

ANNUAL REPORT

2019
2020



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
-

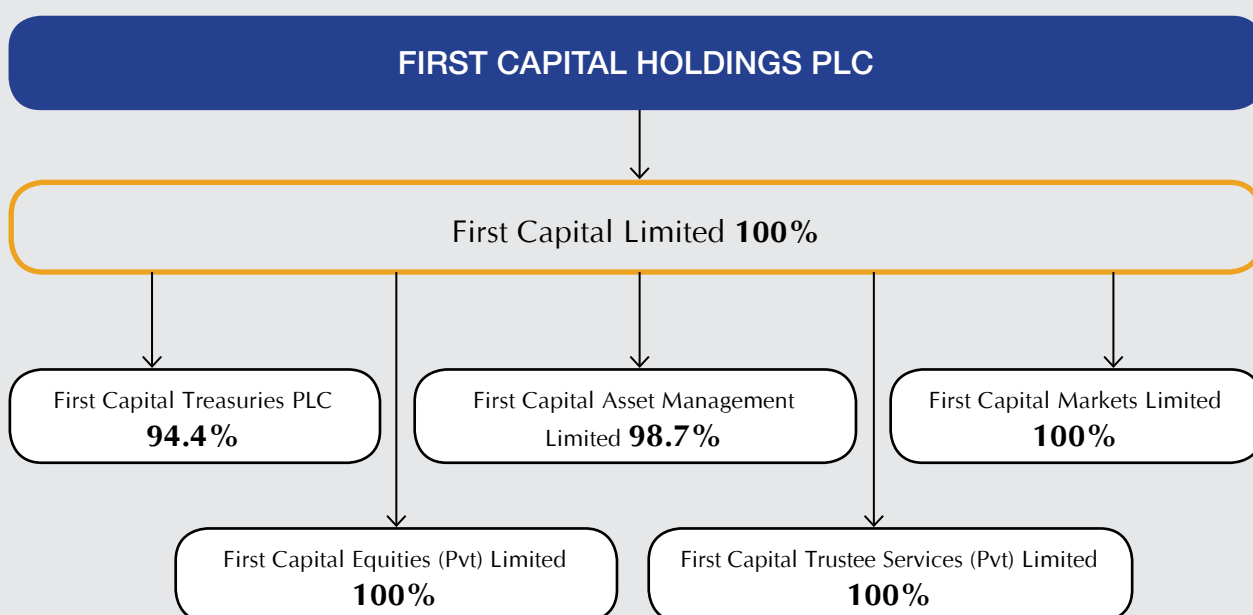
Who we are

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 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 over 35 years of expertise, we leverage on opportunities created through the dynamics of the markets in which we operate and have gained distinct competitive advantages 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 and 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 brokering

Group Financial Highlights

For the year ended 31 March	2020	2019	Variance
Income statement (Rs. '000)			
Income	5,220,425	4,171,474	1,048,951
Net income before expenses	2,380,773	461,904	1,918,869
Profit before taxation	1,708,325	88,383	1,619,942
Profit after taxation	1,073,239	7,548	1,065,691
Total comprehensive income	1,039,470	(20,007)	1,059,477
Selected return ratios (Percentage)			
Return on equity	27.25%	0.06%	27.19%
Return on capital employed	11.40%	9.63%	1.77%
Financial position (Rs. '000)			
Total assets	45,553,121	41,305,470	4,247,651
Total shareholders' funds	3,953,283	3,821,590	131,693
Stated capital	227,500	227,500	-
Funds employed (Debt & Equity)	44,299,442	41,031,666	3,267,776
Selected ratios (Times/Percentage)			
Leverage ratio (Debt to Equity)	10.21	9.74	0.47
Interest cover	1.54	1.03	0.51
Capital Adequacy Ratio - First Capital Treasuries PLC	27.20%	15.69%	11.51%
Share related information			
Earnings per share (Rs.)	9.94	0.02	9.92
Dividend per share (Rs.)	9.00	-	9.00
Dividend payout	90.54%	-	90.54%
Net assets per share (Rs.)	36.98	35.96	1.02
Closing share price (Rs.)	22.80	23.10	(0.30)
Market capitalisation (Rs. Mn)	2,308.50	2,338.88	(30.38)
Number of shares issued	101,250,000	101,250,000	-

Rs.

2.4Bn

Net Trading Income before Expenses

Rs.

1.1Bn

Profit after Tax

Rs.

46Bn

Total Assets

Rs.

4Bn

Net Assets

Operational Highlights

Rs.

336Bn

Value of Government Securities channelled to the public

Rs.

26.4Bn

Assets Under Management

Rs.

42Bn

Total funds raised through Corporate Debt Structuring and Placement

Rs.

7.2Bn

Total funds raised for Listed Debt IPOs

Chairman's Statement

I take great pleasure in presenting to you the Annual Report and Financial Statements of First Capital Holdings PLC (FCH) for the year ended 31 March 2020. Reflecting on this past year, what stands out most is the Group's record breaking performance, making it without a doubt, the best year to date. It is even more rewarding to note that, the Group's impressive performance comes amidst some obvious negative headwinds that saw Sri Lanka reporting subpar economic growth for the third consecutive year, and a downgrade in the Country's outlook in the latter part of 2019.

FINANCIAL HIGHLIGHTS

The Group's outstanding performance is supported by a demonstrable improvement across all key metrics. Revenue grew to Rs. 5.22Bn in 2019/20 from Rs. 4.17Bn a year ago, while Consolidated Net Profit after Tax increased to Rs. 1.07Bn in 2019/20 compared to Rs. 8Mn in the previous financial year.

FCH declared and paid a total of Rs. 9/- per share in dividend for 2019/20. This consisted of the 1st interim dividend of Rs. 4/- per share paid in August 2019 and a 2nd interim dividend of Rs. 5/- per share paid in June 2020. Total dividend payout amounting to Rs. 911.2Mn.

The Group's [SL]A- credit rating was reaffirmed by ICRA Lanka Limited, which no doubt reconfirms the steady progress made by the FCH Group over the year.

STRATEGY AND FOCUS

Our ability to deliver consistent results even in tough times, is a testament to the Group's robust operating model. I am also convinced that the ongoing emphasis placed on strengthening each of our core

businesses and firming up their positions within their immediate operating domain, has been a critical success factor for the Group.

I am particularly pleased with the performance of our primary dealer operation - First Capital Treasuries PLC, as a result of the monetary policy easing measures by the Central Bank of Sri Lanka in the latter part of 2019.

Working purposefully to capitalise on the strong market demand for structured debt solutions, the Group's Corporate Advisory unit was also able to achieve significant milestones in the current financial year. While we continued to focus mainly on the unlisted debt market, the Corporate Advisory Unit quickly leveraged on the opportunity to re-enter the listed debenture space after a lapse of three years, where we executed several large mandates to collectively raise approximately Rs. 7.25Bn by way of listed debentures.

The Wealth Management Unit too made remarkable progress to deliver its best financial results to date. I am also very encouraged to see our wealth management clientele showing a greater degree of maturity in this past year, which no doubt, thanks to our efforts to raise awareness in the market.

On the operational front, we continued to expedite our digital strategy. As indicated on several occasions in the past, our decision to invest in digital infrastructure remains part of an ongoing strategy to augment the needs of each of our businesses to help them evolve within their immediate competitive space.



