and minimised undue pressure on short-term interest rates.

Consequently, after reaching a peak of 8.75% in mid-July, the AWCMR gradually adjusted downwards to reach the mid-range of the standing rate corridor by end September 2017 and continuing to hover at around 8.15% thereafter until the year-end.

In tandem with the tight monetary conditions, yields on Treasury bills in the primary market showed upward movements during the first four months of 2017. End of April 2017, yields on 91-day, 182-day and 364-day Treasury bills were up by 101, 107 and 85 basis points respectively, from the end of 2016 yield rates. In contrast, yield rates adjusted downwards in the second half of the year amidst excess liquidity in the domestic market resulting from increased government revenue and favourable market sentiments due to the continuation of the IMF Extended Fund Facility programme. Accordingly, yields on 91-day, 182-day and 364-day Treasury bills in the primary market decreased by 204, 249 and 221 basis points to 7.69%, 8.30% and 8.90%, respectively, by end of December 2017, compared to the peak yield levels recorded in April 2017.

Secondary market yields on Treasury bills in respect of all three maturities also decreased by end 2017 in comparison to yields that prevailed at end 2016.

Mirroring the Treasury bills yield movements, the primary market yields on Treasury bonds increased during the first quarter of 2017, before moderating towards the end of the year. Secondary market Treasury bond yields also declined.

On the surface, trading conditions at the Colombo Stock Exchange appeared to indicate an improvement over the

previous year. Both the ASPI and the S&P SL20 indices were up by 2.3% and 5.0% respectively at the end of 2017, in contrast to the year-on-year declines of 9.7% and 3.6% recorded in the corresponding period of 2016. Nonetheless, growth of price indices of the Colombo Stock Exchange remained low when compared with other countries in the Asian region.

PERFORMANCE OF CORE BUSINESSES

Fixed Income

Our primary dealer operation – First Capital Treasuries PLC was the single-largest contributor to the Group's results, accounting for over 60% of the top-line and 85% of the bottom-line for the year. It was a good year for the primary dealer, with the Company reporting a record net trading income before expense, of Rs. 998Mn.

Despite some uncertainty in the first quarter, swift action to capitalise on opportunities created by declining interest rates in the secondary market from mid-July onwards enabled the realisation of significant fair value gains, which helped boost the primary dealer's net trading income. Meanwhile, continuing with proactive efforts to exploit the subtleties of the market, we were able to capitalise on the maturity mismatch for short and medium-term government securities to enhance net trading income of the year.

Bolstered by healthy top-line results, together with a deferred tax asset amounting to Rs. 848Mn, the Company's profit after tax reached an all-time record high of Rs. 1,671Mn as at 31 March 2018.

Moreover, the primary dealer operation remained fully compliant with the Capital Adequacy and all other mandatory compliance requirements for primary dealers, as stipulated by the Central Bank.

Capital Market Advisory

The second largest contributor to the Group's performance was the income generated through the structuring and placement of corporate debt securities.

The fee income generated through structuring and placement of corporate debt securities hit a record of Rs. 80Mn in the year under review compared to Rs. 40Mn reported in the previous year. This performance is the result of our well-timed strategy to explore potential debt structuring opportunities in the unlisted debt securities market, which I believe has largely helped to overcome limited opportunities in the increasingly competitive listed debt securities market.

Through these efforts, I am pleased to note that we succeeded in raising a total of Rs. 24Bn by way of unlisted debt and placements in 2017/18, compared to only Rs. 12.4Bn in the unlisted debt market in the previous year.

The Trustee Services business set up in the previous year has continued to gain traction in the market.

Wealth Management

The wealth management business comprising of First Capital Fixed Income Fund, First Capital Money Market Fund, First Capital Gilt-edged Fund and First Capital Wealth Fund as well as First Capital Equity Fund, tabled a satisfactory performance for the year under review, contributing Rs. 47Mn to the Group's net trading income.

To further strengthen the wealth management business, we leveraged on certain concessions offered through the prevailing tax structure to begin actively promoting structured retirement solutions for high net-worth clients where our goal is to provide a platform to build wealth by focusing on long-term value rather than short-term profits. Despite being a relatively new concept in Sri Lanka, the response from the market has indeed been encouraging.

Hence, I am confident that given our commitment and client focused approach, the First Capital Group can maintain a leading edge in the retirement solutions market.

Equities

First Capital Equities (Private) Limited, Stock Broking arm of the Group, with a market share of approximately 2.5%, was ranked 11 among a total of 27 in the market as at 31 March 2018. Tabling a profit of Rs. 7Mn for the year under review, the Company's performance was typically a reflection of the weak trading activity in the local equities market.

Given that the Company's performance can only improve based on the trading activity in the stock market, we made a concerted effort to boost trading activity at the Colombo Stock Exchange, and took several important steps to encourage greater foreign participation in the local equities market.

Playing an active role in exploring capital market prospects and opportunities through international collaborations, representatives of the company participated at key events and industry forums, including the Invest Sri Lanka Investor Forum organised by the Colombo Stock Exchange in New York and Singapore and at the Sri Lanka Investment and Business Conclave 2017. While strengthening existing partnerships with

overseas brokerage houses, we tied up with the LXM Group, a leading US-based fund management company committed to investing in developing and emerging equity markets.

Other notable developments for the year included the steps taken to comply with the new Securities and Exchange Commission-approved procedure to strengthen the framework for risk-based capital adequacy requirement of stock broking firms.

Margin Trading

The sub-par performance of the local equities market continued to affect the Group's margin trading operation in the year under review as well. And with the results generated through the margin trading operation showing no material improvement over the past few years, the Group management was compelled to make a strategic decision to phase out the operation by the end of financial year 2017/18. The move is in line with renewed efforts to focus primarily on conditioning core businesses towards achieving a leadership position in selected business domains.

KEY OPERATIONAL DEVELOPMENTS

With all our core businesses performing exceptionally well, thanks to the initiatives rolled out under 2014 - 2017 strategic plan, we felt it was time to take our plans up a notch. We activated a bold new strategy that would lead the Group towards its next big growth phase and significantly enhance the economic value generated for stakeholders over the medium term. While stressing the need to strengthen high-growth business verticals, the new strategic approach also called for some tough choices, key among them; the decision to exit from operations that do not demonstrate the growth potential desired by the Group, as was the case with the Margin Trading operation.

We then turned our attention towards enhancing the regional presence of the First Capital Group. Having taken the first steps towards breaking away from the two-man desk operation based out of the Colombo Stock Exchange branches and setting up stand-alone branches in Negombo and Matara previously, similar branches were set up in Kurunegala and Kandy within the year. I believe this strategy to define our own branch footprint not only creates more visibility and reinforces the First Capital identity but also encourages greater customer interaction. With our branch strategy in high gear, we accelerated our awareness programmes aimed at promoting our products and services to a wider regional audience.

I am also pleased to report that the First Capital Research unit made great strides in the year under review, completing

Director / Chief Executive Officer's Review Contd.

its full year of operations after being carved out as an independent unit in September 2016. Expanding its involvement in the Oxford Business Group's Annual Review of Sri Lanka – The Report Sri Lanka 2018.

While also continuing its contributions to key business publications such as the Echelon and LMD magazines throughout the year, along with regular updates on the local capital market to Thompson Reuters and Bloomberg. Meanwhile, striving to position itself as the leading economic research provider in Sri Lanka, the Research Unit continued to maintain its regular expert opinion features in national daily and weekly newspapers, as well as TV news updates on a wide range of topics including the budget review. The launch of the First Capital you-tube channel in March 2017 marks another significant milestone in elevating the profile of the Research Unit.

Moreover, as part of the overall strategy for the Research Unit, we began a determined effort to raise the profile of certain key members of our team and position them as industry-specialists in their chosen fields of discipline.

INVESTING IN PEOPLE

We are fully aware that training and developing our people is the key to keeping pace with the constantly changing business environment, and also enabling the Group to build and consolidate its competitive strengths. Depending on their roles, all employees receive relevant training on financial and technical knowledge, compliance, risk management, leadership and management skills, sales and services skills. Reinforcement and refresher training is also provided as appropriate to keep the teams updated with the latest knowledge and skills that allow them to carry out their duties in line with the highest standards.

In striving to create an efficient and productive environment for our employees, we continue to make substantial investments in their personal development and to groom leaders who are capable of driving corporate strategy. In the year under review, a total of Rs. 3Mn was invested in training and development activities with the aim of sustaining a competent, professional and ethical team that will contribute to the Group's long-term success.

FUTURE OUTLOOK AND STRATEGY

Going forward, the focus would be on a four-point strategy encompassing sales, digitalization, process re-engineering and partnerships, which I believe would spearhead the next big growth phase for the Group.

To drive sales, we will look to strengthen our identity by expanding the First Capital branch footprint, together with the appointment of dedicated sales force to widen the outreach across the country.

To further complement these efforts, we will look to expedite our digitalization strategy specifically focusing on a new CRM model to promote greater customer convenience.

Equally important is the emphasis on process automation, which would call for widespread investments to revamp the existing IT infrastructure. Meanwhile, to advance the prospects of certain business verticals, including the wealth management and equities operations, we expect to pursue long-term strategic partnerships that would give the First Capital Group a definite competitive advantage and help cement our position as the market leader in these selected business domains.

The Parent Company, Dunamis Capital PLC has also mandated an investment bank to look for a strategic investor for a minority stake that could bring in value additions for First Capital.

APPRECIATIONS

Looking back on what is perhaps the most successful year to date, I am thankful to the Board of Directors for their constant guidance and insightful leadership that has been instrumental in our path to success.

I must also acknowledge the commitment and hard work of the entire First Capital team and thank them for taking the Group to new heights.

I also take this opportunity to thank 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 direction.

Finally, a special word of thanks is due to our shareholders, clients, bankers and other stakeholders of the Group for their long-standing support. I look forward to working together with you to propel the First Capital Group to a new era of growth in the coming years.

(Sgd.)

Dilshan Wirasekara

Director/ Chief Executive Officer

Board of Directors



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

Board of Directors Contd.

01 NISHAN FERNANDO
MBA (USJP), FCA, ACMA (UK), CGMA
Independent Non - Executive Chairman

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, and is a Graduate of the Sri Lanka Institute of Directors.

He counts over 26 years of experience, during which period he has 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 International Accounting Education Standards Board of the International Federation of Accountants, and of 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 he chaired it for four years and chairs the SLFRS Implementation and Interpretation Task Force of CA Sri Lanka.

Other principal appointments
 Managing Director: BDO Consulting (Private) Limited

02 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. He also holds a Bachelor of Laws (Honours) Degree from the UK and an Executive Master of Business Administration Degree from INSEAD, France.

Other principal appointments

Managing Director: Dunamis Capital PLC and Kelsey Developments PLC

03 DILSHAN WIRASEKARA
Director / Chief Executive Officer

Dilshan Wirasekara, Director / Chief Executive Officer of First Capital Holdings PLC is an experienced professional with a career spanning over 22 years, comprising diversified expertise in financial services including, banking, treasury and investment management, capital market strategy and corporate finance advisory.

Having joined First Capital in 2013 Wirasekara steered the Company, a full service investment bank holding licenses in stock broking, unit trust management, margin trading and debt brokering in addition to its prominent position in the government securities market, to establish itself as a significant contributor to the local capital market industry.

He spearhead the formation of key debt structuring deals with internationally based development Financial Institutions as well the signing of strategic partnerships with foreign institutions focusing on emerging markets such as Sri Lanka.

He was the former General Manager of Softlogic Capital PLC, guiding investment and trading portfolio management across subsidiaries, inclusive of the Group's Licensed Finance Company, Composite Insurer and Equity Brokerage; prior to which he was Head of Treasury at Nations Trust Bank PLC.

He specialises in Asset and Liability Risk Management having secured the accolade of leading and representing two Sri Lankan companies in winning the International Bank Asset and Liability competition organised annually by the Netherlands Development Finance Company (FMO), German Investment Corporation (DEG) and Proparco – a subsidiary of the Agence Française de Développement (AFD).

Dilshan Wirasekara is an Alumnus of INSEAD having successfully completed his Executive Professional Education at INSEAD Business School in Fontainebleau, France.

Other principal appointments

Director: Colombo Stock Exchange

04 EARDLEY PERERA**Chartered Marketer***Independent Non-Executive Director*

Eardley Perera has been a Director of First Capital Holdings PLC since 01 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 has been engaged in management education and consultancy.

Other principal appointments

Chairman: Dunamis Capital PLC, Kelsey Developments PLC
Non-Executive Director: Janashakthi Insurance PLC, Janashakthi PLC, Sting Consultants (Pvt) Limited, Brand Finance Lanka (Pvt) Limited and RIL Property PLC

05 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) Limited

06 CHANDANA L. DE SILVA**BSc(Lond), FCA (England & Wales), FCA (SL)***Independent Non-Executive Director*

Chandana de Silva has 25 years of managerial, financial experience and strategic acumen acquired in Sri Lanka and the

United Kingdom. He held several senior management positions including that of Chief Financial Officer of a Nasdaq quoted telecom services company during his twenty-three years of work experience in the UK. 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 centre and was the Chief Executive Officer of the MAS Investment Division when he left in 2011. He currently serves as a management consultant to clients in the investment, property development and IT sectors and promotes competency development in negotiation and influencing skills.

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 and Bairaha Farms PLC

07 NISHAN DE MEL**BA(Harvard), MPhil (Oxon), DPhil (Oxon)***Independent Non-Executive Director**(Appointed to the Board with effect from 13 October 2017)*

Nishan de Mel is the Executive Director of Verité Research (Pvt) Limited, a think tank providing analytical research and advisory services on economic, political and legal issues in Sri Lanka and Asia. He is an economist with extensive academic, policy and private sector experience.

In Sri Lanka, he has been a Member of the Presidential Task Force on Health Sector Reform, Presidential Committee on Tobacco, Alcohol and Dangerous Drug Regulation and the National Steering Committee on Social Security. He has also served as the Executive Director of the International Centre for Ethnic Studies and on the Board of the Sri Lanka Foundation. Internationally, Nishan has held several governing, teaching and research positions, including as Lecturer in Economics at Oxford University.

He holds Masters and Doctoral degrees in Economics from the University of Oxford, UK and a Bachelor of Arts degree in Economics from Harvard University, USA.

Other principal appointments

Director: Eureka Technology Partners (Pvt) Limited and Bartleet & Company Limited

Management Team



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



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10. Dimantha Mathew 11. Kapila Perera 12. Mahesh Amarasinghe 13. Anjelo Simmons 14. Anushi Ranawaka
15. Dhilip Joseph 16. Kavin Karunamoorthy 17. Sujani Kumarage 18. Harsha Perera

Management Team Contd.



19. Nisansala Munasinghe **20.** Damian Le Grand **21.** Anushka Dissanayake **22.** Rangajeewa Abeywickrama
23. Nisansala Kotalawala **24.** Rohana Jayakody **25.** Salinda Samarakoon **26.** Buddhika Edirisinghe

Dinesh Schaffter

Managing Director

Please refer Directors' Profile on page 14.

Dilshan Wirasekara

Director/ Chief Executive Officer

Please refer Directors' Profile on page 14.

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 17 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.

Anuththara Sewwandi Kathriarachchi

AGM - Dealing Securities & Margin Trading

Anuththara Sewwandi Kathriarachchi possesses over 15 years of experience in overall front office management and varied key areas relating to fixed income sphere.

Her core expertise spans from operations relating to government securities, asset management, unit trust management, margin trading, structuring and placement of corporate debts and money market dealing including high net-worth individual relationship management. She also acts as Group Treasurer for non-primary dealer entities.

Wasanthi Stephen

Head of Human Resources

Wasanthi Stephen has over 20 years of work experience with over 16 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, manufacturing and finance industries.

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

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.

Management Team Contd.

Asitha Abeyagoonsekera

Assistant General Manager - Sales

Asitha Abeyagoonsekera has over 22 years of professional banking experience which includes 19 years with HSBC, covering Premier Banking, Wealth Management, Sales, Credit Cards, Merchant Acquiring, Audit and 2 years with Pan Asia Bank attached to branch banking.

Asitha currently heads the central sales team and also provides direction to the sales efforts of branches, and other business units.

Asitha holds an Associate Membership from the Chartered Institute of Marketing (UK) and is a Certified Management Accountant (ICMA Australia) and has an Advanced Certificate in Banking and Finance from the Institute of Bankers (SL) Asitha also Holds a Master of Business Administration from Edith Cowan, Perth, Australia.

Mallika Mahanama

Head of Back Office Operations

Mallika Mahanama possesses 31 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, trustee services, money market operations and SWIFT securities/payments and settlements.

Harshanee Deshapriya

Senior Manager - Legal

Harshanee Deshapriya possesses 12 years of work experience including 9 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.

Dimantha Mathew

Head of Research

Dimantha Mathew has over 13 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, and 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 University of London. He is an Attorney-at-Law in Sri Lanka and also holds ACMA and CGMA qualifications.

Kapila Perera

Senior Manager - Risk and Compliance

Kapila Perera counts over 11 years of experience in Risk and Compliance, Finance and Operations. He has significant exposure in monitoring compliance, preparation of MIS Reports to identify principal financial risks impacting the Group, preparation of financial statements, handling of internal and external audits, handling scrip and scripless securities.