Chairman's Statement *Contd.*

GOVERNANCE AND STEWARDSHIP

As Chairman of the Board, it is my responsibility to ensure that the Group has in place effective corporate governance mechanisms to ensure our core businesses are managed efficiently and effectively cognisant to the risks they may face, while safeguarding the Group's position and reputation within the financial services sector. Premised on this, the Board continues to manage the affairs of the Group not by merely following regimented rules, but by promoting open and transparent discussion. This means setting the correct tone from the top where the Directors lead by example to ensure that good standards of behaviour permeate throughout all levels of the Group. Furthermore, as part of our commitment to good governance, the Board and I keep our governance frameworks under continuous review with the aim of implementing ongoing improvements that will further enhance our credibility in the financial services industry.

OTHER DEVELOPMENTS

In a notable development, the FCH Group became part of the Janashakthi Group, when our Parent Company - Dunamis Capital PLC was amalgamated with Janashakthi PLC in October 2019.

OUTLOOK AND PROSPECTS

Going forward, I expect the COVID-19 pandemic will continue to dictate the Country's medium-term economic outlook. Based on the assumption that at the very least, the existing monetary policy easing measures will remain in effect, I believe the FCH Group will continue to benefit from a highly conducive environment.

APPRECIATIONS

To conclude, I wish to thank to my fellow Directors on the Board for their guidance and counsel that has been instrumental in the Group's success in over the years.

A special word of thanks to Mr. Dilshan Wirasekara, our dynamic Group Director/CEO and his team for their outstanding support and dedication. I firmly believe that it is through their ongoing commitment, passion and skill that the FCH Group has been able to deliver outstanding results in 2019/20.

Let me take this opportunity to express my sincere appreciation to the 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 throughout the year.

Last but not least, I would like to express my gratitude to our shareholders and clients for their long-standing patronage.

(Sgd.)

Nishan Fernando
Chairman

Director/Chief Executive Officer's Review



From an economic perspective, 2019 was a tough year for Sri Lanka. GDP growth declined to 2.3% on the back of weak economic activity in the aftermath of the Easter Sunday terrorist attacks and lack of business confidence in the lead up to the elections in November 2019. The COVID-19 outbreak in February/March 2020 further exacerbated the situation. The mandatory lockdown order issued by the government in a bid to curb the spread of the virus, left the economy in severe distress, forcing businesses already under pressure by the events of 2019, to reorient their business models and rescale operations in order to survive.

While the last 12 months have been challenging for many local businesses, several aspects of our immediate operating environment worked in our favour. The domestic money market remained relatively stable with the liquidity crunch gradually easing out from about end April 2019 and except for a brief period in August/September 2019, a liquidity surplus was recorded for most of 2019, thanks to ongoing efforts by the CBSL to strengthen its liquidity management programme, which most notably included the expansion of their open market operations. The CBSL's efforts to provide liquidity assistance to Primary Dealers, to ensure smooth functioning of the domestic money market was commendable.

FINANCIAL HIGHLIGHTS

Net Trading Income grew to Rs. 2Bn in 2019/20 from Rs. 578Mn a year ago. Consolidated Net Profit after Tax also increased to Rs. 1.07Bn in 2019/20

compared to Rs. 8Mn in the previous financial year.

PERFORMANCE OF CORE BUSINESSES

Fixed Income

First Capital Treasuries PLC (FCT), continued to demonstrate its leadership across all fronts in the primary auctions in 2019. Active participation in the primary auctions throughout the year enabled FCT to claim a substantial volume based market share in this domain, as well as in the secondary market during the financial year.

Net Trading income for 2019/20 reached an all-time high of Rs. 1.65Bn, while Profit after Tax rose to Rs. 1.2Bn in 2019/20, from Rs. 96Mn in the previous financial year.

With our fixed income business on an accelerated growth trajectory, we felt it prudent to strengthen FCT's capital structure, which led us to undertake a planned capital injection to raise Rs. 750Mn by way of a debenture issue in January 2020. We were able to increase FCT's capital base to Rs.3.5Bn (Tier I), well above the regulatory requirement of Rs. 1Bn. Might I add, that with this capital enhancement, FCT is already well within with the CBSL's proposed new capital plan which requires primary dealers to target a baseline capital base of Rs. 3Bn by 2022.

The Company's capital adequacy ratio too received a boost from 15.69% in the previous year to 27.20% as at 31 March 2020.

Director / Chief Executive Officer's Review *Contd.*

It is also gratifying to note that FCT's [SL] A- (Stable) credit rating was reaffirmed for the 5th consecutive year, by ICRA Lanka Limited.

Corporate Advisory

In contrast to the tough times encountered in the previous financial year, the Corporate Advisory unit, which comes under First Capital Limited, made some remarkable strides this year.

Aggressive strategies to capitalise on the potential in the listed and unlisted debt market enabled the unit to grow transaction volumes from Rs. 28.5Bn in 2018/19 to Rs. 42Bn in the year under review, an impressive 47% increase. However, what I see as the most commendable achievement by far is the Fee income generated, which in 2019/20 increased to Rs. 175Mn. Not only is this a solid two-fold increase from the previous year, but it is also the best-ever result recorded by the unit to date.

Wealth Management

It was a good year for the Wealth Management business under First Capital Asset Management Limited as well. Assets Under Management (AUM) increased to Rs. 26.4Bn as at 31 March 2020, compared to Rs. 5.9Bn in the previous year.

Furthermore, the Company's benchmark unit trust, the First Capital Money Market Fund was the best-performing unit trust in the Country in 2019/20.

Equities

The stock brokering business under First Capital Equities (Private) Limited showed

a reasonable performance in 2019/20, which is commendable given the lack of any real potential in the local equity market.

KEY OPERATIONAL HIGHLIGHTS

From an operational perspective our focus for 2019/20 was centred on improving efficiency across all businesses. The main undertaking for the year was the launch of the First Capital Online Portal, a robust frontend platform that gives our customers 24/7, 365-day access to their portfolios as well as priority access to the Group's services. We also continued with efforts to systematically digitise back end processes that will deliver greater cost efficiencies.

I am also particularly pleased to note the progress that our Research unit continues to make. The First Capital Research unit continues to be recognised by the industry and the media as the benchmark in fixed income research. Taking steps to further elevate its profile as the country's leading fixed income research specialist, we hosted two research forums in 2019/20, the first being the mid-year economic strategy discussion held in October 2019, under the theme "Fundamentals Strong; But Decisive Political Juncture" followed by the investment forum in February 2020 conducted under the theme "Fiscal loosening weakens 2nd half of 2020 Outlook."

INVESTING IN PEOPLE

We continued with efforts to strengthen and empower our people to ensure they stay motivated and connected to the Group's strategy and vision. For much of the year we remained focused on building

their skills and capacity through a combination of on-the-job and classroom training methods.

Prompted by the COVID-19 outbreak in March 2020, we renewed our safety commitments to our people. In keeping with our business continuity plans, front line employees were rostered with only 20% of staff being requested to report to work during curfew hours. Without exception, all staff reporting to work were asked to conform to strict hygiene and necessary social distancing protocols mandated by the public health authorities.

It was not too difficult for our staff to adjust to working from home, as many of them were already accustomed to the flexi hours work arrangement which has been in place for some time now.

LOOKING AHEAD

Given that COVID-19 is still an evolving situation, I expect the government would continue with its current monetary policy stance at least for the forthcoming financial year, a scenario that will benefit the First Capital Group as a whole. For FCT, the low interest rate environment will offer strong growth potential in both the primary and secondary fixed income securities markets. I also foresee a definite opportunity to expand our corporate advisory services as businesses begin the process of restructuring in the post COVID era. Also, as the equity market bottoms out, there is likely to be a renewed interest in investing, especially from foreign investors over the coming months, which will no doubt help boost the prospects of our stock brokering arm.