Kapila assumed his current position as Senior Manager-Risk and Compliance in April 2017. He holds a Bachelor's (Special) Degree in Commerce from the University of Sri Jayewardenepura and currently reading for his MBA at the University of Colombo. He is an Associate Member of the Sri Lanka Institute of Credit Management (SLICM) and he has also completed a Diploma in Treasury and Risk Management conducted by the Institute of Bankers Sri Lanka.

Mahesh Amarasinghe

Senior Manager - Corporate Finance

Mahesh Amarasinghe counts over 18 years of significant experience in Treasury and Securities Management through business operations expertise gained at a Primary Dealer in and a Secondary Dealer of a range of fixed income securities. He has extensive exposure in front and back-office operations and in customer relations in financial services.

Anjelo Simmons

Chief Dealer

Anjelo Simmons possesses 11 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. In April 2018, he was promoted as Senior Manager and appointed to the position of Chief Dealer.

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.

Anushi Ranawaka

Senior Manager - Treasury Sales

Anushi Ranawaka has over 14 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.

Dhilip Joseph

Senior Manager - Finance

Dhilip Joseph counts varied experience spanning over 11 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.

Kavin Karunamoorthy

Senior Manager - Asset Management

Kavin Karunamoorthy has over 16 years of experience in Treasury and Investment banking. He has significant exposure in fixed income dealing, foreign exchange, asset and liability management, corporate finance and fund management. He has also received extensive training both locally and internationally in the areas of treasury, investment management and asset and liability management.

Kavin holds a Master of Business Administration from Cardiff Metropolitan University, UK. He holds a dealing certificate offered by ACI Financial Markets Association - Paris and he is also a Licensed Investment Advisor (CSE).

Sujani Kumarage

Manager - Operations

Sujani Kumarage possesses over 19 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.

Management Team Contd.

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

Harsha Perera

Manager - Operations

Harsha Perera possesses over 19 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 manages treasury operations and 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).

Nisansala Munasinghe

Manager - Branding and Marketing Services

Nisansala Munasinghe counts over 9 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.

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.

Anushka Dissanayake

Manager – Treasuries

Anushka Dissanayake has over 10 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).

Rangajeewa Abeywickrama

Manager - IT Operations

Rangajeewa Abeywickrama counts over 14 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 Director/ 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.

Nisansala Kothalawala

Manager - Middle Office

Nisansala is an experienced banker with over 12 years of extensive exposure to treasury products and operations, FX and international trade services.

Nisansala commenced her career at Sampath Bank PLC. She holds an MBA from Cardiff Metropolitan University of United Kingdom and is an associate member of the Institute of Bankers of Sri Lanka. She obtained her bachelor's degree in Business Administration from University of Sri Jayewardenepura and holds a Diploma in International Trade and a Diploma in Business Finance & Bank Management from Institute of Bankers of Sri Lanka.

Rohana Jayakody

Manager - Matara Branch

Rohana Jayakody counts over 19 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.

Salinda Samarakoon

Manager - Kandy Branch

Salinda Samarakoon counts over 15 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.

Buddhika Edirisinghe

Manager - Negombo Branch

Buddhika Edirisinghe counts over 13 years of service in Government Securities market specialised in Sales and Marketing by serving Corporates and High Net- worth Individuals.

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

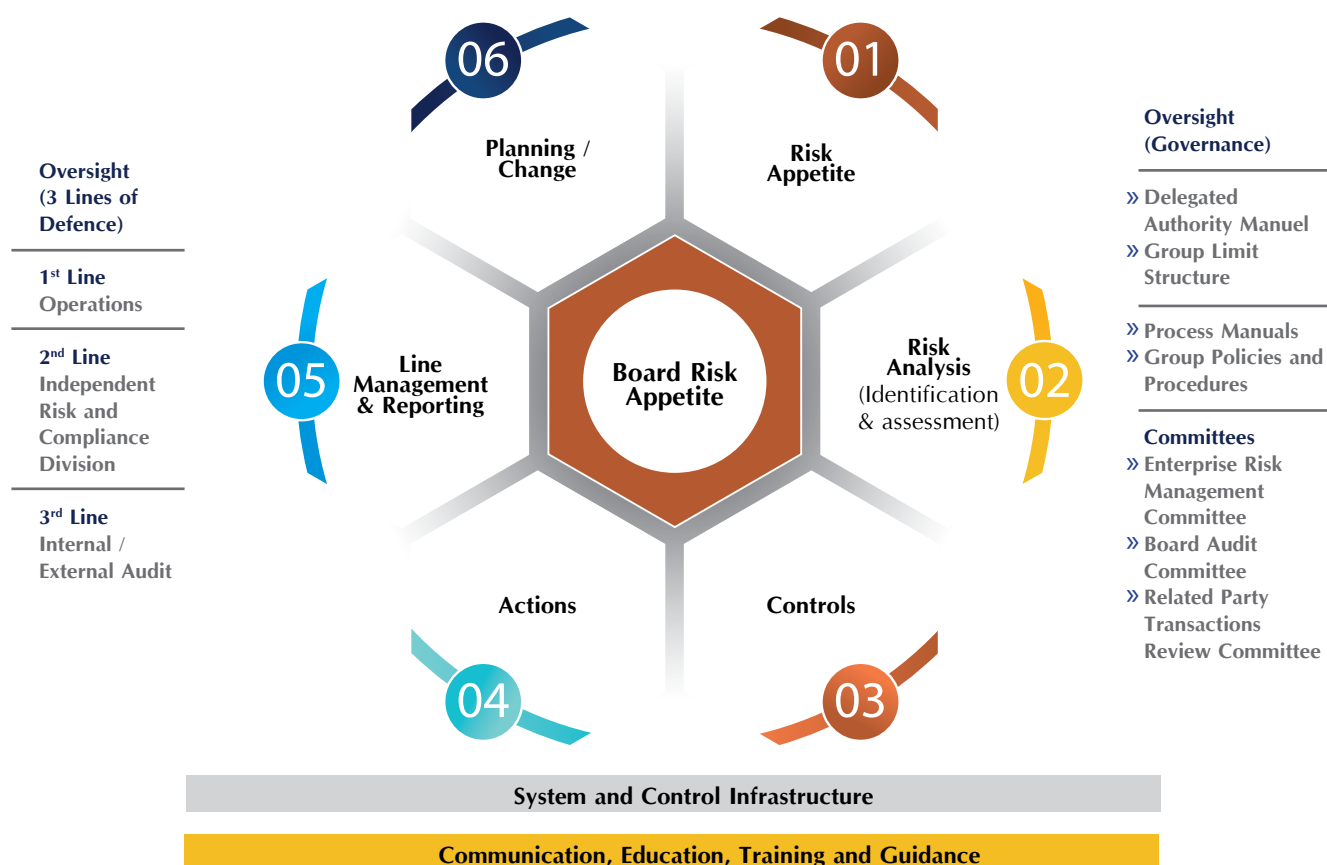
He holds a Postgraduate Diploma in Marketing and Diploma in Marketing from the University of Kelaniya.

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 the 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 ERM 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 2018 (Rs. '000)
Government Securities	24,187,440
Listed Debentures	1,607,063
Listed Shares	323,205
Unit Trusts	402,130
Total	26,519,838

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.

The 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.

Risk Management Contd.

The 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.

The 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 counter-party 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:

- » A 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 counter-party credit limits are in place and reviewed periodically. Credit limits are set based on the counter-party 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 2017/18

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

REPORTS	DATE OF RELEASE
1 st Quarter 2017/18 Interim Financial Report (Unaudited)	14 August 2017
2 nd Quarter 2017/18 Interim Financial Report (Unaudited)	15 November 2017
3 rd Quarter 2017/18 Interim Financial Report (Unaudited)	9 February 2018
4 th Quarter 2017/18 Interim Financial Report (Unaudited)	30 May 2018

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 2018 which were approved by the Directors on 3 August 2018.

REVIEW OF OPERATIONS

The Group reported a profit after tax of Rs. 1.97Bn. A more comprehensive review of the operations of the Group during the financial year and the results of those operations are contained in the Director/ 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 51 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 for financial year 2017/18 was Rs. 1.97Bn compared with net profit after tax of Rs. 232Mn in year 2016/17.

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

	2017/18 Rs.'000	2016/17 Rs.'000
Revenue	4,186,064	3,587,574
Profit before tax	1,152,108	245,511
Profit after tax	1,965,723	231,598
Total comprehensive income (TCI)	1,875,436	238,434
Attribution		
Equity holders of the parent	1,781,547	218,656
Non-Controlling interest	93,889	19,778
Total	1,875,436	238,434

The financial statements of the Company are set out in pages 46 - 106 of the Annual Report.

BOARD OF DIRECTORS

Directorate

The Directors of the Company as at 31 March 2018 are as follows.

1. Mr. Nishan Fernando
2. Mr. Dinesh Schaffter
3. Mr. Dilshan Wirasekara
4. Mr. Eardley Perera
5. Ms. Minette Perera
6. Mr. Chandana de Silva
7. Dr. Nishan de Mel

The profiles of the Directors are given in pages 13 to 15 of the Annual Report.

INTEREST IN SHARES

Directors/Chief Executive Officer and their shareholdings as at 31 March 2018 were as follows:

	No. of Shares 31.03.2018	No. of Shares 31.03.2017
Mr. Nishan Fernando	Nil	Nil
Mr. Dinesh Schaffter	Nil	Nil
Mr. Dilshan Wirasekara	Nil	Nil
Mr. Eardley Perera	Nil	Nil
Ms. Minette Perera	Nil	Nil
Mr. Chandana Lal De Silva	Nil	Nil
Dr. Nishan de Mel	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.

RELATED PARTY TRANSACTIONS

Related party transactions have been declared at meetings of the Directors and are detailed in Note 38 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 38 to the Financial Statements.

REMUNERATION AND FEES

Details of Directors remuneration and fees are set out in Note 11 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 34 - 38 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 totalling Rs. 202.5Mn for the year 2017/18.

SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted in the preparation of the

financial statements is given on pages 51 - 67. There were no changes in the accounting policies adopted by the Company during the year under review.

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 23 to the financial statements.

RESERVES

The movements in reserves during the financial year 2017/18 have been presented in the Statement of Changes in Equity on page 48 to 49 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 12 to the financial statements.

STATED CAPITAL

The stated capital of the Company as at 31 March 2018 was Rs. 227.5Mn consisting of 101,250,000 ordinary shares.

SHARE INFORMATION AND SUBSTANTIAL SHAREHOLDERS

As at 31 March 2018, there were 5,804 registered shareholders. Share information and the twenty largest shareholders as at 31 March 2018 are listed on pages 107 - 108 of the Annual Report.

Information relating to market value of a share and information on share trading is stated under Shareholder and Investor information on pages 107 - 108 of the Annual Report.

CORPORATE DONATIONS

During the year under review, the Group made charitable donations of Rs. 1.25Mn.

Annual Report of the Board of Directors Contd.

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 DATE

There were no material events after the financial reporting date which requires an adjustment to or a disclosure in the financial statements other than those disclosed in Note 41 of 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 11 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 AUDITOR'S REPORT

The independent Auditor's report on the financial statements is given on pages 41 to 45 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 26th Annual General Meeting of the Company will be held on 5 September 2018. The Notice convening the Meeting and the Agenda are given on page 120 of the Annual Report.

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

(Sgd.)

K H L Corporate Services Limited

Secretaries

(Sgd.)

Dinesh Schaffter

Managing Director

3 August 2018

Colombo

(Sgd.)

Nishan Fernando

Chairman

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 2018, 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 2018 and
- » The financial performance of the Company and the Group for the financial year ended 31 March 2018

The financial statements of the Company and the Group for the year ended 31 March 2018 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 and signed by two Directors in accordance with Section 150 and 152 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 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 pages 41 to 45 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

3 August 2018
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 five 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 four 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 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 39 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 40 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 37.

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
7.10.1 Non-Executive Director (NED)			
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 were NEDs as at the conclusion of immediately preceding AGM
7.10.2 Independent Directors			
a.	At least 2 or one third of the NEDs, whichever is higher shall be independent.	Complied	All Five 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
7.10.3 Disclosures Relating to Directors			
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
7.10.5 Remuneration Committee			
a. 1	Remuneration Committee should comprise at least 2 independent NEDs or more than 2 NDEs majority of whom shall be independent.	Complied	The Remuneration Committee consists of two Non-Executive Directors namely, Mr. Eardley Perera and Mr. Chandana de Silva an Executive Director, Mr. Dinesh Schaffter, Mr. Eardley Perera functions as the Chairman of the committee. The Committee is mandated with ensuring accountability, transparency and fairness in reward structures that recognised the relationship between performance and reward. 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 calibre candidates. 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. The aggregate remuneration paid to the Directors is given in the Note 11 to the financial statements.
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	
7.10.6 Audit Committee			
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 39.
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 Functions of the Audit Committee			
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 39.
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 three 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

Dr. Nishan de Mel – Independent Non-Executive Director
(appointed with effect from 20 February 2018)

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. Director/Chief Executive Officer, Chief Financial Officer, Senior Manager - Finance, Senior Manager - Risk and Compliance and Senior Manager - Legal 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 responses 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 2017/18 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 2019, subject to the approval of the shareholders at the Annual General Meeting.

(Sgd.)

Minette Perera (Ms.)

Chairperson – Audit Committee

3 August 2018

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) is 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 2018 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 38 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 34 to 38 of the Annual Report.

(Sgd.)

Minette Perera (Ms.)

Chairperson – Related Party Transactions Review Committee

3 August 2018
Colombo

Independent Auditors' Report



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TO THE SHAREHOLDERS OF FIRST CAPITAL HOLDINGS PLC

Report on the Audit of the Financial Statements

Opinion

We have audited the 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 2018, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies set out on pages 46 to 106.

In our opinion, the accompanying financial statements of the Company and the Group give a true and fair view of the financial position of the Company and the Group as at 31 March 2018, and of their financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These

matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

1. Valuation of Financial Instruments

Refer to the significant accounting policy in Notes 3.12.7 and 3.15 and explanatory Notes 14,15,16 and 25 to the financial statements.

Risk Description

The Group's investment portfolio which is carried at fair value makes up 76% of the total assets (by value) as at 31 March 2018.

This is considered to be the key driver of the Group's capital and revenue performance. The fair value of financial instruments that are traded in an active market is determined based on quoted market prices. The exercise of judgment and the use of estimates and assumptions is in particular required for instruments where observable market prices or market parameters are not available. For such instruments, the fair value is determined through the use of valuation techniques or models applied by the Group.

Accordingly, due to their materiality in the context of the financial statements as a whole, they are considered to be the area which had the greatest effect on our overall audit strategy and allocation of resources in planning and completing our audit.

Our Audit Procedures Included:

- » Testing the key controls over identification, measurement and management of valuation risk as well as evaluating the methodologies and input parameters used by the Group in determining fair values.
- » Comparing observable inputs against independent sources and externally available market data and re-performing independent valuation.

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

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

Independent Auditors' Report Contd.



- » Obtaining and agreeing with the third party confirmations on sample basis.
- » Assessing the adequacy of the disclosures in the financial statements.

2. Recoverability of Deferred Tax Assets

Refer to the significant accounting policy in Note 3.11.2 and explanatory Note 22 to the financial statements.

Risk Description

The Group has recognised deferred tax asset of Rs. 930Mn as at 31 March 2018 in respect of the future benefit of deductible temporary differences and undisputed accumulated tax losses which management considered would be probably be utilised or recovered in the future through the generation of future taxable profits or set-off against deferred tax liabilities.

The recognition of deferred tax assets relies on the exercise of significant judgment by management in respect of assessing the sufficiency of future taxable profits and the probability of such future taxable profit being generated and future reversals of existing taxable temporary differences.

We identified the recognition of deferred tax assets as a key audit matter because of its significance to the financial statements and the significant management judgment and estimation required in forecasting of future taxable profits which could be subject to error or potential management bias.

Our Audit Procedures Included:

- » Assessing and challenging the Group's approach for evaluating the likelihood of the recoverability of deferred tax assets. This included challenging the key assumptions used by the management in the preparation of future taxable profits forecasts of the Company and its subsidiaries by comparing the most significant inputs

used in the forecasts, including future revenue, margins and operating cost growth rates, with the historical performance of the entity, management's forecasts used for other purposes and our knowledge of the business and the industry based on internal and external sources of information.

- » Challenging the key assumptions underpinning the Group's financial projections against historical performance and estimates.
- » Obtaining a legal opinion from external legal counsel and tax consultants on undisputed tax losses in order to evaluate the probability of claiming such undisputed tax losses.
- » Evaluating the adequacy of the disclosures in the financial statements in accordance with the relevant Accounting Standards.

3. Impairment of Goodwill

Refer to the significant accounting policy in Note 3.19 and explanatory Note 24.2 to the financial statements.

Risk Description

The Group has recognised goodwill of Rs. 81Mn in the consolidated financial statements.

Management performs impairment assessments of goodwill with indefinite useful lives annually and whenever there is an indication that goodwill may be impaired.

The impairment assessment relied on the calculation of a value-in use for each of the CGUs. This calculation was based on estimated future cash flows for each CGU discounted at an appropriate cost of equity rate. The preparation of discounted cash flow forecasts involves the exercise of significant judgment, particularly in estimating the revenue growth rates and the cost of equity rates applied.



We have identified assessing potential impairment of goodwill as a key audit matter because the impairment assessments prepared by management are complex and contain certain judgmental assumptions applied which could be subject to management bias in their section

Our Audit Procedures Included:

- » Re-performing the calculations used in the model to check accuracy and the key inputs in the model were agreed to reliable sources.
- » Management's strategic cash flow forecasts used in the model were assessed by testing the forecast approved by the Board of Directors, considering current year performance against plan and obtaining reasons for any deviation from management.
- » Challenging the key assumptions adopted by management in the preparation of the discounted cash flows forecasts, including the pre-tax discount rate and revenue growth rate, adopted in the discounted cash flows forecasts.
- » Assessing the adequacy of disclosures made in relation to the goodwill in the financial statements.

Other Information

Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements and our auditor's report thereon.

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

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

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

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

Independent Auditors' Report Contd.



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

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

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

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

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



Report on Other Legal and Regulatory Requirements

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

CA Sri Lanka membership number of the engagement partner responsible for signing this independent auditors' report is 3029.

A handwritten signature in black ink, appearing to read 'V. J. M. G.', written over the printed name 'V. J. M. G.'.

Chartered Accountants

Colombo

3 August 2018

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 March,	Note	Group		Company	
		2018 Rs. '000	2017 Rs. '000	2018 Rs. '000	2017 Rs. '000
Income	5	4,186,064	3,587,574	1,057,384	773,605
Direct income	6	4,112,483	3,508,973	1,057,360	773,605
Direct expenses	7	(2,833,345)	(2,936,775)	(964,686)	(708,295)
Net trading income		1,279,138	572,198	92,674	65,310
Other income	8	73,581	78,601	24	-
Gan/ (Loss) on fair valuation of financial investments - held for trading	9	288,677	(21,158)	-	-
		1,641,396	629,641	92,698	65,310
Operating expenses					
Personnel expenses		(282,134)	(212,198)	(30,455)	(15,779)
Premises, equipment and establishment expenses		(43,622)	(39,480)	(7,836)	(5,240)
Other operating expenses	10	(163,532)	(132,452)	(21,519)	(18,047)
		(489,288)	(384,130)	(59,810)	(39,066)
Operating profit		1,152,108	245,511	32,888	26,244
Share of profit from equity accounted investees (net of tax)		-	-	1,811,724	194,110
Profit before taxation	11	1,152,108	245,511	1,844,612	220,354
Income tax (expenses)/ reversal	12	813,615	(13,913)	27,211	(8,290)
Profit for the year		1,965,723	231,598	1,871,823	212,064
Other comprehensive income					
Items that will never be reclassified to profit or loss					
Actuarial gain/(loss) on defined benefit plans		(325)	6,836	-	-
Tax effect on other comprehensive income		91	-	-	-
Items that are or may be reclassified to profit or loss					
Share of other comprehensive income from equity accounted investees (net of tax)		-	-	(90,276)	6,592
Loss on fair valuation of financial investments - available for sale - Equity accounted investee		(90,053)	-	-	-
Other comprehensive income		(90,287)	6,836	(90,276)	6,592
Total comprehensive income for the year		1,875,436	238,434	1,781,547	218,656
Profit attributable to:					
Equity holders of the parent		1,871,823	212,064	1,871,823	212,064
Non - controlling interests		93,900	19,534	-	-
		1,965,723	231,598	1,871,823	212,064
Total comprehensive income attributable to:					
Equity holders of the parent		1,781,547	218,656	1,781,547	218,656
Non - controlling interests		93,889	19,778	-	-
		1,875,436	238,434	1,781,547	218,656
Basic Earnings per Share (Rs.)	13	18.49	2.09	18.49	2.09

Figures in brackets indicate deductions.

The notes disclosed on pages 51 to 106 form an integral part of these Consolidated Financial Statements.

Consolidated Statement of Financial Position

As at,	Note	Group		Company	
		31.03.2018 Rs. '000	31.03.2017 Rs. '000	31.03.2018 Rs. '000	31.03.2017 Rs. '000
ASSETS					
Cash at banks and in hand		319,663	55,340	8,490	8,477
Derivative financial instruments	14	47,868	24,075	-	-
Financial investments - Held for trading	15	26,519,838	23,799,894	-	-
Financial investments - Available for sale	16	242,750	332,803	1,000	1,000
Financial investments - Loans and receivables	17	6,069,028	6,625,115	7,418,696	8,378,338
Group balances receivable	28	442	-	-	-
Trade and other receivables	18	811,035	540,521	2,967	2,303
Non - current assets held for sale	19	42,416	42,416	-	-
Taxes receivable	20	70,118	104,032	-	-
Investment in subsidiary	21	-	-	3,294,772	1,781,495
Deferred tax asset	22	929,892	36,703	34,539	-
Property, plant and equipment	23	19,990	14,295	3,005	1,515
Intangible assets	24	118,973	114,570	6,221	41
Total Assets		35,192,013	31,689,764	10,769,690	10,173,169
LIABILITIES					
Bank overdrafts		294,402	224,445	290,941	29,909
Derivative financial instruments	25	21,659	2,240	-	-
Securities sold under re-purchase agreements	26	23,412,237	21,102,897	-	-
Short term borrowings	27	6,013,598	6,768,015	5,999,239	7,202,850
Group balances payable	28	728	-	10,962	11,375
Trade and other payables	30	786,984	358,793	226,802	29,499
Taxes payable	20	4,291	3,956	2,782	3,251
Long term borrowings	29	352,368	453,077	352,368	453,077
Retirement benefit obligations	31	27,992	22,696	-	-
Borrowings on debentures	32	407,178	540,032	191,607	324,837
Total Liabilities		31,321,437	29,476,151	7,074,701	8,054,798
EQUITY					
Stated capital	33	227,500	227,500	227,500	227,500
Risk reserve	34	1,012,200	854,456	1,012,200	854,456
Retained earnings		2,545,342	1,036,415	2,545,342	1,036,415
Fair valuation reserve	35	(90,053)	-	(90,053)	-
Equity attributable to the equity holders of the parent		3,694,989	2,118,371	3,694,989	2,118,371
Non - controlling interests		175,587	95,242	-	-
Total Equity		3,870,576	2,213,613	3,694,989	2,118,371
Total Equity and Liabilities		35,192,013	31,689,764	10,769,690	10,173,169
Net assets per share (Rs.)		36.49	20.92	36.49	20.92

Figures in brackets indicate deductions.

The notes disclosed on pages 51 to 106 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

3 August 2018
Colombo

Consolidated Statement of Changes in Equity

For the year ended 31 March 2018	Attributable to equity holders of the parent					Non-controlling Interest	Total Equity
	Stated Capital	Risk Reserve	Retained Earnings	Fair Valuation Reserve	Total		
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Group							
Balance as at 1 April 2016	227,500	822,022	1,052,693	-	2,102,215	82,661	2,184,876
Total comprehensive income for the year							
Profit for the year	-	-	212,064	-	212,064	19,534	231,598
Other comprehensive income for the year	-	-	6,592	-	6,592	244	6,836
Total comprehensive income	-	-	218,656	-	218,656	19,778	238,434
Transactions with equity holders							
Distribution to equity holders							
Dividend paid - Interim 2016/17 (Note 36)	-	-	(202,500)	-	(202,500)	-	(202,500)
Dividend paid to shareholders with NCI*	-	-	-	-	-	(7,197)	(7,197)
Total distribution to equity holders	-	-	(202,500)	-	(202,500)	(7,197)	(209,697)
Transfers to risk reserve	-	32,434	(32,434)	-	-	-	-
Total transactions with equity holders	-	32,434	(234,934)	-	(202,500)	(7,197)	(209,697)
Balance as at 31 March 2017	227,500	854,456	1,036,415	-	2,118,371	95,242	2,213,613
Balance as at 1 April 2017	227,500	854,456	1,036,415	-	2,118,371	95,242	2,213,613
Total comprehensive income for the year							
Profit for the year	-	-	1,871,823	-	1,871,823	93,900	1,965,723
Other comprehensive income for the year	-	-	(223)	(90,053)	(90,276)	(11)	(90,287)
Total comprehensive income	-	-	1,871,600	(90,053)	1,781,547	93,889	1,875,436
Transactions with equity holders							
Distribution to equity holders							
Dividend paid - Interim 2017/18 (Note 36)	-	-	(202,500)	-	(202,500)	-	(202,500)
Dividend paid to shareholders with NCI*	-	-	-	-	-	(11,115)	(11,115)
Total distribution to equity holders	-	-	(202,500)	-	(202,500)	(11,115)	(213,615)
Transfers to risk reserve	-	157,744	(157,744)	-	-	-	-
Total transactions with equity holders	-	157,744	(360,244)	-	(202,500)	(11,115)	(213,615)
Changes in ownership interest							
Adjustment due to acquisition	-	-	(2,429)	-	(2,429)	(2,429)	(4,858)
Total changes in ownership interest	-	-	(2,429)	-	(2,429)	(2,429)	(4,858)
Balance as at 31 March 2018	227,500	1,012,200	2,545,342	(90,053)	3,694,989	175,587	3,870,576

* Non controlling interest

Figures in brackets indicate deductions.

The notes disclosed on pages 51 to 106 form an integral part of these Consolidated Financial Statements.

For the year ended 31 March 2018					
	Stated Capital Rs. '000	Risk Reserve Rs. '000	Retained Earnings Rs. '000	Fair Valuation Reserve Rs. '000	Total Equity Rs. '000
Company					
Balance as at 1 April 2016	227,500	822,022	1,052,693	-	2,102,215
Total comprehensive income for the year					
Profit for the year	-	-	212,064	-	212,064
Other comprehensive income for the year	-	-	6,592	-	6,592
Total comprehensive income	-	-	218,656	-	218,656
Distribution to equity holders					
Dividend paid - Interim 2016/17 (Note 36)	-	-	(202,500)	-	(202,500)
Total distribution to equity holders	-	-	(202,500)	-	(202,500)
Transfer to risk reserve	-	32,434	(32,434)	-	-
Total transactions with equity holders	-	32,434	(234,934)	-	(202,500)
Balance as at 31 March 2017	227,500	854,456	1,036,415	-	2,118,371
Balance as at 1 April 2017	227,500	854,456	1,036,415	-	2,118,371
Total comprehensive income for the year					
Profit for the year	-	-	1,871,823	-	1,871,823
Other comprehensive income for the year	-	-	(223)	(90,053)	(90,276)
Total comprehensive income	-	-	1,871,600	(90,053)	1,781,547
Transactions with equity holders					
Distribution to equity holders					
Dividend paid - Interim 2017/18 (Note 36)	-	-	(202,500)	-	(202,500)
Total distribution to equity holders	-	-	(202,500)	-	(202,500)
Transfer to risk reserve	-	157,744	(157,744)	-	-
Total transactions with equity holders	-	157,744	(360,244)	-	(202,500)
Changes in ownership interest					
Adjustment due to acquisition	-	-	(2,429)	-	(2,429)
Total changes in ownership interest	-	-	(2,429)	-	(2,429)
Balance as at 31 March 2018	227,500	1,012,200	2,545,342	(90,053)	3,694,989

Figures in brackets indicate deductions.

The notes disclosed on pages 51 to 106 form an integral part of these Consolidated Financial Statements.

Consolidated Statement of Cash Flows

For the year ended 31 March	Group		Company	
	2018 Rs. '000	2017 Rs. '000	2018 Rs. '000	2017 Rs. '000
Cash flows from operating activities				
Interest receipts and gains realised	4,076,631	3,468,308	831,312	548,729
Interest payments and other direct cost	(2,361,855)	(2,593,338)	(957,884)	(701,695)
Other receipts/ (loss)	9,841	10,573	-	-
Cash payments to employees and suppliers	(469,638)	(377,294)	(58,651)	(38,831)
Operating profit/ (loss) before changes in operating assets and liabilities	1,254,979	508,249	(185,223)	(191,797)
(Increase)/ Decrease in financial investments - Held for trading	(2,435,641)	(12,496,700)	-	-
(Increase)/ Decrease in financial investments - Loans and receivables	591,940	1,939,913	1,185,690	(4,502,799)
(Increase)/ Decrease in trade and other receivables	(270,513)	35,832	(664)	(1,230)
(Increase)/ Decrease in group balance receivables	(442)	-	-	16,837
Increase/ (Decrease) in trade and other payables	225,692	119,283	(5,197)	(5,026)
Increase group balances payables	728	-	(413)	10,975
Increase in short term borrowings	(766,364)	3,544,746	(1,215,151)	4,375,529
Increase/ (Decrease) in securities sold under re-purchase agreements	1,845,434	6,615,184	-	-
Cash generated from/ (used in) operations	445,813	266,507	(220,958)	(297,511)
Tax paid (Note 20)	(26,338)	(36,062)	(7,797)	(2,709)
Gratuity paid (Note 31)	(1,034)	(99)	-	-
Net cash flows generated from/ (used in) operating activities	418,441	230,346	(228,755)	(300,220)
Cash flows from investing activities				
Purchase of property, plant, equipment and intangible assets	(23,746)	(8,950)	(8,830)	(1,783)
Proceeds from sale of property, plant, equipment and intangible assets	-	6,885	-	-
Investment in subsidiaries	(4,858)	-	(4,858)	-
Financial investments - available for sale	-	(330,803)	-	-
Dividend receipts	63,740	64,571	210,624	210,396
Net cash flows generated from/ (used in) investing activities	35,136	(268,297)	196,936	208,613
Cash flows from financing activities				
Dividend paid (Note 36)	-	(202,500)	-	(202,500)
Dividend paid to shareholders with non-controlling interest	(11,115)	(7,197)	-	-
Redemption of listed debentures	(129,200)	(185,400)	(129,200)	(185,400)
Dividend tax paid	(18,896)	(12,519)	-	-
(Repayment)/ Proceeds from long term borrowings	(100,000)	453,077	(100,000)	453,077
Net cash flows generated from/ (used in) financing activities	(259,211)	45,461	(229,200)	65,177
Net cash inflows/ (outflows) for the year	194,366	7,510	(261,019)	(26,430)
Cash and cash equivalents at the beginning of the year (Note A)	(169,105)	(176,615)	(21,432)	4,998
Cash and cash equivalents at the end of the year (Note B)	25,261	(169,105)	(282,451)	(21,432)
Note A				
Cash at banks and in hand	55,340	31,066	8,477	4,998
Bank overdraft	(224,445)	(207,681)	(29,909)	-
	(169,105)	(176,615)	(21,432)	4,998
Note B				
Cash at banks and in hand	319,663	55,340	8,490	8,477
Bank overdraft	(294,402)	(224,445)	(290,941)	(29,909)
	25,261	(169,105)	(282,451)	(21,432)

Figures in brackets indicate deductions.

The notes disclosed on pages 51 to 106 form an integral part of these Consolidated Financial Statements.

Notes to the Financial Statements

1. REPORTING ENTITY

First Capital Holdings PLC (“the 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 2018 is 90 (2017 – 89).

The Consolidated Financial Statements for the year 2017/18 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 the following;

On 20 February 2018, the Board of Directors of First Capital Holdings PLC decided to terminate the business of margin trading lending/ trading and broking of listed debt securities carried out by First Capital Markets Limited. The Group expects to carry out general investments (fixed income securities/equity securities) and corporate finance advisory services after terminating of the said business operations in First Capital Markets Limited.

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)	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.

Name of Subsidiary	Principal Activities
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.
First Capital Equities (Private) Limited	Engages in stock broking of Listed Securities.
First Capital Trustee Services (Private) Limited	Engage in trustee services in corporate debt securities

Note A

On 20 February 2018, the Board of Directors of First Capital Holdings PLC and First Capital Limited resolved to amalgamate First Capital Limited (Subsidiary) with First Capital Holdings PLC under a single corporate entity, First Capital Holdings PLC and the amalgamation is in progress.

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 2018 were authorised for issue by the Board of Directors on 3 August 2018.

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

Notes to the Financial Statements Contd.

- » 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

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 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 43.

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. Please see Note 31 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.

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 Dividend received from subsidiaries is 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 of 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 de-recognises 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.

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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.

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 recognised 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 de-recognises 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 administers 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 37 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.

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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.

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%.

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%.

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.

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Securities purchased under resale agreements, unquoted debentures, commercial papers, short term lending, securitized 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.

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 De-recognition

3.12.3.1 Financial Assets

The Group de-recognises 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 de-recognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset de-recognised) 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 de-recognition 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 de-recognised. 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 de-recognises 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 de-recognition 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 LKASs/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

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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 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 de-recognised. 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 de-recognised 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 de-recognition 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 de-recognition 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 de-recognition. This amount is discounted from the expected date of de-recognition 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 unfavourable balances.

3.14 Repos/ Reverse Repos

Securities sold subject to repurchase agreements (Repos) remain on the balance sheet. The counter-party 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 counter-party, 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

Notes to the Financial Statements Contd.

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 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 De-recognition

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

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 de-recognised.

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

- annually, and
- 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, securitized 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, securitized 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

Notes to the Financial Statements Contd.

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.

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 41 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.

4. NEW ACCOUNTING STANDARDS 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 as at the reporting date 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.

4.1 SLFRS 09 - Financial Instruments

SLFRS 9, issued in July 2014, is effective for annual periods beginning on or after 1 January 2018, with early adoption permitted. It replaces LKAS 39 – “Financial Instruments: Recognition and Measurement”.