APPRECIATIONS

I wish to express my gratitude to the Chairman and the Board for their guidance during the 2019/20 financial year. Special thanks also to all employees of First Capital Holdings PLC for the collective effort that has led to the exceptional performance for the year.

I take this opportunity to thank the officials of the Central Bank of Sri Lanka, Securities and Exchange Commission of Sri Lanka and Colombo Stock Exchange for their support.

In conclusion, to the shareholders, clients, bankers and other stakeholders of the Group, thank you for the trust and confidence you have placed in the FCH Group.

(Sgd.)

Dilshan Wirasekara

Director/Chief Executive Officer

Board of Directors



NISHAN FERNANDO
Independent Non-Executive Chairman



DINESH SCHAFFTER
Managing Director



DILSHAN WIRASEKARA
Director/Chief Executive Officer



PRAKASH SCHAFFTER
Non-Independent Non-Executive Director



RAMESH SCHAFFTER
Non-Independent Non-Executive Director



EARDLEY PERERA
Independent Non-Executive Director



MINETTE PERERA
Independent Non-Executive Director



CHANDANA DE SILVA
Independent Non-Executive Director



NISHAN DE MEL
Independent Non-Executive Director

Nishan Fernando*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 27 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 (Pvt) Limited

Dinesh Schaffter*Non-Independent Non-Executive Director*

Dinesh Schaffter serves as the Managing Director of First Capital Holdings PLC and its subsidiaries. He has a finance background with managerial and investment expertise of over 25 years.

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

Director: Janashakthi PLC, Kelsey Developments PLC and subsidiaries

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 24 years, comprising diversified expertise in financial services including, banking, treasury and investment management, capital market strategy and corporate finance advisory services.

Having joined First Capital in 2013, Wirasekara steered the Company, a full service investment bank holding licenses as a primary dealer in government securities, stock brokering as a full trading member of the CSE, unit trust management and wealth management

licensed by SEC and debt structuring and placement in addition to its fully fledged research unit covering macro fundamentals, equity and fixed income, to establish itself as a significant contributor to the local capital market industry. He spearheaded 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 Development (AFD).

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

Other Principal Appointments

Director : Colombo Stock Exchange

Board of Directors *Contd.***Prakash Schaffter***Non-Independent Non-Executive Director*

Prakash Schaffter is the Cambridge educated Executive Chairman of Janashakthi Insurance PLC (Janashakthi). He has over three decades of experience in the Insurance industry in both Sri Lanka and the United Kingdom. He led Janashakthi as Managing Director from 2006 through a growth phase that saw Janashakthi become the third largest Non-Life Insurer. He was instrumental in acquiring the Non-Life segment of AIA Insurance Lanka in 2015 and also led the divestment project of Janashakthi's Non-Life segment in 2018.

Prakash is a former President of the Insurance Association of Sri Lanka, and continues to impact the business sector through his membership on the council of the Sri Lanka Institute of Directors (SLID). He served on the Boards of several listed and unlisted entities including the Bank of Ceylon and has been amongst the youngest Fellow Members of the Chartered Insurance Institute. He has also served as President of the Young Presidents Organisation of Sri Lanka.

A former first class cricketer, he represented both the University of Cambridge and London University during his cricketing career. He has also served as President and Secretary of the Tamil Union Cricket and Athletic Club. He is a former Secretary of Sri Lanka Cricket, having served on three separate occasions on Interim Committees appointed by the Government.

Other Principal Appointments

Director : Janashakthi PLC, Kelsey Developments PLC, Bank of Ceylon,

Orient Finance PLC, Serendib Land PLC, K H L Corporate Services Limited, Premier Synthetic Leather Manufacturers (Pvt) Limited.

Ramesh Schaffter*Non-Independent Non-Executive Director*

Mr. Ramesh Schaffter was appointed as a Non-Independent, Non-Executive Director on 21 December 2018. He serves as Director/Chief Executive Officer of Janashakthi PLC. Counting over three decades of experience in Finance and Marketing, he is a Fellow Member and former Council Member of the Chartered Institute of Management Accountants, Sri Lanka, and an Associate Member of the Chartered Institute of Marketing. He has served on the Boards of several public listed and unlisted companies.

A social entrepreneur and life coach, he is an accomplished public speaker and a multiple award winner at national and international level Toastmasters' contests. He is the former President of Habitat for Humanity Sri Lanka and a former Board Member of World Vision for Sri Lanka. He is a Co-Founder of cable television channel Swarga TV, as well as the Christian Arts Foundation (Chraft), an organisation that promotes music and drama in Sri Lanka.

Ramesh also serves on the Council of the Colombo Theological Seminary, a graduate and postgraduate educational institute, and is the present Chairman of the Incorporated Trustees of the Church of Ceylon.

Other Principal Appointments

Director/Chief Executive Officer : Janashakthi PLC

Director : Janashakthi Insurance PLC, Kelsey Developments PLC, Orient Finance PLC, Serendib Land PLC, Premier Synthetic Leather Manufacturers (Pvt) Limited, K H L Corporate Services Limited, Sri Lanka Technology Incubator (Pvt) Limited.

Eardley Perera*Independent Non-Executive Director*

Eardley Perera has been a Director of First Capital Holdings PLC since 1 May 2012. He is a graduate of the Chartered Institute of Marketing, UK, with over 45 years of experience in management. Eardley has undergone management training in UK, Sweden, South Korea, India, Philippines and Singapore. He is a member on the Board of Study of the Postgraduate Institute of Management (PIM), University of Sri Jayewardenepura and has been engaged in management education and consultancy.

Other Principal Appointments

Chairman: Kelsey Developments PLC and subsidiaries
Director: Janashakthi PLC, Janashakthi Insurance PLC, Sting Consultants (Pvt) Limited and Brand Finance Lanka (Pvt) Limited.

Minette Perera*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.

Chandana de Silva

Independent Non-Executive Director

Chandana de Silva has 25 years of managerial and financial experience together with 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 at 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 Investments Division. He currently serves as a management consultant and as a mentor to individuals in senior management roles.

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

Director: Janashakthi PLC, Kelsey Developments PLC, Eureka Technologies (Pvt) Limited, 24/7 Techies (Pvt) Limited and Bairaha Farms PLC.

Nishan de Mel

Independent Non-Executive Director

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



Dinesh Schaffter
Managing Director



Dilshan Wirasekara
Director/Chief Executive Officer



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



Mangala Jayashantha
Chief Financial Officer



Anuththara Sewwandi Kathriarachchi
AGM-Dealing Securities



Wasanthi Stephen
Head of Human Resources



Harshanee Deshapriya
Head of Legal



Dimantha Mathew
Head of Research



Kapila Perera
AGM-Risk & Compliance



Kavín Karunamoorthy
AGM—Asset Management



Anjelo Simmons
Chief Dealer



Sujani Kumarage
AGM—Operations



Anushi Ranawaka
Senior Manager—Treasury Sales



Dhillip Joseph
Senior Manager—Finance



Rohana Jayakody
Senior Manager—Branch Sales



Harsha Perera
Senior Manager—Operations



Anushka Dissanayake
Senior Manager—Treasuries



Rangajeewa Abeywickrama
Senior Manager—IT Operations

Management Team *Contd.*

Salinda Samarakoon
Senior Manager—Kandy Branch



Nisansala Munasinghe
Manager—Branding and Marketing Services



Nisansala Kothalawala
Manager—Middle Office



Sayuri Leelarathne
Manager—Sales



Diluni Danushika
Manager—Finance



Thesula Rambadagalla
Manager—Legal

Dinesh Schaffter*Managing Director*

Please refer to the Directors' Profile on page 13.