The company will apply SLFRS 9 as issued in July 2014 with effect from annual reporting period commencing on 1 January 2018 based on the transitional provisions.

The Company has assessed the impact on transition based on gap analysis and quantifications performed on its Financial Statements as at 31 March 2017 on adoption of SLFRS 9 with the assistance of an external consultant.

The Company is now in the process of testing and refining the data and models used for the calculation of initial impact assessment. SLFRS 9 include three major sections as follows.

- » Classification and measurement of financial assets and financial liabilities
- » Impairment of financial assets
- » Hedge accounting

The summary of the impact to the Company is presented in the table below:

Scope	LKAS 39 Requirement	SLFRS 9 Requirement	Impact to the Company
Financial asset classification and measurement	Four categories (HTM, L&R, FVTPL and AFS) Classification is based on ability and intention to hold and the marketability of the instrument	Three categories (Amortised cost, FVTPL and FVTOCI) Classification is based on characteristics of financial instruments and the business model of the portfolio	No significant impact to the company. If equity instruments are classified as FVTOCI, gain/loss on sale of such instruments is recorded in other comprehensive income (to be transferred to retained earnings in the Statement of Changes in Equity)
Financial liabilities	Two categories – FVTPL and amortised cost	Two categories – FVTPL and amortised cost	No change
Impairment	Incurred loss approach	Expected loss approach	Provision for L&R incorporating forward looking information/ macroeconomic factors
Hedge accounting	<ul style="list-style-type: none"> » Hedging relationship consists only of eligible hedging instruments and eligible hedged items. » Hedge effectiveness requirements: <ul style="list-style-type: none"> - Effectiveness can be reliably measured - Hedge is expected to be highly effective - Hedge is assessed on an on-going basis » Voluntary discontinuation of hedge accounting is allowed. 	<ul style="list-style-type: none"> » The general requirement remains unchanged. However, certain items that were not eligible as hedged items or hedging instruments under LKAS 39 are now eligible under SLFRS 9. » Hedge effectiveness requirements: <ul style="list-style-type: none"> - Economic relationship exists - Credit risk does not dominate value changes - Designated hedge ratio is consistent with risk management strategy » Discontinuation of hedge accounting only under specified circumstances 	No impact to the Company

HTM – Held to maturity

FVTPL – Fair value through profit or loss

AFS – Available for sale

L&R – Loans and receivables

FVTOCI – Fair value through other comprehensive income

Notes to the Financial Statements Contd.

4.1.1 Classification and Measurements

SLFRS 9 contains a new classification and measurement approach for financial assets that reflects the business model in which assets are managed and their cash flow characteristics.

SLFRS 9 includes three principal classification categories for financial assets: measured at amortised cost, FVOCI (Fair Value through Other Comprehensive Income) and FVTPL (Fair Value Through Profit or Loss). It eliminates the existing LKAS 39 categories of held for trading, held to maturity, loans and receivables and available for sale.

All equity instruments should be fair valued either through profit or loss or OCI. Fair value through Other Comprehensive Income (OCI) is an irrecoverable option without recycling (i.e. the amount recognised in OCI/Reserves cannot be transferred to P&L at the time of disposal).

The standard will affect the classification and measurement of financial assets held as at 1 April 2018 as follows:

- » Trading assets and derivative assets held for risk management, which are classified as held for trading and measured at FVTPL under LKAS 39, will also be measured at FVTPL under SLFRS 9.
- » Short term and Long-term Lending, Corporate debts securities and Fixed deposits that are classified as loans and receivables and measured at amortised cost under LKAS 39 will in general also be measured at amortised cost under SLFRS 9,
- » Held-to-maturity investment securities measured at amortised cost under LKAS 39 will in general also be measured at amortised cost under SLFRS 9,
- » Debt investment securities that are classified as available for sale under LKAS 39 may, under SLFRS 9, be measured at amortised cost, FVOCI or FVTPL, depending on the particular circumstances,
- » The equity investment securities that are classified as available for sale under LKAS 39 will be designated as FVOCI on 1 April 2018.

The Company has reviewed the loan agreements and the objectives of asset portfolios to evaluate whether any of the condition triggers change in the classifications. However, the Company has not identified any significant changes to the Company present measurement rules based on impact analysis performed.

SLFRS 9 does not change the measurement rules of financial liabilities.

4.1.2 Impairment

SLFRS 9 brings out the concept of expected loss against the incurred loss principle used in LKAS 39. Accordingly,

- a. Life Time Expected Credit Loss (ECL) to be provided for all loans. However, if loan's credit risk has not increased significantly from the grant date, the expected loss should be restricted only to 12 months period.
- b. The provision should be based on Exposure at Default (EAD) instead of outstanding balance used under LKAS 39. As a result, undrawn loan commitments/unutilised credit facilities would attract provisions.
- c. Expected loss to be measured by internal estimates of following loss statistics:
 - Probability of Default (PD) derived through age bucket transition matrix
 - Loss Given Default (LGD)-based on historical recoveries of defaulted loans
- d. Incorporate forward looking information to adjust loss statistics calculated by the Company. This forward-looking information includes macroeconomic factors such as gross domestic production, inflation etc.
- e. SLFRS 9 requires provision to be made for all financial assets including foreign currency denominated Government Securities and corporate debentures.

4.1.3 Hedge Accounting

Hedge accounting guidelines prescribed by SLFRS 9 do not have any impact to the company as hedge accounting is not applied by the company/group currently.

4.2 SLFRS 15 - Revenue from Contracts with Customers

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 1 January 2018, with early adoption permitted.

The group will adopt this standard when it becomes effective. Based on the preliminary review, there is no significant impact via the said accounting standard on the financial statements of the Group for the year ended 31 March 2018.

4.3 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 1 January, 2019.

The Group will adopt this standard when it becomes effective. The Group is in the process of assessing the potential impact on its Financial Statements resulting from the application of SLFRS 16.

Notes to the Financial Statements Contd.

For the Year ended 31 March,	Group		Company	
	2018 Rs. '000	2017 Rs. '000	2018 Rs. '000	2017 Rs. '000
5 INCOME				
Direct income (Note 6)	4,112,483	3,508,973	1,057,360	773,605
Other income (Note 8)	73,581	78,601	24	-
	4,186,064	3,587,574	1,057,384	773,605
6 DIRECT INCOME				
Interest income on financial investments - held for trading	2,145,679	2,670,456	-	-
Interest income on financial investments - loans and receivables	1,169,973	656,823	1,054,389	773,605
Margin trading income	43,527	69,818	-	-
Gain/ (loss) on sale of financial investments - held for trading	572,252	(16,029)	-	-
Fee and commission income	122,611	80,444	2,971	-
Broking income	58,441	47,461	-	-
	4,112,483	3,508,973	1,057,360	773,605
7 DIRECT EXPENSES				
Interest expenses on re-purchase agreements	1,811,505	2,163,367	-	-
Interest expenses on corporate debt securities	924,236	660,576	915,269	634,399
Brokerage cost	20,121	19,850	762	2,245
Interest expenses on listed debentures	64,290	86,189	43,812	71,651
Other direct expenses	13,193	6,793	4,843	-
	2,833,345	2,936,775	964,686	708,295
8 OTHER INCOME				
Gain on sale of property, plant and equipment	-	3,458	-	-
Dividend income	63,740	64,571	24	-
Miscellaneous income	9,841	10,572	-	-
	73,581	78,601	24	-
9 GAIN/ (LOSS) ON FAIR VALUATION OF FINANCIAL INVESTMENTS - HELD FOR TRADING				
Government securities	176,384	(19,322)	-	-
Listed debentures	57,038	(53,829)	-	-
Listed shares	46,672	35,853	-	-
Unit trusts	4,218	14,330	-	-
Derivative financial instruments - Government securities	4,365	1,810	-	-
	288,677	(21,158)	-	-

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	
	2018 Rs. '000	2017 Rs. '000	2018 Rs. '000	2017 Rs. '000
10 OTHER OPERATING EXPENSES				
Professional services expenses	28,061	25,059	6,643	4,295
Sales promotion expenses	26,699	32,379	3,553	4,107
Value added tax/ Nation building tax on financial services	69,293	37,980	8,079	6,402
Communication and information technology expenses	22,964	20,828	2,054	1,434
Traveling expenses	4,866	5,782	368	251
Miscellaneous expenses	11,649	10,424	822	1,558
	163,532	132,452	21,519	18,047

11 PROFIT BEFORE TAXATION

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

Directors' emoluments	51,500	22,111	7,809	438
Auditors' remuneration - Audit services	1,800	1,772	360	335
- Other services	300	250	100	40
Salaries	139,165	122,177	14,641	9,691
Depreciation of property, plant and equipment (Note 23)	8,083	6,229	751	230
Amortisation of intangible assets (Note 24)	3,809	2,440	408	6
Employer's contribution to EPF & ETF	22,124	21,600	2,348	1,562
Retirement benefit cost (Note 31)	6,005	5,921	-	-
Legal fees	5,551	4,177	194	-
Donations	1,250	395	-	-
Provision for impairment of trade and other receivables	343	728	-	-

12 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%.

Notes to the Financial Statements Contd.

For the Year ended 31 March,	Group		Company	
	2018 Rs. '000	2017 Rs. '000	2018 Rs. '000	2017 Rs. '000
12.1 Income tax (expenses)/ reversal				
Current tax expenses	(61,244)	(12,666)	(7,311)	(5,930)
Under/(Over) provision in respect of previous year	657	14,632	(17)	-
Deferred tax assets recognised during the year (Note 22)	901,606	-	34,539	-
Deferred tax expense (Note 22)	(8,508)	(1,000)	-	-
Taxes on dividend	(18,896)	(12,519)	-	-
Deemed dividend tax	-	(2,360)	-	(2,360)
	813,615	(13,913)	27,211	(8,290)
Recognised in Other Comprehensive Income				
Deferred tax assets recognised during the year (Note 22)	91	-	-	-
	813,706	(13,913)	27,211	(8,290)
Reconciliation of accounting profit to income tax				
Profit before taxation	1,152,108	245,511	1,844,612	220,354
Less : Income from other sources	(136,401)	9,358	(1,825,511)	(194,243)
Less : Exempted income	(215,962)	(184,961)	-	-
Add : Disallowable expenses	367,919	354,282	23,693	6,972
Less : Allowable expenses	(18,567)	(7,100)	(2,623)	(500)
Adjusted Profit for the year	1,149,097	417,090	40,171	32,583
Add : Income from other sources	14,992	5,693	-	-
Total Statutory income	1,164,089	422,783	40,171	32,583
Exclusion of primary dealing's income	(823,406)	(343,765)	-	-
Tax loss claimed during the year	(119,080)	(27,652)	(14,060)	(11,404)
Taxable Income	221,603	51,366	26,111	21,179
Income Tax Expense				
Tax at 10% on unit trust management income	(443)	(954)	-	-
Tax at 28% on other income	(60,801)	(11,712)	(7,311)	(5,930)
	(61,244)	(12,666)	(7,311)	(5,930)
12.2 Accumulated Tax Losses				
Balance at the beginning of the year	10,802,657	8,682,213	139,111	150,515
Loss incurred during the year	1,142,992	2,237,990	-	-
Loss utilised during the year	(119,080)	(27,652)	(14,060)	(11,404)
Adjustment with respect of previous year	111	(89,894)	33	-
Balance at the end of the year	11,826,680	10,802,657	125,084	139,111

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 above said judgment does not preclude the Department of Inland Revenue from issuing assessments in the future. Details relating to current assessments have been disclosed in Note 39 (b) and (c) to the financial statements (Contingent Liabilities).

13 BASIC EARNINGS PER SHARE

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

For the year ended 31 March,	Group		Company	
	2018	2017	2018	2017
Profit attributable to equity holders of the Company (Rs. '000)	1,871,823	212,064	1,871,823	212,064
Weighted average number of ordinary shares in issue	101,250,000	101,250,000	101,250,000	101,250,000
Earnings per share (Rs.)	18.49	2.09	18.49	2.09

As at,	Group		Company	
	31.03.2018	31.03.2017	31.03.2018	31.03.2017
	Rs. '000	Rs. '000	Rs. '000	Rs. '000

14 DERIVATIVE FINANCIAL INSTRUMENTS

Forward purchase contracts	46,162	-	-	-
Forward sales contracts	1,706	24,075	-	-
	47,868	24,075	-	-

15 FINANCIAL INVESTMENTS - HELD FOR TRADING

Quoted shares (Note 15.1)	323,205	187,189	-	-
Government securities (Note 15.2)	24,187,440	21,641,429	-	-
Debentures (Note 15.3)	1,607,063	1,463,368	-	-
Investment in unit trusts (Note 15.4)	402,130	507,908	-	-
	26,519,838	23,799,894	-	-

As at,	No. of shares		Market values		Cost	
	31.03.2018	31.03.2017	31.03.2018	31.03.2017	31.03.2018	31.03.2017
			Rs. '000	Rs. '000	Rs. '000	Rs. '000

15.1 Quoted shares - Group

ACL Cables PLC	-	315,978	-	17,221	-	19,184
Citizens Development Business Finance PLC	570,247	-	48,414	-	44,707	-
Janashakthi Insurance Company PLC	2,151,477	1,703,446	57,660	25,722	61,971	35,975
John Keells Holdings PLC	210,000	-	33,516	-	34,017	-
Lanka Walltile PLC	398,816	398,816	39,243	37,090	51,027	51,598
National Development Bank PLC	304,625	-	40,546	-	42,016	-
Nations Trust Bank PLC	-	340,000	-	25,160	-	36,261
Orient Finance PLC	2,860,041	1,568,818	54,055	14,432	43,699	23,532
Peoples Leasing and Finance PLC	1,700,000	-	26,860	-	29,409	-
Royal Ceramics Lanka PLC	217,375	217,375	22,911	25,868	24,998	25,278
Seylan Bank PLC	-	237,610	-	20,672	-	25,780
Softlogic Finance PLC	-	678,179	-	21,024	-	24,892
Total			323,205	187,189	331,844	242,500

Notes to the Financial Statements Contd.

As at,	Market values		Face values	
	31.03.2018	31.03.2017	31.03.2018	31.03.2017
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
15.2 Government securities - Group				
Treasury bills	11,110,370	556,464	12,006,394	575,860
Treasury bonds	13,077,070	21,084,965	12,687,847	21,438,672
	24,187,440	21,641,429	24,694,241	22,014,532

15.2.a 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		Group	
	Market Values		Face Values	
	31.03.2018	31.03.2017	31.03.2018	31.03.2017
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Treasury bills	10,418,478	509,352	11,369,774	569,835
Treasury bonds	11,596,764	13,493,027	11,450,632	14,121,217
	22,015,242	14,002,379	22,820,406	14,691,052

15.3 Debentures

As at,	Group		Company	
	31.03.2018	31.03.2017	31.03.2018	31.03.2017
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Listed Debentures				
Citizen Development Bank PLC	107,313	1,758	-	-
Commercial Leasing & Finance PLC	207,833	-	-	-
Dunamis Capital PLC	589,927	400,991	-	-
Hatton National Bank PLC	4,848	-	-	-
Hayleys PLC	2,035	-	-	-
Janashakthi PLC	479,047	474,296	-	-
Lanka Orix Finance PLC	168	180,995	-	-
Lanka Orix Leasing Company PLC	132,011	405,328	-	-
Richard Peries & Company PLC	3,929	-	-	-
Senkadagala Finance PLC	10,167	-	-	-
Siyapatha Finance PLC	27,253	-	-	-
Unlisted Debentures				
Softlogic Finance PLC	42,532	-	-	-
	1,607,063	1,463,368	-	-

15.3.(a) Securities Pledged as collateral - Group

Out of the quoted debentures classified as held for trading, a sum of Rs. 977.2Mn (Market Value) has been pledged as collateral for re-purchase agreements entered into by the Group (31 March 2017 - Rs. 1,433.8Mn)

As at,	Group		Company	
	31.03.2018 Rs. '000	31.03.2017 Rs. '000	31.03.2018 Rs. '000	31.03.2017 Rs. '000
15.4 Investment in unit trusts				
First Capital Equity Fund	37,319	37,632	-	-
First Capital Fixed Income Fund	10,684	-	-	-
First Capital Gilt -Edged Fund	9,098	8,312	-	-
First Capital Money Market Fund	27,104	491	-	-
First Capital Wealth Fund	316,715	460,366	-	-
JB Vantage Short Term Gilt Fund	1,210	1,107	-	-
	402,130	507,908	-	-

16 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 16.1)	240,750	330,803	-	-
	242,750	332,803	1,000	1,000

16.1 Investment Kanrich Finance Limited

Balance at the beginning of the year	330,803	330,803	-	-
Loss on fair valuation	(90,053)	-	-	-
Balance at the end of the year	240,750	330,803	-	-

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	
	31.03.2018 Rs. '000	31.03.2017 Rs. '000	31.03.2018 Rs. '000	31.03.2017 Rs. '000
17 FINANCIAL INVESTMENTS - LOANS AND RECEIVABLES				
Corporate debt securities	63,229	76,769	-	-
Investments under re-sale agreements (Note 17.1)	1,794,007	1,389,439	-	5,099
Investments in fixed deposits (Note 17.2)	7,753	2,801	5,363	624
Short term lending (Note 17.3)	3,064,674	5,156,106	7,121,453	7,927,535
Long term lending	1,139,365	-	291,880	445,080
	6,069,028	6,625,115	7,418,696	8,378,338
17.1 Investments under re-sale agreements				
Government securities (17.1.a)	848,364	902,301	-	-
Corporate debt securities (17.1.b)	945,643	487,138	-	5,099
	1,794,007	1,389,439	-	5,099

Note 17.1 a

This represents fair value of collateral accepted by the Group amounting to Rs. 975.17Mn as at 31 March 2018 (Company-Nil) and the Group is entitled to repledge the same for borrowings (repos). Fair value of collateral amounting to Rs. 854.71Mn has been repledged for the borrowings (repos) as at 31 March 2018 and the Group is required to return the said collateral to the respective counterparties with the settlement of outstanding (reverse repos).