Dilshan Wirasekara*Director/ Chief Executive Officer*

Please refer to the Directors' Profile on pages 13.

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 20 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*

Anuththara Sewwandi Kathriarachchi possesses over 16 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 21 years of work experience with over 19 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, finance and Insurance 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 Associate Member of Chartered Institute of Personnel Management.

Harshanee Deshapriya*Head of Legal*

Harshanee Deshapriya possesses 13 years of work experience including 10 years as a corporate lawyer with an extensive exposure towards regulatory and corporate affairs and activities in diversified industries.

Management Team *Contd.*

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 (now known as Janashakthi PLC), 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 14 years of experience with a predominant focus on investment banking.

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*AGM—Risk & Compliance*

Kapila Perera counts over 12 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 AGM – Risk and Compliance in July 2020. He holds a Bachelor's (Special) Degree in Commerce from the University of Sri Jayawardenepura 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.

Kavin Karunamoorthy*AGM—Asset Management*

Kavin Karunamoorthy has over 17 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).

Anjelo Simmons*Chief Dealer*

Anjelo Simmons possesses 12 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.

Sujani Kumara*AGM—Operations*

Sujani Kumara possesses over 20 years of experience in business processing relating to fixed income securities (Government

Securities / Corporate Debt Securities). Having joined First Capital Group in 1999, in her current position, Sujani provides oversight for processing of government and corporate debt securities, money market operations and SWIFT securities/payments and settlements.

She Holds a Diploma in Treasury and Risk Management Conducted by the Institute of Bankers of Sri Lanka and Certificate for Treasury and Foreign Exchange Operations Conducted by the Central Bank of Sri Lanka.

Anushi Ranawaka

Senior Manager—Treasury Sales

Anushi Ranawaka has over 15 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 12 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 a Fellow 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.

Rohana Jayakody

Senior Manager—Branch Sales

Rohana Jayakody counts over 20 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.

Harsha Perera

Senior Manager—Operations

Harsha Perera possesses over 20 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 Centralise operations for First Capital group 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).

Anushka Dissanayake

Senior Manager—Treasuries

Anushka Dissanayake has over 11 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 (now known as Janashakthi 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).

Management Team *Contd.***Rangajeewa Abeywickrama***Senior Manager—IT Operations*

Rangajeewa Abeywickrama counts over 17 years of experience in the fields of IT Management and Operations, SWIFT Support Service, Core Application and ERP Development, IT Infrastructure and Data Center Management, Business Continuity Management, Disaster Recovery and Risk Management and Virtual Office with Private Cloud Development.

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 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.

He started his career in Technical Support Engineer at MicroNet Information Systems (Pvt) Ltd in 2002.

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. Currently reading for his MBA at the University of Bedfordshire, UK.

Salinda Samarakoon*Senior Manager—Kandy Branch*

Salinda Samarakoon counts over 16 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.

Nisansala Munasinghe*Manager—Branding and Marketing Services*

Nisansala Munasinghe counts over 10 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.

Nisansala Kothalawala*Manager—Middle Office*

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

Sayuri Leelarathne*Manager—Sales*

Sayuri Leelarathne counts over 11 years of experience in Sales and Relationship Management by serving a diversified client portfolio. Commencing her career with LB Finance PLC in 2007, she joined First Capital Group in 2018 as a Manager for Group Sales and is currently attached to First Capital Asset Management. Prior to joining First Capital Group, she has served Capital Alliance Holdings Limited as an Assistant Manager - Sales under Asset Management.

She has had extensive training in Sales and Relationship Management to build and maintain a loyal client base through strong relationship-building skills and excels at devising strategies for increased sales.

Sayuri holds a CIMA – Advanced Diploma in Management Accounting and in the process of completing CIMA – Professional Qualification.

Diluni Danushika*Manager—Finance*

Diluni Danushika counts finance experience spanning over 8 years in multi-disciplinary industries including investment banking, information technology (IT), leasing and aviation. Diluni has served at Virtusa (Pvt) Ltd, People's Leasing and Finance PLC, and has experience in serving at the Doha International Airport, Qatar. She joined the First Capital Group in 2015 and started her career as an Executive in middle office and then moved to Finance in 2017 and was promoted as a Manager in 2020.

Diluni is an Associate Member of the Chartered Institute of Management Accountants of UK (ACMA), Member of Chartered Global Management Accountants (CGMA) and a Member of Chartered Institute for Securities and Investments (CISI). She holds a Bachelor of Science (Special) Degree (First Class) in Finance from the University of Sri Jayewardenepura and has completed a Diploma in Banking and Finance conducted by the Institute of Bankers of Sri Lanka. She is currently reading for the Chartered Tax Advisor (CTA) programme at the Institute of Chartered Accountants of Sri Lanka.

Thesula Rambadagalla*Manager—Legal*

Thesula Rambadagalla counts for over 7 years of experience as a corporate lawyer in the banking and financial sectors. She gained extensive knowledge and experience in the fields of commercial law, contract law, conveyancing and Intellectual Property law during her previous appointments at Wickremasinghe Associates and the National Development Bank PLC.

She obtained her Bachelor of Laws (LLB) with Honours from the University of London and she was admitted as an Attorney-at-Law and a Notary Public from Sri Lanka Law College. She is currently reading for her Master of Laws (LLM) in Intellectual Property Law from the University of West London. She also holds a Diploma in International Law and Human Rights, International and Regional Organisations and Recent Developments from the Bandaranayake Centre for International Studies.

Management Discussion and Analysis

MACROECONOMIC OVERVIEW

Global Economy

The World Economic Outlook released by the International Monetary Fund (IMF) in April 2020 indicates that global economic growth has slowed considerably from a robust 3.6% in 2018 to 2.9% in 2019.

The United States and the Euro area both recorded subpar growth for 2019, as did major emerging economies including China, India, Russia and Brazil indicating a moderated growth in advanced and emerging economies alike. Lower trade volumes and declining investments due to heightened US-China trade tensions, ongoing geopolitical uncertainty in several regions across the world and poor domestic demand in key emerging market economies were thought to be the main reasons for this weak performance.

Meanwhile the eruption of the COVID-19 pandemic in February / March 2020 proved to be a setback for global growth in the 1st quarter of 2020 as countries around the world began enforcing lockdown measures and other restrictions to curb the spread of the virus.

Sri Lanka's Economic Performance

Mirroring the trend in global economic activity, Sri Lanka's economy too further moderated in 2019, with growth slowing to 2.3% from 3.3% in 2018. Of the three main sectors, Agriculture and Services sectors both reported a deceleration in growth. Several factors were responsible for this poor performance, key among them: the Easter Sunday Terror attacks in April 2019 and the uncertainty surrounding the election in November 2019. The industry sector meanwhile recorded an improved performance compared to the previous year.

Inflation remained under control, thanks to subdued demand conditions and well anchored inflation expectations. Both headline and core inflation moved broadly in the desired range of 4% - 6% during 2019.

Policy measures aimed at reducing pressure on the balance of payments (BOP) and the exchange rate also delivered the desired results. The surplus in the BOP was due to multiple factors, including the improvement in the Country's trade balance. Driven by the sharp contraction in import expenditure the trade account recorded its lowest deficit since 2013. The financial account too recorded significant inflows in 2019, owing to the proceeds from the International Sovereign Bonds (ISBs) and the receipt of two tranches of the Extended Fund Facility of the International Monetary Fund (IMF- EFF). These inflows made up for the decline in foreign direct investment (FDI) and net outflows in the government securities market as well as the Colombo Stock Exchange in 2019. The Sri Lankan rupee demonstrated greater stability, recording a marginal appreciation of 0.6% against the US\$ in 2019, compared to the significant depreciation of 19.2% recorded in 2018.