Notes to the Financial Statements Contd.

Note 17.1 b

This represents fair value of collateral accepted by the Group amounting to Rs. 992.54Mn as at 31 March 2018 (Company-Nil) and the Group is entitled to repledge the same for borrowings (repos). Fair value of collateral amounting to Rs. 157.5Mn has been repledged for the borrowings (repos) as at 31 March 2018 and the Group is required to return the said collateral to the respective counterparties with the settlement of outstanding (reverse repos).

17.2 Investments in Fixed Deposits

As at,	Group		Company	
	31.03.2018 Rs. '000	31.03.2017 Rs. '000	31.03.2018 Rs. '000	31.03.2017 Rs. '000
Fixed deposits (Note 17.2.a)	12,753	7,801	10,363	5,624
Less : Specific allowance for impairment	(5,000)	(5,000)	(5,000)	(5,000)
	7,753	2,801	5,363	624

17.2.(a) Group investments in fixed deposits amounting to Rs. 7Mn (Company - Rs. 5Mn) have been pledged as collateral for banking facilities (As at 31 March 2017 - Group Rs. 7Mn, Company - Rs. 5Mn).

As at,	Group		Company	
	31.03.2018 Rs. '000	31.03.2017 Rs. '000	31.03.2018 Rs. '000	31.03.2017 Rs. '000
17.3 Short Term Lending				
Short term lending (Gross)	3,280,334	5,371,766	7,121,453	7,927,535
Less : Specific allowance for impairment	(215,660)	(215,660)	-	-
	3,064,674	5,156,106	7,121,453	7,927,535

18 TRADE AND OTHER RECEIVABLES

Trade receivables (Note 18.1)	532,734	335,607	-	-
Staff loans	1,573	671	-	-
Other receivable (Note 18.2)	276,728	204,243	2,967	2,303
	811,035	540,521	2,967	2,303

18.1 Trade receivables

Margin trading debtors (Note 18.1.a)	144,057	286,302	-	-
Stock broking debtors (Note 18.1.b)	388,677	49,305	-	-
	532,734	335,607	-	-

18.1.(a) Margin Trading Debtors

Margin trading debtors	207,565	349,810	-	-
Less : Specific allowance for impairment	(63,508)	(63,508)	-	-
	144,057	286,302	-	-

18.1.(b) Stock broking debtors

Stock broking debtors	388,677	49,305	-	-
Less : Specific allowance for impairment	-	-	-	-
	388,677	49,305	-	-

18.2 Other Receivable

Rent deposit	30,757	37,257	-	-
Dividend receivable	3,280	-	-	-
Deposit with CSE	1,790	7,750	-	-
Advance paid for land and premises (Note 40)	77,300	77,300	-	-
Fee receivable	16,614	16,376	-	-
Prepayment	12,535	10,637	2,754	535
Gain on forward purchase contracts	115,667	-	-	-
Miscellaneous	18,785	54,923	213	1,768
	276,728	204,243	2,967	2,303

As at,	Group		Company	
	31.03.2018 Rs. '000	31.03.2017 Rs. '000	31.03.2018 Rs. '000	31.03.2017 Rs. '000
19 NON-CURRENT ASSETS HELD FOR SALE				
Investments in equities (Note 19.1)	42,416	42,416	-	-
	42,416	42,416	-	-

19.1 Investments in Equities - Group

	No. of Shares	31.03.2018 Rs. '000	31.03.2017 Rs. '000
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
Less: 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	
	31.03.2018 Rs. '000	31.03.2017 Rs. '000	31.03.2018 Rs. '000	31.03.2017 Rs. '000
20 TAXES RECEIVABLE/ PAYABLE				
Tax Receivable (Note 20.1)	70,118	104,032	-	-
Tax Payable (Note 20.2)	4,291	3,956	2,782	3,251

20.1 Taxes Receivables

Balance at the beginning of the year	104,032	62,379	-	-
Over provision with respect to previous years	15	14,632	-	-
Provision for the year	(51,489)	(5,818)	-	-
Payment made during the year	17,560	32,839	-	-
Balance at the end of the year	70,118	104,032	-	-

20.2 Taxes Payables

Balance at the beginning of the year	3,956	331	3,251	30
(Over)/Under provision for the previous year	(642)	-	17	-
Provision made during the year	9,755	6,848	7,311	5,930
Payment made during the year	(8,778)	(3,223)	(7,797)	(2,709)
Balance at the end of the year	4,291	3,956	2,782	3,251

Notes to the Financial Statements Contd.

21 INVESTMENT IN SUBSIDIARY - COMPANY

As at,	No. of shares		Value of shares	
	31.03.2018	31.03.2017	31.03.2018	31.03.2017
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Investment in subsidiary - Company				
First Capital Limited				
Balance at the beginning of the year	11,688,653	11,688,653	1,781,495	1,791,189
Shares acquired during the year	11,352	-	4,858	-
Share of profit during the year	-	-	1,811,724	194,110
Share of other comprehensive income during the year	-	-	(90,276)	6,592
Adjustment due to acquisition	-	-	(2,429)	-
Dividend received	-	-	(210,600)	(210,396)
Balance at the end of the year	11,700,005	11,688,653	3,294,772	1,781,495
Holding percentage	100.0%	99.9%	100.0%	99.9%

The Company changed its accounting policy on investment in subsidiary 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.

	Group		Company	
	31.03.2018	31.03.2017	31.03.2018	31.03.2017
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
22 DEFERRED TAX ASSET				
Balance at the beginning of the year	36,703	37,703	-	-
Recognised during the year (Note 12.1)	901,697	-	34,539	-
Reversal during the year (Note 12.1)	(8,508)	(1,000)	-	-
Balance at the end of the year	929,892	36,703	34,539	-

Deferred tax asset is recognised by considering the brought forward tax losses of which, the amount in the opinion of the Directors, will be available to allow the benefit of the loss to be realised in accordance with LKAS 12 and provisions of Inland Revenue Act No. 24 of 2017. The deferred tax asset has been computed on the basis of 28% (tax rate which is applicable for 2017/18).

22.1 Deferred tax is attributable to the followings;

As at,	31.03.2018		31.03.2017	
	(Taxable)/ Deductible Temporary Difference Rs. '000	Tax Effect Rs. '000	(Taxable)/ Deductible Temporary Difference Rs. '000	Tax Effect Rs. '000
Group				
On property, plant and equipment	(6,849)	(1,918)	(3,710)	(1,039)
On retirement benefit obligations	27,992	7,837	22,696	1,501
On accumulated tax losses	3,299,902	923,973	129,431	36,241
	3,321,045	929,892	148,417	36,703
Company				
On property, plant and equipment	(1,727)	(484)	-	-
On accumulated tax losses	125,084	35,023	-	-
	123,357	34,539	-	-

Deferred tax asset has not been recognised in respect of the Group's brought forward tax losses as at 31 March 2018 amounting to Rs. 8,526.78Mn (Company – Nil) since it is not probable that future taxable profit will be available against which the Group can use the benefits therein.

As at,	Group		Company	
	31.03.2018 Rs. '000	31.03.2017 Rs. '000	31.03.2018 Rs. '000	31.03.2017 Rs. '000
Deferred tax asset recognised in respect of tax losses	3,299,902	129,431	125,084	-
Deferred tax asset not recognised in respect of tax losses	8,526,778	10,673,226	-	139,111
Total tax losses	11,826,680	10,802,657	125,084	139,111

23 PROPERTY, PLANT AND EQUIPMENT - GROUP

	Office Equipment Rs. '000	Furniture Rs. '000	Fixtures and Fittings Rs. '000	Motor Vehicles Rs. '000	Total Rs. '000
Cost					
As at 1 April 2017	60,099	8,541	23,477	15,955	108,072
Additions	6,682	2,914	5,938	-	15,534
Disposals	(18,923)	(362)	-	-	(19,285)
As at 31 March 2018	47,858	11,093	29,415	15,955	104,321
Accumulated depreciation/ Impairment losses					
As at 1 April 2017	49,007	7,719	21,096	15,955	93,777
Charge for the year	5,637	784	1,662	-	8,083
Disposals	(17,515)	(14)	-	-	(17,529)
As at 31 March 2018	37,129	8,489	22,758	15,955	84,331
Carrying values					
As at 31 March 2018	10,729	2,604	6,657	-	19,990
As at 31 March 2017	11,092	822	2,381	-	14,295

Notes to the Financial Statements Contd.

23 PROPERTY, PLANT AND EQUIPMENT - COMPANY

	Office Equipment Rs. '000	Furniture Rs. '000	Fixtures and Fittings Rs. '000	Motor Vehicles Rs. '000	Total Rs. '000
Cost					
As at 1 April 2017	1,210	321	217	4,940	6,688
Additions	570	427	1,244	-	2,241
Disposals	-	-	-	-	-
As at 31 March 2018	1,780	748	1,461	4,940	8,929
Accumulated depreciation/ Impairment losses					
As at 1 April 2017	143	54	36	4,940	5,173
Charge for the year	431	143	177	-	751
Disposals	-	-	-	-	-
As at 31 March 2018	574	197	213	4,940	5,924
Carrying values					
As at 31 March 2018	1,206	551	1,248	-	3,005
As at 31 March 2017	1,067	267	181	-	1,515

Based on the assessment of potential impairment carried out by the Company as at 31 March 2018, no provision was required to be made in the Financial Statements. (Provision for impairment losses as at 31 March 2017 - Nil)

Group's Property, Plant and Equipment included fully-depreciated assets having a gross amount of Rs. 60.3Mn as at 31 March 2018 (2016/17 Rs. 75.2Mn).

There were no capitalised borrowing costs relating to the acquisition of Property, Plant and Equipment during the year (2016/17 - Nil).

There were no restrictions on the title of the Property, Plant and Equipment as at 31 March 2018 (as at 31 March 2017 - Nil).

There were no items of Property, Plant and Equipment pledged as security as at 31 March 2018 (as at 31 March 2017 - Nil).

There were no temporary idle items of Property, Plant and Equipment as at 31 March 2018 (as at 31 March 2017 - Nil).

24 INTANGIBLE ASSETS - GROUP

	Software Rs. '000	Business License (Note 24.1) Rs. '000	Goodwill (Note 24.2) Rs. '000	Total Rs. '000
Gross value				
Balance as at 1 April 2017	28,823	28,800	80,872	138,495
Additions	8,212	-	-	8,212
Impairment	-	-	-	-
Balance as at 31 March 2018	37,035	28,800	80,872	146,707
Amortisation/ Impairment losses				
Balance as at 1 April 2017	23,925	-	-	23,925
Amortisation	3,809	-	-	3,809
Impairment	-	-	-	-
Balance as at 31 March 2018	27,734	-	-	27,734
Carrying Values as at 31 March 2018	9,301	28,800	80,872	118,973
Carrying Values as at 31 March 2017	4,898	28,800	80,872	114,570

Note 24.1

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

Note 24.2

Goodwill on acquisition of subsidiary companies

As at,	Gross Goodwill Rs.'000	Impairment Provision Rs.'000	Carrying Value 31.03.2018 Rs.'000	Carrying Value 31.03.2017 Rs.'000
Subsidiary				
First Capital Limited	54,535	-	54,535	54,535
First Capital Equities (Private) Limited	26,337	-	26,337	26,337
	80,872	-	80,872	80,872

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 2018.

Notes to the Financial Statements Contd.

24 INTANGIBLE ASSETS - COMPANY

	Software Rs. '000	Total Rs. '000
Gross value		
Balance as at 1 April 2017	47	47
Additions	6,588	6,588
Disposals	-	-
Balance as at 31 March 2018	6,635	6,635
Amortisation/ Impairment losses		
Balance as at 1 April 2017	6	6
Amortisation	408	408
Disposals	-	-
Balance as at 31 March 2018	414	414
Carrying values as at 31 March 2018	6,221	6,221
Carrying values as at 31 March 2017	41	41

	Group		Company	
As at	31.03.2018 Rs. '000	31.03.2017 Rs. '000	31.03.2018 Rs. '000	31.03.2017 Rs. '000

25 DERIVATIVE FINANCIAL INSTRUMENTS

Forward purchase contracts	376	-	-	-
Forward sale contracts	21,283	2,240	-	-
	21,659	2,240	-	-

26 SECURITIES SOLD UNDER REPURCHASE AGREEMENTS

Against government securities	21,675,488	19,657,404	-	-
Against corporate debt instruments	1,736,749	1,445,493	-	-
	23,412,237	21,102,897	-	-

27 SHORT TERM BORROWINGS

Borrowings on corporate debt securities	3,254,752	5,710,271	3,240,393	5,710,271
Other short term borrowings	2,758,846	1,057,744	2,758,846	1,492,579
	6,013,598	6,768,015	5,999,239	7,202,850

28 GROUP BALANCES RECEIVABLES/ PAYABLES

Group balances receivable (Note 28.1)	442	-	-	-
Group balances payable (28.2)	728	-	10,962	11,375

28.1 Group Balances Receivables

Dunamis Capital PLC	219	-	-	-
KHL Corporate Services (Pvt) Limited	15	-	-	-
Kelsey Homes (Pvt) Limited	208	-	-	-
	442	-	-	-

As at	Group		Company	
	31.03.2018	31.03.2017	31.03.2018	31.03.2017
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
28.2 Group balances payables				
First Capital Treasuries PLC	-	-	740	19
First Capital Limited	-	-	10,222	11,356
Dunamis Capital PLC	728	-	-	-
	728	-	10,962	11,375

29 LONG TERM BORROWINGS - GROUP/ COMPANY

Bank	As at 01.04.2017	Facility Obtained	Repayment		Accrued Interest	As at 31.03.2018	Tenure of the Loan	Security Offered
			Capital	Interest				
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000		
Bank of Ceylon	453,077	-	100,000	52,935	52,226	352,368	5 Years	- Corporate guarantee of Dunamis Capital PLC and First Capital Limited

As at	Group		Company	
	31.03.2018	31.03.2017	31.03.2018	31.03.2017
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
30 TRADE AND OTHER PAYABLES				
Trade payables	341,090	144,846	-	-
Accrued expenses	41,517	50,715	3,821	-
Advance against non-current assets held for sale	80,218	80,218	-	-
Provision for statutory liabilities	74,325	53,515	-	-
Dividend payable	219,248	17,590	219,202	17,590
Other liabilities	30,586	11,909	3,779	11,909
	786,984	358,793	226,802	29,499

31 RETIREMENT BENEFIT OBLIGATIONS

Balance at the beginning of the year	22,696	24,385	-	-
Amount recognised in Profit or loss for the year				
Gratuity charge for the year	3,681	3,063	-	-
Interest charge for the year	2,324	2,858	-	-
Amount recognised in Other comprehensive income for the year				
Actuarial (gain)/loss for the year	325	(6,836)	-	-
Transfers made during the year	-	(675)	-	-
Benefits paid during the year	(1,034)	(99)	-	-
Balance at the end of the year	27,992	22,696	-	-

Notes to the Financial Statements Contd.

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

The principal assumptions used are as follows:

	2017/18	2016/17
Expected annual average salary increment:	7.5%	7.5%
Discount rate / interest rate:	11%	13%
Staff turnover factor:	7%	5%
Retirement age of employees :	55 Years	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.

	2017/18 Rs. '000	2016/17 Rs. '000
Increase in discount rate by 1%	(2,014)	(1,545)
Decrease in discount rate by 1%	2,209	1,729
Increase in salary increment by 1%	2,263	1,805
Decrease in salary increment by 1%	(2,095)	(1,633)

As at,	Group		Company	
	31.03.2018 Rs. '000	31.03.2017 Rs. '000	31.03.2018 Rs. '000	31.03.2017 Rs. '000
32 BORROWING ON DEBENTURES				
Balance at the beginning of the year	540,032	730,400	324,837	515,804
Accrual of interest	63,567	88,675	43,098	67,984
Sub Total	603,599	819,075	367,935	583,788
Less : Settlement of interest (Coupon)	(63,814)	(88,843)	(43,721)	(68,750)
Less : Redemption with interest	(132,607)	(190,200)	(132,607)	(190,200)
Balance at the end of the year (Note 32.1)	407,178	540,032	191,607	324,838

32.1 Debentures issued

First Capital Holdings PLC	191,607	324,837	191,607	324,838
First Capital Treasuries PLC	215,571	215,195	-	-
	407,178	540,032	191,607	324,838

Debentures issued by the Company

The debentures include 1,854,000 Rated, Senior, Unsecured, Redeemable, 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
			31.03.2018 Rs. '000	31.03.2018 Rs. '000	31.03.2017 Rs. '000				
Type B	4 years	-	-	-	133,424	12-Mar-14	11-Mar-18	13.75% (AER-13.75%)	Annually
Type C	5 years	1,854,000	185,400	191,607	191,413	12-Mar-14	11-Mar-19	14.00% (AER-14.00%)	Annually
		1,854,000	185,400	191,607	324,837				

During the year company redeemed 1,292,000 number of debentures (Rs 129,200,000) relating to maturity of 4 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.