Considering the possible impact of the COVID-19 pandemic on the BOP, broad based policy measures were implemented in March 2020, to suspend the importation of certain categories of motor vehicles and non-essential consumer goods for a period of three to six months.

Meanwhile, Fitch Ratings and S&P Global Ratings affirmed Sri Lanka's rating at "B", while downgrading the outlook from "Stable" to "Negative" in December 2019

and January 2020, respectively. The revision of the outlook mainly reflects the risks stemming from the possible weakening of the fiscal position of the country. However, Moody's Investors Service maintained its ratings at "B2" with no revision to the "Stable" outlook in 2019.

Industry Overview

Money Markets

Liquidity in the domestic money market remained in deficit levels until mid April 2019, with a gradual reversal in the trend seen thereafter thanks to the inflow of foreign currency from the conversion of ISB proceeds and increased foreign currency purchases by the Central Bank of Sri Lanka (CBSL).

However, with surplus liquidity mainly concentrated among certain banks, short term interest rates came under pressure, prompting the CBSL to implement a series of monetary policy relaxing measures with a view to reducing the Average Weighted Call Money Rate (AWCMR). This included policy rate reductions by a total of 100 basis points in the months of May and August 2019, which saw the AWCMR decline even below the desired middle point of the Standing Rate Corridor (SRC). In a bid to steer the AWCMR in line with target levels, the CBSL began encouraging open market operations (OMO). Accordingly, by end of December 2019, the CBSL had injected around Rs. 47.7Bn to the domestic money market by way of purchasing Treasury Bonds at the outright auctions, enabling the AWCMR to settle at 7.45% as at 31 December 2019.

Meanwhile, with a view of providing liquidity assistance for Standalone Primary Dealers (SPDs), a Liquidity Support Facility (LSF) was introduced in

September 2019. Under LSF, the Central Bank provided about Rs. 22.6Bn by end of December 2019 to support overnight funding needs of SPDs.

Government Securities Market

The downward trend in Treasury Bill yield rates seen towards the end of the first quarter of 2019, continued well into the second quarter, due to excess funds of the banking sector. The gradual decline in short-term interest rates of government securities continued for the remainder of 2019, albeit at a slower pace amidst the CBSL's accommodative monetary policy stance which saw the easing of both the SDFR and SLFR. The benchmark 364-day Treasury Bill yield decline by 275 basis points by end 2019 compared to end 2018. The yields for 91-day, 182-day and 364-day maturity Treasury Bills stood at 7.5%, 8.02% and 8.45%, respectively, as at end-December 2019.

The issuance of benchmark maturities in line with market preference and the increased access international capital markets which enabled the government to inject US\$ 2Bn to the domestic economy, also contributed towards the gradual decline in short-term interest rates of government securities over the August to mid-December 2019 period.

However, rates started to move upwards following the rating downgrade towards the end of 2019. Also responsible for the increase was the reduced foreign holdings of Treasury Bills and Treasury Bonds by end 2019 as foreign investments began moving away from emerging market economies including Sri Lanka towards the US. Stemming from this, the Country recorded a total net outflow of foreign investments in Treasury Bonds and Treasury Bills amounting to US\$ 333.7Mn in 2019.

Corporate Debt Securities Market

The level of activity in the corporate bond (debenture) market improved during 2019 compared to 2018. During 2019, there were thirty corporate debenture IPOs which collectively raised Rs. 57.9 Bn.

As highlighted by the CBSL, the Commercial Paper market was relatively active in 2019 compared to 2018. During 2019, Rs. 4.2Bn was raised through 15 commercial paper issuances with the support of banks compared to Rs. 1.9Bn raised through 6 issuances in 2018. Apart from the commercial paper issuances tracked by the CBSL, there were Corporates who issued directly as well which are not captured in the above statistics.

Asset Management (Unit Trusts)

By end of the financial year, the Sri Lanka's Unit Trust (UT) industry comprised of 14 fund management companies. The UT Industry's total funds under management as at 31 March 2020 was Rs. 108Bn, indicating a 63.6% increase from the Rs. 66Bn at the start of the financial year of the total funds. Open ended money market fund category accounts for a hefty Rs. 70Bn as at 31 March 2020.

Stock Market

Amidst adverse developments in the domestic and global environment the CSE recorded mixed performance during 2019. Hitting its lowest value reported since 2012, in May 2019 ASPI declining by 3.6% immediately after the Easter Sunday attacks, before picking up gradually towards the end of the year on the back of positive sentiments driven by the presidential election in November 2019.

Foreign outflows from CSE continued to decline during 2019, albeit at a slower pace than in 2018. CSE reported a net foreign outflow of Rs. 11.7Bn during the year 2019 compared to Rs. 23.2Bn in 2018. Meanwhile the ASPI registered growth of 1.3% in 2019 against the 5.0% decline reported in 2018 while S&P SL20 index declined by 6.3% in 2019 compared to the 14.6% decline reported in 2018.

The two main indices of Colombo Stock Exchange recorded significant losses during the first quarter of 2020 due to the panic selling by foreign investors who were largely influenced by global trade tensions, weaker economic variables and lower corporate earnings. While the All Share Price Index and the S&P SL 20 index declined by 25.41% and 33.69% respectively, during the first three months of 2020, the true impact appears to have been masked by the market closure owing to the COVID-19 lockdown.

Future Outlook of the Economy and the Industry

Although a notable contraction in the global economy is predicted in 2020, the magnitude of the near term economic impact of the COVID-19 pandemic remains largely country specific as it would depend on how quickly and effectively governments worldwide take remedial measures to manage the outbreak. Sri Lanka also remains vulnerable to the direct and spillover effects of the COVID-19 outbreak in the near term, as steps taken to curb the spread of the virus likely to have significant implications on economic activities. While relief measures announced by the government and the CBSL are expected to somewhat ease the burden on COVID affected businesses and individuals,

Management Discussion and Analysis *Contd.*

it is quite likely that Sri Lanka's annual real economic growth will decelerate further in 2020, before gradually rebounding towards the start of 2020.

Source: CBSL – Annual Report 2019

BUSINESS REVIEW

Fixed Income

First Capital Treasuries PLC (FCT) delivered a strong performance for 2019/20, amidst a highly conducive operating environment.

From an operational perspective, a key strategy for the year was to strengthen the Company's carrying portfolio vis-a-vis investments in medium term government securities. As one of the most active participants in the primary market auctions, FCT's effective participation at the auction intact at 10.5% and 6.3% for treasury bills and treasury bonds respectively confirms our position among the top primary dealer in the country. Underscoring these efforts, Net Trading Income, FCT's key top line indicator hit an all time high of Rs. 1.65Bn. Profit after Tax also increased to Rs. 1.2Bn in 2019/20 compared to Rs. 96Mn in the previous financial year.

FCT's operations were not impacted by the COVID-19 pandemic, as the CBSL's efforts to revive the economy through monetary policy easing measures had a favorable impact on the Company's bottom line.

The Company's capital position too was further strengthened in the year under review with a planned capital injection of Rs. 250Mn (net) by way of a Listed, Rated, Subordinated, Unsecured,

Redeemable Debenture with a 5-year maturity of Rs. 750Mn. Rs. 500Mn was utilised to settle a maturity, while the remaining Rs. 250Mn was used to augment the Company's capital base. Consequently, FCT's capital base (Tier 1) as at 31 March 2020 stood at Rs. 3.5Bn, while the Company's capital adequacy ratio (CAR) improved to 27.2%, both well above the regulatory requirement of Rs. 1Bn and 10% respectively.