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
		31.03.2018 Rs. '000	31.03.2018 Rs. '000	31.03.2017 Rs. '000				
5 year	5,000,000	500,000	510,689	510,304	5-Feb-15	6-Feb-20	9.50% (AER-9.50%)	Annually
	5,000,000	500,000	510,689	510,304				

Inter- Company investments in Listed Debentures of First Capital Treasuries PLC amounting to Rs. 295Mn (Including amortised interest cost) has been eliminated (As at 31/03/2017 - Rs. 295Mn).

As at,	Group		Company	
	31.03.2018 Rs. '000	31.03.2017 Rs. '000	31.03.2018 Rs. '000	31.03.2017 Rs. '000

33 STATED CAPITAL

Ordinary Shares of 101,250,000	227,500	227,500	227,500	227,500
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Notes to the Financial Statements Contd.

	Group		Company	
	31.03.2018	31.03.2017	31.03.2018	31.03.2017
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
34 RISK RESERVE				
Balance at the beginning of the year	854,456	822,022	854,456	822,022
Transfers made during the year	157,744	32,434	157,744	32,434
Balance at the end of the year	1,012,200	854,456	1,012,200	854,456

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.

	Group		Company	
As at,	31.03.2018	31.03.2017	31.03.2018	31.03.2017
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
35 FAIR VALUATION RESERVE				
Balance at the beginning of the year	-	-	-	-
Loss on fair valuation of financial investments - Available for sale	(90,053)	-	(90,053)	-
Balance at the end of the year	(90,053)	-	(90,053)	-

36 DIVIDEND

The Board of Directors of the Company declared an interim dividend of Rs. 2/- per share totalling Rs. 202.5Mn for the year ended 31 March 2018 on 21 March 2018 (2016/17 - Rs. 202.5Mn).

37 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 Group Companies (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	316,715	10,350
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	27,104	13,001

Name of the Fund	Nature of Business	Date of Incorporation	Managing Company	Investment made by Group Companies (Rs' 000)	Management fee received by First Capital Asset Management Limited (Rs' 000)
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	9,098	386
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	10,684	3,093
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	37,319	727

Summarised financial performance of the above unit trusts for the year ended 31 March 2018 are as follows.

Name of the Fund	Income Rs. '000	Profit After Tax for the Year Rs. '000	Total Equity Rs. '000	Net Asset per Unit Rs.
First Capital Wealth Fund	83,364	102,511	664,007	1,204
First Capital Money Market Fund	326,856	282,899	1,591,553	1,358
First Capital Gilt -Edged Fund	6,266	6,666	208,468	1,330
First Capital Fixed Income Fund	67,432	66,837	774,528	1,326
First Capital Equity Fund	7,890	408	63,953	982

Notes to the Financial Statements Contd.

38 RELATED PARTY DISCLOSURES

38.1 Directorships in Other Companies

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

Name of the company	Relationship	Mr. Nishan Fernando	Mr. Dinesh Schaffter	Mr. Dilshan Wirasekara	Mr. Eardley Perera *	Ms. Minette Perera	Mr. Chandana Lal de Silva	Dr. Nishan De Mel **
Dunamis Capital PLC	Parent	-	Managing Director	-	Chairman	-	Director	-
First Capital Limited	Subsidiary	Chairman	Managing Director	Director	Director	Director	Director	Director
First Capital Asset Management limited	Subsidiary	Chairman	Managing Director	Director	Director	Director	Director	Director
First Capital Treasuries PLC	Subsidiary	Chairman	Managing Director	Director	-	Director	Director	Director
First Capital Markets Limited	Subsidiary	Chairman	Managing Director	Director	Director	Director	Director	Director
First Capital Equities (Private) Limited	Subsidiary	Chairman	Managing Director	Director	Director	Director	Director	Director
First Capital Trustee Services (Private) Limited	Subsidiary	-	Managing Director	Director	-	-	-	-
Kelsey Developments PLC	Subsidiary of the Parent	-	Managing Director	-	Chairman	-	Director	-
Kelsey Homes (Private) Limited	Subsidiary of the Parent	-	Managing Director	-	Director	-	-	-
Prefab Engineering Project (Private) Limited	Subsidiary of the Parent	-	Director	-	Director	-	Director	-
K H L Corporate Services Limited	Subsidiary of the Parent	-	Director	-	-	-	-	-
Twid Capital (Private) Limited	Subsidiary of the Parent	-	-	-	-	-	-	-
Premier Synthetic Leather Manufacturers (Private) Limited	Related party through KMP	-	Director	-	Director	-	Director	-
Nextventures Limited	Related party through KMP	-	Director	-	-	-	-	-
Sprout (Private) Limited	Related party through KMP	-	-	-	-	-	-	-

KMP - Key Management Personnel

* Mr. Eardley Perera has been appointed as a Director of Kelsey Homes (Private) Limited on 28 March 2018.

** Dr. Nishan de Mel has been appointed as a Director of First Capital Holdings PLC on 13 October 2017. He has also been appointed as a Director of Subsidiaries of First Capital Holdings PLC namely, First Capital Limited, First Capital Treasuries PLC, First Capital Asset Management Limited, First Capital Markets Limited and First Capital Equities (Private) Limited.

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.

38.2 Transactions with Parent Company

Nature of transaction	Group		Company	
	2017/18 Rs.'000	2016/17 Rs.'000	2017/18 Rs.'000	2016/17 Rs.'000
Statement of Profit or Loss and Other Comprehensive Income				
Interest income	108,226	10,054	-	-
Fee income	7,754	6,850	-	-
Interest expense	2,245	3,849	-	-
Reimbursement of expenses	20,312	24,297	-	2,430
Corporate guarantee facility commission expenses	4,211	-	4,211	-
Statement of Changes in Equity				
Dividend paid	158,240	156,340	158,240	156,340
Statement of Financial Position				
Current account payable	728	-	-	-
Current account receivable	219	-	-	-
Short term lending	394,291	479,582	-	-
Investment in debentures	589,927	400,991	-	-
Transactions relating to Corporate Guarantees				
Corporate guarantee received	1,100,000	985,000	1,100,000	985,000

38.3 Transactions with Subsidiaries

Nature of transaction	Group		Company	
	2017/18 Rs.'000	2016/17 Rs.'000	2017/18 Rs.'000	2016/17 Rs.'000
Statement of Profit or Loss and Other Comprehensive Income				
Interest income	-	-	914,237	930,656
Interest expense	-	-	11,693	12,598
Dividend receipts	-	-	210,600	210,396
Statement of Financial Position				
Short term lending	-	-	7,121,453	5,111,897
Long term lending	-	-	291,880	445,080
Current account payable	-	-	10,962	11,375
Transactions relating to Corporate Guarantees				
Corporate guarantee provided	-	-	274,000	250,000
Corporate guarantee received	-	-	1,000,000	1,000,000

Notes to the Financial Statements Contd.

38.4 Transactions with Other Related Companies

Nature of transaction	Group		Company	
	2017/18 Rs.'000	2016/17 Rs.'000	2017/18 Rs.'000	2016/17 Rs.'000
Statement of Profit or Loss and Other Comprehensive Income				
Interest income	332,826	205,415	-	-
Fee income	5,841	3,273	-	-
Gain/ (loss) realised on sale of government securities	677	(16,827)	-	-
Interest expense	4,613	27,135	10,809	-
Secretarial fees	1,137	1,306	314	485
Statement of Changes in Equity				
Dividend paid by unit trust	48,700	45,122	-	-
Statement of Financial Position				
Investment in unit trust	400,920	506,800	-	-
Short term lending	966,706	1,173,488	-	-
Long term lending	1,139,365	-	-	-
Securities purchased under re-sale agreements (Against corporate debt securities)	-	35,565	-	-
Securities sold under re-purchase agreements (Against corporate debt securities)	-	156,507	-	-
Securities sold under re-purchase agreements (Against government securities)	902,034	-	-	-
Current account receivable	223	-	-	-

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.

38.5 Transactions with Key Management Personnel (KMP) and their Close Family Members (CFM)

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	
	2017/18 Rs.'000	2016/17 Rs.'000	2017/18 Rs.'000	2016/17 Rs.'000
Statement of Profit or Loss and Other Comprehensive Income				
Interest income	7,850	15,527	-	-
Management fee income (Discretionary fund management)	1,228	740	-	-
Interest expense	1,850	7,870	-	-
Emoluments paid	51,500	33,961	7,809	3,282
Statement of Changes in Equity				
Dividend paid by unit trust	280	624	-	-
Statement of Financial Position				
Investments in unit trust	3,490	7,752	-	-
Lendings	114,714	-	-	-
Securities sold under re-purchase agreements (Against government securities)	6,015	32,247	-	-
Securities sold under re-purchase agreements (Against corporate debt securities)	11,390	2,008	-	-
Investment in discretionary fund management	229,964	87,758	-	-

38.6 Disclosures in relation to related party transactions in accordance with the Continuing Listing Requirements of the Colombo Stock Exchange.

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/ Nextventures Limited	Subsidiary/Related Party via Key Management Personnel	Lending to Nextventures by First Capital Limited	1,474,121	35%	Lending made by Subsidiary at commercial terms.
First Capital Limited/Kelsey Homes (Pvt) Ltd	Subsidiary/ Subsidiary of Ultimate Parent	Short term lending to Kelsey Homes (Pvt) Ltd by First Capital Limited	494,064	12%	Short term lending to subsidiary of ultimate parent at commercial terms.
First Capital Holdings PLC/ Dunamis Capital PLC	Company/Parent	Corporate Guarantee facility given by Dunamis Capital PLC	600,000	14%	Inter-company Guarantee facility at commercial terms.
First Capital Treasuries PLC/ First Capital Money Market Fund	Subsidiary/Related Party via Key Management Personnel	Repo investment in Government Securities	700,436	17%	Prevailing market rate has been considered (No preferred rate).

Notes to the Financial Statements Contd.

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	Lending to First Capital Limited	7,413,333	177%	Short term lending made at commercial terms.
First Capital Limited	Subsidiary	Corporate Guarantee Facility given by First Capital Limited	500,000	12%	Inter- company Guarantee facility at commercial terms.
Dunamis Capital PLC	Parent	Corporate Guarantee Facility given by Dunamis Capital PLC	600,000	14%	Company Guarantee facility at commercial terms.
First Capital Limited	Subsidiary	Interest income via short term lending to First Capital Limited	914,237	22%	Short term lending to subsidiary at commercial terms.

39 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. 274Mn 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 to the Court of Appeal. Further, the company has appealed against assessments on income tax (2012/13 and 2013/14) and financial VAT (2010/11 and 2012/13) amounting to Rs. 340.5Mn and Rs. 152.6Mn respectively to the Tax Appeals Commission. The hearing of said appeals has not been concluded yet.
- (c) First Capital Treasuries PLC has appealed against assessments on income tax (2014/15) and financial VAT (2013/14, 2014/15 and 2015/16) amounting to Rs. 243.5Mn and Rs. 158.1Mn respectively to the Department of Inland Revenue and hearing has not been determined yet.
- (d) An appeal has been submitted to the Tax Appeals Commission against income tax assessment - 2012/13 of First Capital Equities (Private) Limited amounting to Rs. 7.2Mn. The hearing of said appeal has not been concluded yet.

- (e) First Capital Limited has appealed against income tax assessments (2010/11 and 2013/14) amounting to Rs. 175.8Mn and assessment on financial VAT (2012/13) amounting to Rs. 12.1Mn to the Tax Appeals Commission. The hearing of said appeals has not been concluded yet. Further, the Company has submitted appeals against assessments on income tax (2014/15 and 2015/16) and financial VAT (2013/14 and 2014/15) amounting to Rs. 73.1Mn and Rs. 99.9Mn respectively and hearing has not been determined yet.

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 2018.

40 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, in consequent to the seller failing to honour the terms of the agreement, legal proceedings were initiated against the seller and the District Court granted an interim order in favour of the Company, against the Seller disposing and alienating the property to any third party. The legal proceedings have not been concluded yet.

Other Commitments

The value of forward purchase contracts (Government Securities) as at 31 March 2018 is Rs. 13,116Mn (31 March 2017 - Nil) and the value of forward sales contracts (Government Securities) as at 31 March 2018 is Rs. 1,592Mn (31 March 2017 - Rs. 2,048Mn).

41 SUBSEQUENT EVENTS

There have been no material events subsequent to the reporting date which require disclosures/ adjustments in the financial statements.

42 FINANCIAL RISK MANAGEMENT

Overview

The Company has exposure to the following risk via financial instruments.

- » Market Risk
- » Liquidity Risk
- » Credit Risk
- » Operational Risk

42.1 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.

Notes to the Financial Statements Contd.

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.

42.2 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.

42.3 Liquidity Risk

Liquidity risk is the risk that the Group will not have adequate financial resources to meet Group's obligations as and 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
Assets							
Cash at banks and in hand	319,663	319,663	-	-	-	-	-
Derivative financial instruments	47,868	-	47,868	-	-	-	-
Financial investments - Held for trading	26,519,838	402,661	413,105	11,199,695	13,210,597	697,853	595,927
Financial investments - Available for sale	242,750	-	-	-	-	240,750	2,000
Financial investments - Loans and receivables	6,069,028	-	4,819,912	109,139	1,139,977	-	-
Other financial assets (Trade receivables - Net)	532,734	144,057	388,677	-	-	-	-
Total As at 31 March 2018	33,731,881	866,381	5,669,962	11,308,834	14,350,574	938,603	597,927
As at 31 March 2017	31,172,834	849,549	6,945,770	676,308	21,482,434	646,205	572,568
Liabilities							
Bank overdrafts	294,402	294,402	-	-	-	-	-
Derivative financial instruments	21,659	-	21,659	-	-	-	-
Securities sold under repurchase agreements	23,412,237	-	21,607,326	1,328,665	472,990	-	3,256
Short term borrowings	6,013,598	-	5,674,681	338,917	-	-	-
Other financial liabilities (Trade payables - Net)	341,090	-	341,090	-	-	-	-
Long term borrowings	352,368	-	25,000	75,000	100,000	152,368	-
Borrowings on debentures	407,178	-	-	195,171	212,007	-	-
Total As at 31 March 2018	30,842,532	294,402	27,669,756	1,937,753	784,997	152,368	3,256
As at 31 March 2017	29,235,552	224,445	25,072,444	2,075,422	1,387,257	475,984	-

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
Assets							
Cash at banks and in hand	8,490	8,490	-	-	-	-	-
Financial investments - Available for sale	1,000	-	-	-	-	-	1,000
Financial investments - Loans and receivables	7,418,696	-	6,777,834	640,863	-	-	-
Group balances receivable	1,006	1,006	-	-	-	-	-
Total As at 31 March 2018	7,429,192	9,496	6,777,834	640,863	-	-	1,000
As at 31 March 2017	8,387,815	8,477	7,398,431	718,934	260,973	-	1,000
Liabilities							
Bank overdrafts	290,941	290,941	-	-	-	-	-
Short term borrowings	5,999,239	-	5,660,321	338,918	-	-	-
Long term borrowings	352,368	-	25,000	75,000	100,000	152,368	-
Borrowings on debentures	191,607	-	-	191,607	-	-	-
Group balances payable	10,962	10,962	-	-	-	-	-
Total As at 31 March 2018	6,845,117	301,903	5,685,321	605,525	100,000	152,368	-
As at 31 March 2017	8,022,048	41,284	6,859,669	582,618	285,400	253,077	-

42.4 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

Group - As at 31 March 2018	Neither Past due Nor Impaired Rs.'000	Past due But Not Impaired Rs.'000	Individually Impaired Rs.'000	Total Rs.'000
Assets				
Cash at banks and in hand	319,663	-	-	319,663
Derivative financial instruments	47,868	-	-	47,868
Financial investments - Held for trading	26,519,838	-	-	26,519,838
Financial investments - Available for sale	242,750	-	-	242,750
Financial investments - Loans and receivables	6,069,028	-	-	6,069,028
Other financial assets (Trade receivables)	532,734	-	63,508	596,242
Total financial assets	33,731,881	-	63,508	33,795,389

Notes to the Financial Statements Contd.