In yet another indication of FCT's stability and resilience, the Company's credit rating of [SL] A- (Stable) was reaffirmed for the 5th consecutive year, by ICRA Lanka Limited.

Corporate Advisory

The Corporate Advisory business under First Capital Limited (FCL), too recorded excellent results, proving that 2019/20 was the best year to date. Focusing mainly on the unlisted debt market, the Corporate Advisory service succeeded in mobilising a significantly higher quantum of debt on behalf of its clients, which saw transaction volumes increased from Rs. 28.5Bn in 2018/19 to Rs. 42Bn in the year under review. Fee income increased significantly from Rs. 69Mn in the previous year to Rs. 175Mn in 2019/20.

Wealth Management

First Capital Management Limited (FCAM), the Wealth Management business recorded a strong improvement across all fronts during the year under review. Assets Under Management (AUM) soared to Rs. 26.4Bn as at 31 March 2020 from Rs. 5.9Bn in the previous year. FCAM thus became one of the top three fund managers in the Country as at end of March 2020.

In yet another milestone, the Company's benchmark unit trust, the First Capital Money Market Fund earned the top spot as the best performing unit trust in the Country, based on returns generated in 2019/20.

While the Wealth Management business experienced a temporary surge in "anxiety" withdrawals during the COVID-19 lockdown period, the situation was well managed thanks to prudent liquidity management.

Equities

First Capital Equities (Private) Limited, the Stock brokering business delivered a satisfactory performance in 2019/20 despite weak trading activity at the Colombo Stock Exchange.

OPERATIONAL DEVELOPMENTS

Research Activities

First Capital Research, recognised as the benchmark for fixed income research, made head-way in firming up its position as the leading research specialist in the Country.

Some notable initiatives for the current financial year, include the inaugural launch of the Mid-year Economic Outlook Forum, held on 25 October 2019, ahead of the presidential election under the theme "Fundamentals Strong; But Decisive Political Juncture."

This was followed by Investment Strategy 2020, in February 2020 conducted under the theme "Fiscal loosening weakens 2H2020 Outlook." Both forums featured discussion panels representing eminent persons in the field of economic research, as well as top bank officials, and received extensive media coverage on both print and electronic media.

Digitisation Agenda

The Group's digitisation agenda continued to gather momentum with the First Capital Online Portal going live in the year under review. The Portal is equipped with an all access dashboard designed to offer a simplified navigational experience, allowing clients to view their en-tire portfolio, access account information and provide investment related instructions with just a few clicks on their computer, tablet or mobile device. The portal allows users to access information relating to unit trust, government securities, wealth management, corporate debt investments etc.

Investing in People

The Groups' competitive edge lies in the individual talent and collective expertise of its employees. Human capital development is therefore among the top priorities for FCH. Accordingly, FCH offers competitive benefits to attract and retain the best in class talent and endeavours to provide our employees with work that is both challenging and rewarding. The Group takes pride in creating a diverse and inclusive culture in which differences are not only recognised but highly valued.

At the same time, the Group continues to invest in training and development in order support its employees in achieving their personal career goals. In the year under review, approximately Rs. 2.5Mn was spent on training and development activities, which included the Speech Craft and Ambassadors Training Programme, that focuses on specialised skills development and confidence building.

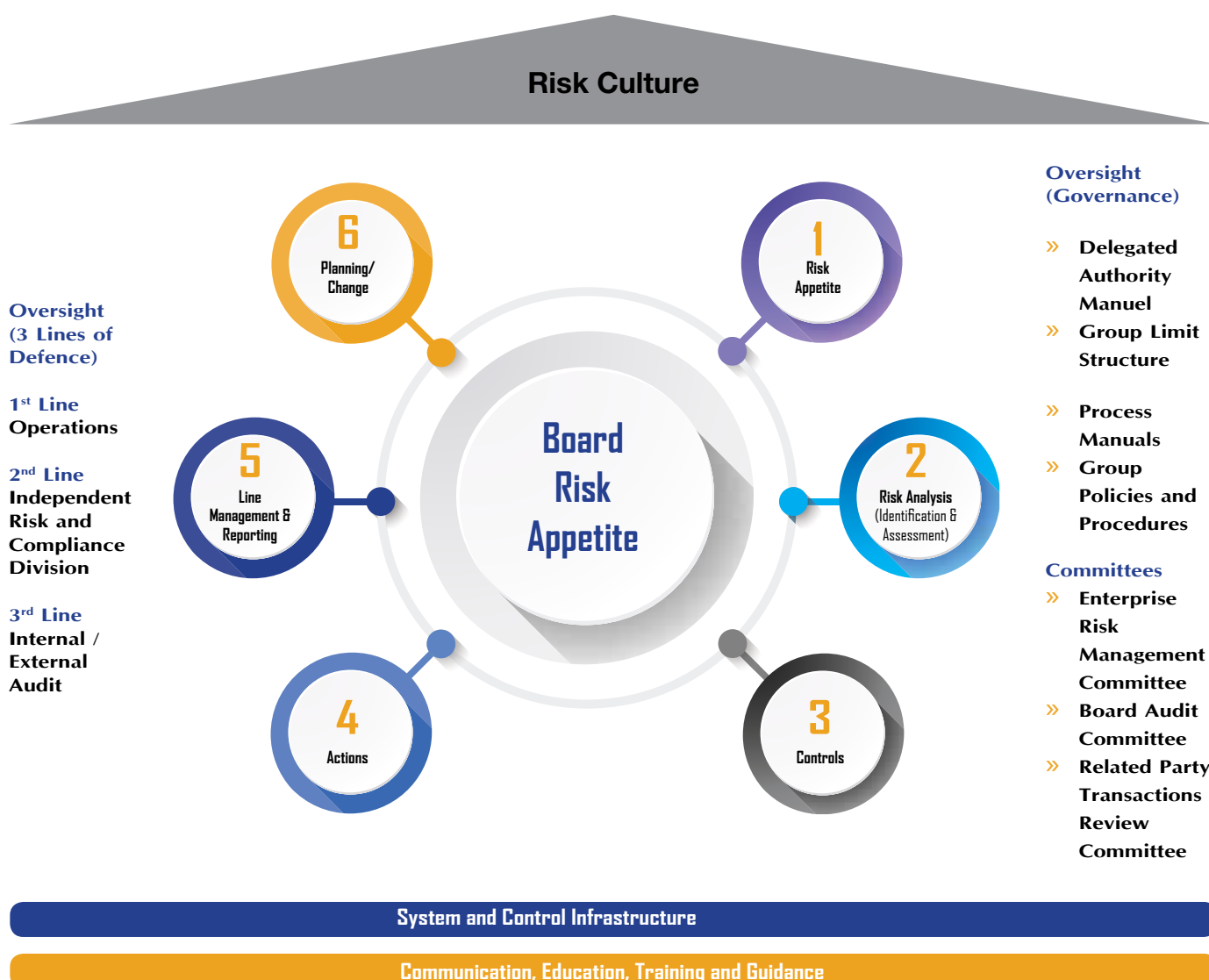
As part of its commitment to its employees, the Group has put in place strict policies and practices to create a safe work environment with each employee receiving regular training on health, safety, and security aspects. In March 2020, the Group found itself easily converting to work from home, considering the lockdown due to the COVID-19 pandemic, as the practice has been in place at FCH for a while. Rosters were prepared to enable the corporate office to remain open during the lockdown period, in addition to implementing all relevant COVID-19 safety protocols for the safety of staff reporting to work.

Risk Management

First Capital Holdings PLC, together with its subsidiaries, align the 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 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 scenarios 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 defense 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 procedures, 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 inputs to update the Risk Register which will ultimately improve the risk awareness and risk culture across the group.