Group - As at 31 March 2017	Neither Past due Nor Impaired Rs.'000	Past due But Not Impaired Rs.'000	Individually Impaired Rs.'000	Total Rs.'000
Assets				
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
Total financial assets	31,172,834	-	63,508	31,236,342

Company - As at 31 March 2018	Neither Past due Nor Impaired Rs.'000	Past due But Not Impaired Rs.'000	Individually Impaired Rs.'000	Total Rs.'000
Assets				
Cash at banks and in hand	8,490	-	-	8,490
Financial investments - Available for sale	1,000	-	-	1,000
Financial investments - Loans and receivables	7,418,696	-	-	7,418,696
Group balances receivable	1,006	-	-	1,006
Total financial assets	7,429,192	-	-	7,429,192

Company - As at 31 March 2017	Neither Past due Nor Impaired Rs.'000	Past due But Not Impaired Rs.'000	Individually Impaired Rs.'000	Total Rs.'000
Assets				
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
Total financial assets	8,387,815	-	-	8,387,815

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 2018	Cash at Banks and in Hand	Derivative Financial Instruments	Financial Investments- Held for Trading	Financial Investments- Loans and Receivables	Financial Investments- Available for Sale	Other Financial Assets (Trade Receivables -Net)	Total Financial Assets
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000

Sector Wise Breakdown

Government	-	-	24,187,440	-	-	-	24,187,440
Corporate	319,663	46,829	2,332,398	4,616,049	242,750	112,612	7,670,301
Others	-	1,039	-	1,452,979	-	420,122	1,874,140
Total	319,663	47,868	26,519,838	6,069,028	242,750	532,734	33,731,881

Group - As at 31 March 2017	Cash at Banks and in Hand	Derivative Financial Instruments	Financial Investments- Held for Trading	Financial Investments- Loans and Receivables	Financial Investments- Available for Sale	Other Financial Assets (Trade Receivables -Net)	Total Financial Assets
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000

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
Total	55,340	24,075	23,799,894	6,625,115	332,803	335,607	31,172,834

Company - As at 31 March 2018	Cash at Banks and in Hand	Derivative Financial Instruments	Financial Investments- Held for Trading	Financial Investments- Loans and Receivables	Financial Investments- Available for Sale	Other Financial Assets (Trade Receivables -Net)	Total Financial Assets
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000

Sector Wise Breakdown

Government	-	-	-	-	-	-	-
Corporate	8,490	-	-	7,418,696	1,000	-	7,428,186
Others	-	-	-	-	-	-	-
Total	8,490	-	-	7,418,696	1,000	-	7,428,186

Notes to the Financial Statements Contd.

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

42.5 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.

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.

43 FINANCIAL INSTRUMENTS - FAIR VALUE MEASUREMENT

The Company measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements.

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

Valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

43.1 Fair Values Versus the Carrying Amounts

The fair values of financial assets and liabilities, together with the carrying amounts shown in the Statement of Financial Position, are as follow;

Group	As at 31.03.2018		As at 31.03.2017	
	Carrying Amount Rs. '000	Fair Value Rs. '000	Carrying Amount Rs. '000	Fair Value Rs. '000
Financial assets measured at fair value				
Derivative financial instruments	47,868	47,868	24,075	24,075
Financial investments - Held for trading	26,519,838	26,519,838	23,799,894	23,799,894
Financial investments - Available for sale	242,750	242,750	332,803	332,803
	26,810,456	26,810,456	24,156,772	24,156,772
Financial assets not measured at fair value				
Financial investments - Loans and receivables	6,069,028	6,069,028	6,625,115	6,625,115
Trade receivables	532,734	532,734	335,607	335,607
	6,601,762	6,601,762	6,960,722	6,960,722
Total financial investments	33,412,218	33,412,218	31,117,494	31,117,494
Financial liabilities measured at fair value				
Derivative financial instruments	21,659	21,659	2,240	2,240
	21,659	21,659	2,240	2,240
Financial liabilities not measured at fair value				
Securities sold under re-purchase agreements	23,412,237	23,421,098	21,102,897	21,064,144
Short term borrowings	6,013,598	6,013,598	6,768,015	6,768,015
Long term borrowings	352,368	352,368	453,077	453,077
Borrowings on debentures	407,178	403,358	540,032	509,412
	30,185,381	30,190,422	28,864,021	28,794,648
Total financial liabilities	30,207,040	30,212,081	28,866,261	28,796,888

Notes to the Financial Statements Contd.

Company	As at 31.03.2018		As at 31.03.2017	
	Carrying	Fair	Carrying	Fair
	Amount	Value	Amount	Value
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Financial assets measured at fair value				
Financial investments - Available for sale	1,000	1,000	1,000	1,000
	1,000	1,000	1,000	1,000
Financial assets not measured at fair value				
Financial investments - Loans and receivables	7,418,696	7,418,696	8,378,338	8,378,338
	7,418,696	7,418,696	8,378,338	8,378,338
Total financial investments	7,419,696	7,419,696	8,379,338	8,379,338
Financial liabilities measured at fair value	-	-	-	-
Financial liabilities not measured at fair value				
Short term borrowings	5,999,239	5,999,239	7,202,850	7,202,850
Long term borrowings	352,368	352,368	453,077	453,077
Borrowings on debentures	191,607	194,727	324,837	314,458
	6,543,214	6,546,334	7,980,764	7,970,385
Total financial liabilities	6,543,214	6,546,334	7,980,764	7,970,385

43.2 Financial Instruments- Fair Value

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

Group - As at 31 March 2018	Total Carrying Value Rs.'000	Level 1 Rs.'000	Level 2 Rs.'000	Level 3 Rs.'000	Total Fair Value Rs.'000
Financial assets measured at fair value					
Derivative financial instruments					
Forward purchase contracts	46,162	46,162	-	-	46,162
Forward sale contracts	1,706	1,706	-	-	1,706
	47,868	47,868	-	-	47,868
Financial investments - Held for trading					
Investment in government securities	24,187,440	24,187,440	-	-	24,187,440
Investment in debentures (listed/ unlisted)	1,607,063	-	1,607,063	-	1,607,063
Investment in unit trust	402,130	-	402,130	-	402,130
Investment in listed shares	323,205	323,205	-	-	323,205
	26,519,838	24,510,645	2,009,193	-	26,519,838
Financial investments - Available for sale	242,750	-	240,750	2,000	242,750
	26,810,456	24,558,513	2,249,943	2,000	26,810,456
Financial assets not measured at fair value					
Financial investments - Loans and receivables	6,069,028	-	-	6,069,028	6,069,028
Trade receivables	532,734	-	-	532,734	532,734
	6,601,762	-	-	6,601,762	6,601,762
Total financial investments	33,412,218	24,558,513	2,249,943	6,603,762	33,412,218
Financial liabilities measured at fair value					
Derivative financial instruments					
Forward purchase contracts	376	376	-	-	376
Forward sale contracts	21,283	21,283	-	-	21,283
	21,659	21,659	-	-	21,659
Financial liabilities not measured at fair value					
Securities sold under re-purchase agreements	23,412,237	-	-	23,421,098	23,421,098
Short term borrowings	6,013,598	-	-	6,013,598	6,013,598
Long term borrowings	352,368	-	-	352,368	352,368
Borrowings on debentures	407,178	-	403,358	-	403,358
	30,185,381	-	403,358	29,787,064	30,190,422
Total financial liabilities	30,207,040	21,659	403,358	29,787,064	30,212,081

Notes to the Financial Statements Contd.

Group - As at 31 March 2017	Total Carrying Value Rs.'000	Level 1 Rs.'000	Level 2 Rs.'000	Level 3 Rs.'000	Total Fair Value Rs.'000
Financial assets measured at fair value					
Derivative financial instruments					
Forward sale contracts	24,075	24,075	-	-	24,075
	24,075	24,075	-	-	24,075
Financial investments - Held for trading					
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
	23,799,894	21,828,618	1,971,276	-	23,799,894
Financial investments - Available for sale	332,803	-	330,803	2,000	332,803
	24,156,772	21,852,693	2,302,079	2,000	24,156,772
Financial assets not measured at fair value					
Financial investments - Loans and receivables	6,625,115	-	-	6,625,115	6,625,115
Trade receivables	335,607	-	-	335,607	335,607
	6,960,722	-	-	6,960,722	6,960,722
Total financial investments	31,117,494	21,852,693	2,302,079	6,962,722	31,117,494
Financial liabilities measured at fair value					
Derivative financial instruments					
Forward sale contracts	2,240	2,240	-	-	2,240
	2,240	2,240	-	-	2,240
Financial liabilities not measured at fair value					
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
	28,864,021	-	509,412	27,832,159	28,341,571
Total financial liabilities	28,866,261	2,240	509,412	27,832,159	28,343,811

Company - As at 31 March 2018	Total Carrying Value Rs.'000	Level 1 Rs.'000	Level 2 Rs.'000	Level 3 Rs.'000	Total Fair Value Rs.'000
Financial assets measured at fair value					
Financial investments - Available for sale	1,000	-	-	1,000	1,000
	1,000	-	-	1,000	1,000
Financial assets not measured at fair value					
Financial investments - Loans and receivables	7,418,696	-	-	7,418,696	7,418,696
	7,418,696	-	-	7,418,696	7,418,696
Total financial investments	7,419,696	-	-	7,419,696	7,419,696
Financial liabilities measured at fair value	-	-	-	-	-
Financial liabilities not measured at fair value					
Short term borrowings	5,999,239	-	-	5,999,239	5,999,239
Long term borrowings	352,368	-	-	352,368	352,368
Borrowings on debentures	191,607	-	194,727	-	194,727
	6,543,214	-	194,727	6,351,607	6,546,334
Total financial liabilities	6,543,214	-	194,727	6,351,607	6,546,334
Company - As at 31 March 2017	Total Carrying Value Rs.'000	Level 1 Rs.'000	Level 2 Rs.'000	Level 3 Rs.'000	Total Fair Value Rs.'000
Financial assets measured at fair value					
Financial investments - Available for sale	1,000	-	-	1,000	1,000
	1,000	-	-	1,000	1,000
Financial assets not measured at fair value					
Financial investments - Loans and receivables	8,378,338	-	-	8,378,338	8,378,338
	8,378,338	-	-	8,378,338	8,378,338
Total financial investments	8,379,338	-	-	8,379,338	8,379,338
Financial liabilities measured at fair value	-	-	-	-	-
Financial liabilities not measured at fair value					
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
	7,980,764	-	314,458	7,655,927	7,970,385
Total financial liabilities	7,980,764	-	314,458	7,655,927	7,970,385

Notes to the Financial Statements Contd.

43.3 Measurement of Fair Values

43.3.(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
Debentures	The valuation model is based on Yield Curve of the Government Securities. Yields relating to Government Securities based on the remaining maturities of the respective debentures is interpolated in the valuation considering the investee companies' risk premiums.	Risk premium of the investee companies	The estimated fair value would increase/decrease if: » Risk premium of investee company is lower or higher.
Unit Trust	The fair values are based on the Net Asset Value published by the respective unit trusts.	Not applicable	Not applicable
Equity Securities (Financial Investments-Available for Sale)	Traded stocks' Price to Book Values were considered with a discounting factor for unlisted nature.	Discounting factor for unlisted nature.	The estimated fair value would increase/decrease if: » Discounting factor of investee company is lower or higher.

43.3.(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.

	Debenture	Unit Trust	Equity Securities (Financial Investments-Available for Sale)	Total
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Balance as at 1 April 2017	1,463,368	507,908	332,803	2,304,079
Purchase	638,357	214,901	-	853,258
Sales	(551,701)	(324,897)	-	(876,598)
Gain/ (loss) on fair valuation of financial investments	57,039	4,218	(90,053)	(28,796)
Balance as at 31 March 2018	1,607,063	402,130	242,750	2,251,943

43.4.(a) Sensitivity analysis on Listed Debentures (Group)

Sensitivity of the Market Yield (Effect on Statement of profit or loss and other comprehensive income) is as follows.

	(-) 0.5% Decrease Rs.'000	(-) 1% Decrease Rs.'000	(+) 0.5% Increase Rs.'000	(+) 1% Increase Rs.'000
Citizen Development Bank PLC	1,330	2,682	(1,308)	(2,595)
Commercial Leasing & Finance PLC	2,091	4,213	(2,059)	(4,088)
Dunamis Capital PLC	4,863	9,770	(4,790)	(9,520)
Hatton National Bank PLC	10	20	(10)	(20)
Hayleys PLC	11	22	(9)	(20)
Janashakthi PLC	3,304	6,646	(3,266)	(6,495)
Lanka Orix Finance PLC	2	3	(1)	(2)
Lanka Orix Leasing Company PLC	999	2,007	(989)	(1,970)
Richard Peries & Company PLC	20	40	(20)	(40)
Senkadagala Finance PLC	50	101	(50)	(99)
Siyapatha Finance PLC	168	338	(167)	(332)
	12,848	25,842	(12,669)	(25,181)

43.4.(b) Sensitivity analysis on Unit Trust (Group)

Sensitivity of the Unit Price (Effect on Statement of profit or loss and other comprehensive income) is as follows.

	(-) 0.5% Decrease Rs.'000	(-) 1% Decrease Rs.'000	(+) 0.5% Increase Rs.'000	(+) 1% Increase Rs.'000
First Capital Wealth Fund	(1,584)	(3,167)	1,584	3,167
First Capital Money Market Fund	(136)	(271)	136	271
First Capital Gilt -Edged Fund	(46)	(90)	46	90
First Capital Equity Fund	(187)	(373)	187	373
First Capital Fixed Income Fund	(53)	(106)	53	106
JB Vantage Short Term Gilt Fund	(6)	(12)	6	12
	(2,012)	(4,019)	2,012	4,019

Notes to the Financial Statements Contd.

44 FINANCIAL INSTRUMENTS - ACCOUNTING CLASSIFICATIONS

Group - As at 31 March 2018	Held for trading	Loans and receivables/ Borrowings at amortised cost	Available for sale	Held to maturity	Total carrying amount	Fair value
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Financial assets measured at fair value						
Financial investments - Held for trading	26,519,838	-	-	-	26,519,838	26,519,838
Derivative financial instruments	47,868	-	-	-	47,868	47,868
Financial investments - Available for sale	-	-	242,750	-	242,750	242,750
	26,567,706	-	242,750	-	26,810,456	26,810,456
Financial assets not measured at fair value						
Cash at banks and in hand	-	319,663	-	-	319,663	319,663
Financial investments - Loans and receivables	-	6,069,028	-	-	6,069,028	6,069,028
Trade receivables	-	532,734	-	-	532,734	532,734
	-	6,921,425	-	-	6,921,425	6,921,425
Total financial assets	26,567,706	6,921,425	242,750	-	33,731,881	33,731,881
Financial liabilities measured at fair value						
Derivative financial instruments	21,659	-	-	-	21,659	21,659
	21,659	-	-	-	21,659	21,659
Financial liabilities not measured at fair value						
Bank overdrafts	-	294,402	-	-	294,402	294,402
Securities sold under re-purchase agreements	-	23,412,237	-	-	23,412,237	23,412,237
Short term borrowings	-	6,013,598	-	-	6,013,598	6,013,598
Long term borrowings	-	352,368	-	-	352,368	352,368
Borrowings on debentures	-	407,178	-	-	407,178	407,178
	-	30,479,783	-	-	30,479,783	30,479,783
Total financial liabilities	21,659	30,479,783	-	-	30,501,442	30,501,442

Group - As at 31 March 2017	Held for trading	Loans and receivables/ Borrowings at amortised cost	Available for sale	Held to maturity	Total carrying amount	Fair value
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Financial assets measured at fair value						
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
	23,823,969	-	332,803	-	24,156,772	24,156,772
Financial assets not measured at fair value						
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
	-	7,016,062	-	-	7,016,062	7,016,062
Total financial assets	23,823,969	7,016,062	332,803	-	31,172,834	31,172,834
Financial liabilities measured at fair value						
Derivative financial instruments	2,240	-	-	-	2,240	2,240
	2,240	-	-	-	2,240	2,240
Financial liabilities not measured at fair value						
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	456,077
Borrowings on debentures	-	540,032	-	-	540,032	509,412
	-	29,088,466	-	-	29,088,466	29,019,093
Total financial liabilities	2,240	29,088,466	-	-	29,090,706	29,021,333

Notes to the Financial Statements Contd.