SECOND LINE

The second line of defense is made of Enterprise Risk Management Committee (ERMC) and Independent Risk and Compliance division, responsible for effective management and to ensure that the risks undertaken are within the level of defined risk appetite. ERMC is a Board sub-committee chaired by an Independent Non-Executive Director, that ensure principal and emergent risks as well as events and outcomes which may significantly impact business continuity, profitability and reputation are identified, assessed and responded to through appropriate controls whilst apprising the Board in this regard.

The Risk and Compliance division coordinates the risk management processes across the Group to ensure that risk management and internal control systems are ingrained in the Group culture. The Risk and Compliance

division is also responsible for giving assurance to the ERMC and the Audit Committee on regulatory compliance and risk tolerance.

One of the salient features of the First Capital is its Middle Office. The Division consist of staff members who are competent and experienced to validate all the 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 and Asset & Liability 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 the trading book, risk of fall in value of portfolios that occur due to market volatility is a significant risk which is closely monitored by the Investment and Asset & Liability 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 of market price and yield curves.

Asset	Market Value as at 31 March 2020 (Rs. '000)
Government Securities	36,212,069
Listed Debentures	1,452,818
Listed Shares	442,820
Unit Trusts	433,142
Total	38,540,849

Risk Management *Contd.*

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

Risk and Compliance division and Finance division circulate Management Information reports to the Investment and Asset and Liability 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 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, capital adequacy, 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. Middle office is empowered to review internal limits with the change of market conditions and provide analytical reports to the management.

LIQUIDITY RISK

Liquidity Risk is the risk of non compliance with payment obligations on time or doing so with excessive cost. A material and sustained shortfall in our cash flow

could undermine our credit rating, impair investor confidence and also restrict the Group's ability to raise funds.

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

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

OPERATIONAL RISK

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

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

Risk and Compliance division develops and updates all process manuals, policies and procedures based on regulatory requirements, strategic plans and limits

and circulate 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 related 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/abled 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. Controls are placed to enhance risk management process not by creating bottlenecks to the operations but supporting the functions while providing proper guidance on managing the risk.

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

REGULATORY AND COMPLIANCE RISK

The risk due to non-compliance of regulatory requirements. These risks are of the constant review of the Board of Directors as our business lines are governed by the Central Bank of Sri Lanka (CBSL), Securities and Exchange Commission (SEC) and Colombo Stock Exchange (CSE). Risk and Compliance divisions' staff members are vigilant

about 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, including a Complaint Handling Procedure.

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 to strengthen 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 safeguard the best interest of the client. Risk and Compliance department together

with the individual business units had 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.

Reputational risk which can arise with financial loss is overlooked and managed directly with the management of other risk factors.

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's marketing team engages in strengthening stakeholder engagement including investor relations.

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

STRATEGIC RISK

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

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

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

CREDIT RISK

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

Detailed controls are in effect to mitigate credit risk:

- » Security Allocation Procedure was introduced to ensure effective collateral management. Accordingly, specified collateral margins based on the quality of collateral and conditions of the contract are stipulated. Risk and Compliance division gives comprehensive and continuous learning on identifying and valuing of different financial instruments. Risk and Compliance division also carries out periodical review of collateral valuations.
- » Detailed credit appraisals are carried out as part of the lending/investment process.

Risk Management *Contd.*

» Individual and group concentration limits on lending/investments and counterparty credit limits are in place and reviewed periodically. Credit limits are set based on the counterparty credit rating, maturity baskets and instruments. Limits are reviewed on a weekly basis with exceptions being reported and approved. Credit ratings are periodically updated to enable identification of revisions and potential impact on credit quality.

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 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 carry 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 is fully trained in its operation in the event of a disaster. The Business Continuity Management Team and the Crisis Management Team appointed as a part of Business Continuity Plan are effectively managing the potential risks that could adversely impact to the normal course of business. Prompt actions taken by these teams helped the group in managing the contingency situation occurred due to COVID-19 pandemic. The group managed to conduct all business function without any adverse impact to the customers.

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.

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 2020 which were approved by the Directors on 11 August 2020.

REVIEW OF OPERATIONS

The Group reported profit after tax of Rs. 1,073 Mn. 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 11 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 55 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 2019/20 was Rs. 1,073Mn compared with net profit after tax of Rs. 8Mn in year 2018/19.

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

	2019/20 Rs.'000	2018/19 Rs.'000
Revenue	5,220,425	4,171,474
Profit before tax	1,708,325	88,383
Profit after tax	1,073,239	7,548
Total comprehensive income (TCI)	1,039,470	(20,007)
Attribution		
Equity holders of the parent	972,351	(25,227)
Non-controlling interest	67,119	5,220
Total	1,039,470	(20,007)

The financial statements of the Company are set out in pages 50 to 113 of the Annual Report.

BOARD OF DIRECTORS

Directorate

The Directors of the Company as at 31 March 2020 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
8. Mr. Prakash Schaffter
9. Mr. Ramesh Schaffter

The profiles of the Directors are given on pages 12 to 15 of the Annual Report.

Annual Report of the Board of Directors *Contd.***INTEREST IN SHARES**

Directors/Chief Executive Officer and their shareholdings as at 31 March 2020 were as follows;

	No. of Shares 31.03.2020	No. of Shares 31.03.2019
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 de Silva (Joint with Mr. C.P.de Silva)	118,333	118,333
Dr. Nishan de Mel	Nil	Nil
Mr. Prakash Schaffter	Nil	Nil
Mr. Ramesh Schaffter	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 to 15.

RELATED PARTY TRANSACTIONS

Related party transactions have been declared at meetings of the Directors and are detailed in Note 39 to the financial statements.

The Directors declare that the Company is in compliance with the Section 9 of the Listing Rules of the Colombo Stock Exchange (CSE) pertaining to related party transactions during year 2019/20.

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 39 to the Financial Statements.

REMUNERATION AND FEES

Details of Directors remuneration and fees are set out in Note 12 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 37 to 41 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(1st) of Rs. 4 per share totaling Rs. 405Mn in August 2019 and another interim dividend (2nd) of Rs. 5 per share totaling Rs.506.25Mn in May 2020 for the financial year 2019/20.

SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted in the preparation of the financial statements is given on pages 55 to 71. There were no changes in the accounting policies adopted by the Company during the year under review except for the change in accounting policy with the adoption of

SLFRS 16 – Leasing as explained in Note 4.1 to the Financial Statements.

GOING CONCERN

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

CAPITAL EXPENDITURE

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

RESERVES

The movements in reserves during the financial year 2019/20 have been presented in the Statement of Changes in Equity on pages 52 to 53 of the Annual Report.

INCOME TAX EXPENSES

Income tax expenses have been computed in accordance with the provision of the Inland Revenue Act, No. 24 of 2017 and subsequent amendments thereto as disclosed in Note 13 to the financial statements.

STATED CAPITAL

The stated capital of the Company as at 31 March 2020 was Rs. 227.5Mn consisting of 101,250,000 ordinary shares.

SHARE INFORMATION AND SUBSTANTIAL SHAREHOLDERS

As at 31 March 2020, there were 5,652 registered shareholders. Share information and the twenty largest shareholders as at 31 March 2020 are listed on pages 114 to 115 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 114 to 115 of the Annual Report.

CORPORATE DONATIONS

During the year under review, the Group made charitable donations of Rs. 0.01Mn.

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 period which requires an adjustment to or a disclosure in the financial statements other than those disclosed in Note 42 to the financial statements.