Company - As at 31 March 2018	Held for trading	Loans and receivables/ Borrowings at amortised cost	Available for sale	Held to maturity	Total carrying amount	Fair value
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Financial assets measured at fair value						
Financial investments - Available for sale	-	-	1,000	-	1,000	1,000
	-	-	1,000	-	1,000	1,000
Financial assets not measured at fair value						
Cash at banks and in hand	-	8,490	-	-	8,490	8,490
Financial investments - Loans and receivables	-	7,418,696	-	-	7,418,696	7,418,696
	-	7,427,186	-	-	7,427,186	7,427,186
Total financial assets	-	7,427,186	1,000	-	7,428,186	7,428,186
Financial liabilities measured at fair value						
Derivative financial instruments	-	-	-	-	-	-
	-	-	-	-	-	-
Financial liabilities not measured at fair value						
Bank overdrafts	-	290,941	-	-	290,941	290,941
Short term borrowings	-	5,999,239	-	-	5,999,239	5,999,239
Long term borrowing	-	352,368	-	-	352,368	352,368
Borrowings on debentures	-	191,607	-	-	191,607	194,727
	-	6,834,155	-	-	6,834,155	6,837,275
Total financial liabilities	-	6,834,155	-	-	6,834,155	6,837,275
Company - As at 31 March 2017						
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Financial assets measured at fair value						
Financial investments - Available for sale	-	-	1,000	-	1,000	1,000
	-	-	1,000	-	1,000	1,000
Financial assets not measured at fair value						
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
	-	8,386,815	-	-	8,386,815	8,386,815
Total financial assets	-	8,386,815	1,000	-	8,387,815	8,387,815
Financial liabilities measured at fair value						
Derivative financial instruments	-	-	-	-	-	-
	-	-	-	-	-	-
Financial liabilities not measured at fair value						
Bank overdrafts	-	29,909	-	-	29,909	29,909
Short term borrowings	-	7,202,850	-	-	7,202,850	7,202,850
Long term borrowing	-	453,077	-	-	453,077	453,077
Borrowings on debentures	-	324,837	-	-	324,837	314,458
	-	8,010,673	-	-	8,010,673	8,000,294
Total financial liabilities	-	8,010,673	-	-	8,010,673	8,000,294

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 2018				31 March 2017			
	Shareholders		Holding		Shareholders		Holding	
	Number	%	Number	%	Number	%	Number	%
1-1,000	4,428	76.29	1,506,042	1.49	4,514	74.20	1,577,638	1.56
1,001 - 10,000	1,096	18.88	3,930,854	3.89	1,262	20.74	4,462,268	4.41
10,001 - 100,000	245	4.22	7,395,503	7.30	277	4.55	7,803,429	7.71
100,001 - 1,000,000	31	0.53	7,238,889	7.15	27	0.44	6,227,953	6.15
Over 1,000,000	4	0.07	81,178,712	80.17	4	0.07	81,178,712	80.17
Total	5,804	100.00	101,250,000	100.00	6,084	100.00	101,250,000	100.00

3 Analysis of Shareholders

Category of Shareholders	31 March 2018				31 March 2017			
	Shareholders		Holding		Shareholders		Holding	
	Number	%	Number	%	Number	%	Number	%
Individuals	5,621	96.85	13,228,867	13.07	5,913	97.19	15,162,183	14.97
Institutions	183	3.15	88,021,133	86.93	171	2.81	86,087,817	85.03
Total	5,804	100.00	101,250,000	100.00	6,084	100.00	101,250,000	100.00
Resident	5,781	99.60	100,523,193	99.28	6,058	99.57	100,943,594	99.70
Non-resident	23	0.40	726,807	0.72	26	0.43	306,406	0.30
Total	5,804	100.00	101,250,000	100.00	6,084	100.00	101,250,000	100.00

4. Public Holding

As at,	31.03.2018	31.03.2017
Number of shares held by the public	22,130,184	22,130,184
Percentage held by the public	21.86%	21.86%
Float adjusted market capitalisation	703,837,350	444,878,325

The Company is in compliance with the Minimum Public Holding Requirement under option 5 of the Section 7.13.1 (a) of CSE Listing Rules.

5 Share Price Movement for the Year

	2017/18 Rs.	2016/17 Rs.
Highest	39.90	34.80
Lowest	20.00	18.40
Year-end	31.80	20.10

Investors' Information Contd.

6. Information on Share Trading and Market Capitalisation

	2017/18	2016/17
Number of transactions	14,955	14,173
Number of shares traded	17,091,867	19,856,080
Value of shares traded (Rs.)	566,795,025	546,302,859
Market capitalisation (Rs.)	3,219,750,000	2,035,125,000

Top Twenty Shareholders

Names of shareholders		No. of Shares as at 31 March 2018	Holding (%)	No. of Shares as at 31 March 2017	Holding (%)
1	1.1 Dunamis Capital PLC	27,119,816	26.78	2,768,448	2.73
	1.2 Commercial Bank of Ceylon PLC/Dunamis Capital PLC	26,600,000	26.27	50,951,368	50.32
	1.3 Seylan Bank PLC/Dunamis Capital PLC	25,400,000	25.09	25,400,000	25.09
2	Seylan Bank PLC/ Janashakthi PLC	2,058,896	2.03	2,058,896	2.03
3	Janashakthi General Insurance Limited	858,650	0.85	858,650	0.85
4	Capital Trust Holdings Ltd	707,446	0.70	-	-
5	Sandwave Limited	450,904	0.45	-	-
6	DFCC Bank PLC/Mr. K.S.D. Senaweera	443,092	0.44	-	-
7	People's Leasing & Finance PLC/ Mr. D.M.P. Disanayake	439,138	0.43	330,379	0.33
8	Seylan Bank PLC/ Sashimaal Ruhash Fernando	355,744	0.35	294,732	0.29
9	Commercial Bank of Ceylon PLC/ Janashakthi Limited	300,703	0.30	300,703	0.30
10	Mr. Arunasalam Sithampalam	264,000	0.26	339,000	0.33
11	Mr. Joseph Edward	257,499	0.25	-	-
12	Mr. Dhanusha Senajit Duke De Lanerolle	217,500	0.21	235,000	0.23
13	Mr. Nagen Dayaranjan Kurukulasuriya	208,836	0.21	208,836	0.21
14	Commercial Bank of Ceylon PLC/ Mr. U.C. Bandaranayake	205,000	0.20	225,000	0.22
15	Dr. Subashi Nemindi Samarasinghe	200,616	0.20	200,616	0.20
16	Mr. Wickramatunga Arachchi Pathirana Don Mahupala Wickramatunga	175,000	0.17	165,000	0.16
17	Mr. Rajapaksa Vithange Don Piyathilake	152,000	0.15	-	-
18	Mrs. Eileen Monica Perera	151,033	0.15	151,033	0.15
19	Seylan Bank PLC/Mr. Mohamed Mushtaq Faud	147,539	0.15	-	-
20	Citizens Development Business Finance PLC/ K.D.C. Somalatha And K. Nandasiri	139,400	0.14	-	-
		86,852,812	85.78	84,487,661	83.44

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 C	Annually	1,854,000*	185,400	14.00% (AER-14.00%)	5 years	11-Mar-19

* 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 4 year and 5 year maturities have not been traded during the year ended 31 March 2018. Hence, the par value is recognised as their respective market values.

5 year fixed rate (14.00% p.a. payable annually)	31-03-2018	31-03-2017
Highest price	-	-
Lowest price	-	-
Last traded price	-	-

	As at 31-03-2018	As at 31-03-2017
Debenture Interest Yield		
5 year fixed rate (14.00 % p.a. payable annually)	14.00%	14.00%

	As at 31-03-2018	As at 31-03-2017
Yield of comparable Government Securities (%)		
5 Year treasury bond	9.51%	12.46%

3.2 First Capital Treasuries PLC

Debentures with 5 year maturity have not been traded during the year ended 31 March 2018. Hence, par value is recognised as its market value.

5 year fixed rate (9.50% p.a. payable annually)	31-03-2018	31-03-2017
Highest price	-	97.01
Lowest price	-	97.01
Last traded price	-	97.01

	As at 31-03-2018	As at 31-03-2017
Debenture Interest Yield		
5 year fixed rate (9.50 % p.a. payable annually)	9.50%	9.79%

	As at 31-03-2018	As at 31-03-2017
Yield of Comparable Government Securities (%)		
5 Year treasury bond	9.75%	11.98%

4. DEBT RELATED RATIOS

4.(a) Debt Ratios (Group)	As at 31-Mar-18	As at 31-Mar-17
Debt/equity ratio (times)	7.87	13.14
Quick asset ratio (times)	1.07	1.09
Interest cover (times)	1.42	1.08

4.(b) Debt Ratios (Company)	As at 31-Mar-18	As at 31-Mar-17
Debt/equity ratio (times)	1.85	3.77
Quick asset ratio (times)	1.09	1.15
Interest cover (times)	2.92	1.31

5. CREDIT RATINGS

5.1 First Capital Holdings PLC

ICRA Lanka Limited has assigned a credit rating of [SL]"A-" to First Capital Holdings PLC. Long and short term corporate credit ratings of the company have been rated [SL]"A- and [SL]A2+" respectively. Company's Listed, Unsecured, Senior Debentures (2014/19) have also been rated [SL]"A-" by ICRA Lanka Limited.

5.2 First Capital Treasuries PLC

ICRA Lanka Limited has assigned a credit rating of [SL]"A-" to First Capital Treasuries PLC and long term debt (debentures) have been rated [SL]"BBB+".

TEN YEAR SUMMARY

Group Trading Results	Based on LKAS/SLFRS - (Note A)							Based on SLAS		
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Year ended 31 March	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Gross income	4,186,064	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
Profit before tax	1,152,108	245,511	62,060	1,071,123	398,785	517,319	(310,279)	605,172	1,164,349	349,263
Taxation	813,615	(13,913)	(14,600)	(86,224)	(68,689)	(23,272)	(14,858)	378,303	(482,105)	(157,679)
Profit/(loss) after tax	1,965,723	231,598	47,460	984,899	330,096	494,047	(325,137)	983,475	682,244	191,584
Other comprehensive income, net of income tax	(90,287)	6,836	2,105	(210,616)	(44,438)	254,098	-	-	-	-
Total comprehensive income/(loss)	1,875,436	238,434	49,565	774,283	285,658	748,145	(325,137)	-	-	-

As at 31 March	Based on LKAS/SLFRS - (Note A)							Based on SLAS		
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Group Financial Position	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
ASSETS										
Cash at banks and in hand	319,663	55,340	31,066	33,193	38,298	18,304	7,187	6,436	6,748	5,673
Derivative financial instruments	47,868	24,075	40,861	40,609	19,844	10,378	17,583	74,328	-	-
Financial investments										
- Held for trading	26,519,838	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	242,750	332,803	2,000	2,000	304,938	346,563	92,465	2,000	-	-
Financial investments										
- Loans and receivables	6,069,028	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
Taxes receivable	70,118	104,032	62,379	65,972	62,549	17,426	-	-	-	-
Resale agreements	-	-	-	-	-	-	-	-	1,422,439	2,175,624
Trade and other receivables	811,115	540,521	576,353	524,524	755,566	356,608	428,861	877,148	261,589	68,477
Investment securities	-	-	-	-	-	-	-	-	379,259	617,234
Investment in venture capital	-	-	-	6,000	6,000	6,000	8,000	8,000	8,000	19,486
Investment in equity accounted investees	-	-	-	408,876	-	-	-	-	203,198	-
Deferred tax asset	929,892	36,703	37,703	40,259	48,173	46,733	49,485	49,625	56,831	107,537
Property, plant and equipment	19,990	14,295	16,648	26,357	51,517	30,301	4,353	8,128	10,070	7,807
Other assets	161,751	156,986	157,779	160,149	158,251	100,725	141,724	142,623	141,317	90,743
TOTAL ASSETS	35,192,013	31,689,764	20,780,284	20,464,601	16,360,931	14,456,833	7,571,573	11,666,222	10,823,828	11,551,562

LIABILITIES										
Bank overdrafts	294,402	224,445	207,681	866	7,775	5,338	662	9,578	1,586	312
Derivative financial instruments	21,659	2,240	20,835	31,359	-	837	-	117	-	-
Securities sold under re-purchase agreements	23,412,237	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
Short term borrowings	6,013,598	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	4,291	3,956	331	1,719	-	-	4,120	15,754	453,724	145,256
Retirement benefit obligations	27,992	22,696	24,385	19,036	19,040	9,677	7,055	7,483	5,637	5,172
Borrowings on debentures	407,178	540,032	730,400	725,776	452,248	-	-	-	-	-
Long term borrowings	352,368	453,077	-	-	-	-	-	-	-	-
Other liabilities	787,712	358,793	237,920	286,276	432,032	135,056	159,808	204,539	212,560	153,926
TOTAL LIABILITIES	31,321,437	29,476,151	18,595,408	18,126,790	14,331,928	12,501,675	6,355,797	9,922,321	10,193,359	10,949,883

As at 31 March	Based on LKAS/SLFRS - (Note A)								Based on SLAS	
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Group Financial Position	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
EQUITY										
Stated capital	227,500	227,500	227,500	227,500	227,500	227,500	227,500	227,500	227,500	387,480
Risk reserve	1,012,200	854,456	822,022	820,964	648,793	553,704	432,916	432,916	224,287	61,082
Retained earnings	2,545,342	1,036,415	1,052,693	1,209,178	859,019	842,508	500,572	1,019,616	129,044	5,088
Fair valuation reserve	(90,053)	-	-	(1,564)	212,473	254,098	-	-	-	-
	3,694,989	2,118,371	2,102,215	2,256,078	1,947,785	1,877,810	1,160,988	1,680,032	580,831	453,650
Non-controlling interests	175,587	95,242	82,661	81,733	81,218	77,348	54,788	63,869	-	-
Minority interest	-	-	-	-	-	-	-	-	49,638	148,029
TOTAL EQUITY	3,870,576	2,213,613	2,184,876	2,337,811	2,029,003	1,955,158	1,215,776	1,743,901	630,469	601,679
TOTAL EQUITY AND LIABILITIES	35,192,013	31,689,764	20,780,284	20,464,601	16,360,931	14,456,833	7,571,573	11,666,222	10,823,828	11,551,562
Financial Ratios										
Earning/(Loss) per share - times	18.49	2.09	0.46	9.33	3.13	4.57	(3.13)	9.23	6.38	3.92
Dividend per share	2.00	2.00	-	4.00	4.00	-	2.00	-	15.00	-
Divident payout (%)	10.82%	95.69%	-	42.87%	127.80%	-	-	-	235.11%	-
Return on equity (%)	64.40%	10.05%	2.10%	45.11%	16.57%	31.16%	-21.97%	82.84%	110.74%	37.87%
Leverage (times)	7.87	13.14	8.37	7.61	6.84	6.32	5.09	5.55	15.10	17.69

Note A

Trading Results relating to 2017/18, 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

Financial Position as at 31 March 2018, 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 that may become payable/receivable in a financial year other than the current financial year. It arises because of temporary differences between tax rules and accounting conventions.
- » **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.

Glossary of Financial and Business Terms Contd.

- » **Dividend Yield:** Dividend earned per share as a percentage of its market value.
- » **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.

Glossary of Financial and Business Terms Contd.

- » **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.
- » **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 26th Annual General Meeting of First Capital Holdings PLC will be held on Wednesday, 5 September 2018 at the Auditorium 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 2018 together with the Report of the Auditors thereon.
2. To re-appoint Mr. Eardley Perera as a Director of the Company in terms of Section 211 of the Companies Act, No. 7 of 2007, by passing the following resolution;

"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. Eardley Perera, who is over 70 years of age and THAT he be re-appointed as a Director of the Company."
3. To re-elect Mr. Nishan Fernando who retires by rotation in terms of Article 93 of the Articles of Association of the Company and offers himself for re-election.
4. To re-appoint Dr. Nishan de Mel who was appointed to the Board on 13 October 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
13 August 2018

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.

Notes Contd.

[illegible]

FORM OF PROXY

I / We,
 of being a Member/s of First Capital Holdings PLC,
 hereby appoint Dr/Mr/Mrs/Miss
 (holder of NIC No.) of
 failing whom,

- | | |
|---------------------------|--------------|
| 1. Mr. Nishan Fernando | failing whom |
| 2. Mr. Dinesh Schaffter | failing whom |
| 3. Mr. Eardley Perera | failing whom |
| 4. Ms. Minette Perera | failing whom |
| 5. Mr. Chandana de Silva | failing whom |
| 6. Dr. Nishan de Mel | failing whom |
| 7. Mr. Dilshan Wirasekara | |

as my/our Proxy to represent me/us and vote on my/our behalf at the 26th Annual General Meeting of the Company to be held on Wednesday, 5 September 2018 at the Auditorium 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 2018 together with the report of the Auditors thereon.	<input type="checkbox"/>	<input type="checkbox"/>
2 Re-appointment of Mr. Eardley Perera as a Director in terms of Section 211 of the Companies Act No. 7 of 2007.	<input type="checkbox"/>	<input type="checkbox"/>
3 Re-election of Mr. Nishan Fernando who retires by rotation in terms of Articles 93 of the Articles of Association	<input type="checkbox"/>	<input type="checkbox"/>
4 Re-appointment of Dr. Nishan de Mel who was appointed to the Board on 13 October 2017, 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 2018

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

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.

The completed Form of Proxy should be deposited at the Office of the Secretaries, K H L Corporate Services Limited, No.15, Walukarama Road, Colombo 03, 48 hours before the time appointed for the holding of the meeting.

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.

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.

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

NAME OF COMPANY	- First Capital Holdings PLC
NAME OF SUBSIDIARIES	- 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
LEGAL FORM	- Public Limited Liability Company listed on the Colombo Stock Exchange (Incorporated in Sri Lanka on 23 March 1992)
COMPANY REGISTRATION NUMBER	- PQ 44
REGISTERED OFFICE	- No. 2, Deal Place Colombo 3 Sri Lanka
BOARD OF DIRECTORS	- Mr. Nishan Fernando Mr. Dinesh Schaffter Mr. Dilshan Wirasekara Mr. Eardley Perera Ms. Minette Perera Mr. Chandana de Silva Dr. Nishan de Mel
SECRETARIES	- K H L Corporate Services Limited No. 15, Walukarama Road, Colombo 3 Tel: 0112 145030
REGISTRARS	- SSP Corporate Services (Private) Limited No. 101, Inner Flower Road, Colombo 3 Tel: 0112 573894
LAWYERS	- Messrs Neelakandan & Neelakandan Attorneys - at - Law and Notaries Public M&N Building (Level 5) No. 2, Deal Place, Colombo 3
EXTERNAL AUDITORS	- Messrs KPMG Chartered Accountants 32 A, Sir Mohamed Macan Markar Mawatha P.O. Box 186, Colombo 3
PRINCIPAL BANKERS	- 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 Nations Trust Bank PLC

FIRST CAPITAL HOLDINGS PLC

No. 2, Deal Place, Colombo 3, Sri Lanka

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For more information...
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