INDEPENDENT AUDITORS

During the period under review, the Company's Auditors were Messrs KPMG, Chartered Accountants. The fees paid to auditors are disclosed in Note 12 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 page 46 to 49 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 28th Annual General Meeting of the Company will be held on 3 September 2020. The Notice convening the Meeting and the Agenda are given on page 125 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

(Sgd.)
Nishan Fernando
Chairman

11 August 2020
Colombo

Statements 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 2020, 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 2020 and
- » The financial performance of the Company and the Group for the financial year ended 31 March 2020

The financial statements of the Company and the Group for the year ended 31 March 2020 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 the Section 148 (1) of the Act. The Directors have therefore caused the Company and its subsidiaries to maintain proper books of accounts and regularly review financial reports at their meetings. The Board also reviews and approves all interim financial statements prior to their release. The Board of Directors accepts the responsibility for the integrity and objectivity of the financial statements presented. The Directors confirm that the financial statements have been prepared using appropriate Accounting Policies in a consistent basis and appropriate estimates and judgments made to reflect the true substance and form of transactions.

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

The Auditors of the Company, Messrs KPMG who were reappointed in accordance with a resolution passed at the last Annual General Meeting were provided with all necessary information required by them in order to carry out their audit and to express an opinion which is contained on pages 46 to 49 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

11 August 2020
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 five Non-Executive Independent Directors, two Non-Executive Non-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 12 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. Attendance of the Directors for the Board meetings is as follows.

Name of Director	Attendance in 2019/20 (Attended/Eligible to Attend)
Mr. Nishan Fernando	4/4
Mr. Dinesh Schaffter	4/4
Mr. Dilshan Wirasekara	4/4
Mr. Eardley Perera	4/4
Ms. Minette Perera	4/4
Mr. Chandana de Silva	2/4
Dr. Nishan de Mel	4/4
Mr. Prakash Schaffter	3/4
Mr. Ramesh Schaffter	3/4

BOARD RESPONSIBILITIES

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

The Board carries responsibility for ensuring that the senior management team possesses the relevant skills and expertise required in the management of the Company and that

a suitable succession planning strategy is in place. The Directors also ensure adherence to laws and regulations pertaining to the functioning of the organisation. The Senior Manager - Risk and Compliance functions as the Compliance Officer to ensure compliance with all regulatory and statutory requirements and proper reporting of all compliance matters to the Board. The Board of Directors exercises oversight of the compliance function.

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

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

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

BOARD BALANCE

Executive and 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

Corporate Governance *Contd.*

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 42 and the duties of the Committee are included therein.

RELATED PARTY TRANSACTIONS REVIEW COMMITTEE

The Report of the Related Party Transaction Review Committee is presented on page 43 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 40.

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. Price water house Coopers.

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.

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.

The Company's adherence to the Corporate Governance Rules as required by Section 7.10 of the Listing Rules of the Colombo Stock Exchange is 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	Seven out of nine Directors are NEDs
7.10.2 Independent Directors			
a.	At least 2 or one third of the NEDs, whichever is higher shall be independent.	Complied	Five out of seven 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 Independent 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 12 to 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	

Corporate Governance *Contd.*

	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 Independent Non-Executive Directors namely, Mr. Eardley Perera and Mr. Chandana de Silva. Mr. Eardley Perera functions as the Chairman of the committee.
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	The committee is mandated with ensuring accountability, transparency and fairness in reward structures that recognised the relationship between performance and reward.
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	<p>The committee functions with delegated authority from the Board and is responsible for setting the Company’s remuneration policy and ensuring its continued ability to attract and retain high caliber candidates.</p> <p>The Company bases remuneration on both individual and company performance whilst paying due regard to staff retention. The committee recommends increment levels and determines the remuneration payable to the executive directors.</p> <p>The aggregate remuneration paid to the Directors is given in the Note 12 to the financial statements.</p>
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 42.
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	

	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 42.
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 recommendations to the Board pertaining to appointment or reappointment or removal of external auditors and to approve their remuneration and terms of engagement.	Complied	
C	The annual report should include the names of the audit committee members, the basis for the determination of the independence of the external auditors and a report of the Audit Committee setting out the manner of compliance with the above requirements during the specified period.	Complied	

Audit Committee Report

COMPOSITION

The Audit Committee consists of two Independent Non-Executive Directors and one Non-Independent Non-Executive Director 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*

Mr. Ramesh Schaffter – *Non-Independent Non-Executive Director*

Brief profiles of the members of the Board appointed Audit Committee are given on Pages 12 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, AGM - Risk and Compliance and Head of 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.

The attendance of the Members for the Audit Committee meetings during year 2019/20 is as follows.

Name of Director	Attendance in 2019/20 (Attended/ Eligible to Attend)
Ms. Minette Perera	5/5
Mr. Nishan Fernando	5/5
Mr. Ramesh Schaffter	5/5

FUNCTIONS

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

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

FINANCIAL REPORTING SYSTEM

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

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

INTERNAL AUDIT

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

EXTERNAL AUDIT

External Auditors' management letters pertaining to the previous year's audit and the Management's response thereto were discussed during the year. Follow up action taken by the management to ensure that the recommendations contained in the management letter were implemented was reviewed. Further, the draft annual financial statements for 2019/20 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 2021, subject to the approval of the shareholders at the Annual General Meeting.

(Sgd.)

Minette Perera (Ms.)

Chairperson-Audit Committee

11 August 2020
Colombo

Related Party Transactions Review Committee Report

COMPOSITION OF THE COMMITTEE

Related Party Transactions Review Committee was appointed by the Board of Directors of the Company and reports directly to the Board. The Committee consists of three (3) members with a combination of two Independent Non-Executive Directors and an Executive Director. The members of the committee are as follows:

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

Mr. Nishan Fernando – Independent Non-Executive Director

Mr. Dinesh Schaffter – Executive Director

Brief profiles of the members of the Board appointed Related Party Transactions Review Committee are given on pages 12 to 15 of the Annual Report.

The Company Secretary functions as the Secretary to the Committee.

SCOPE

The Related Party Transactions Review Committee was formed by the Board to assist the Board in reviewing the Related Party Transactions (RPT) carried out by the Company.

The mandate of the Committee includes inter-alia the assurance of the following:

1. Developing and recommending for adoption by the Board of Directors of the Company and its subsidiaries, a RPT Policy which is consistent with the listing rules of the Colombo Stock Exchange (CSE).
2. Making immediate market disclosures on applicable RPT, as required by Section 9 of the Continuing Listing Requirements of the CSE.
3. Making appropriate disclosures on RPT in the Annual Report, as required by Section 9 of the Continuing Listing Requirements of the CSE.

POLICIES AND PROCEDURES

The Company has adopted a Related Party Transactions (RPTs) Policy in view of structuring the Company's policies and procedures to uphold good governance and in the best interests of the Company.

The Committee adopted policies and procedures for (a) reviewing the Related Party Transactions at each quarterly meeting, (b) identifying and reporting on recurrent and non-recurrent transactions to be in line with the applicable CSE Rules.

The Committee ensures that all transactions with related parties are in the best interests of all stakeholders, adequate transparency is maintained and are in compliance with the Listing Rules.

The Committee reviewed related party transactions during the year and communicated its observations to the Board.

MEETINGS

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

The attendance at the Related Party Transactions Review Committee meeting during the year 2019/20 is as follows.

Name of Director	Attendance in 2019/20 (Attended/ Eligible to Attend)
Ms. Minette Perera	4/4
Mr. Nishan Fernando	4/4
Mr. Dinesh Schaffter	3/4

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 39.6 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 33 to 35 of the Annual Report.

(Sgd.)

Minette Perera (Ms.)

Chairperson-Related Party Transactions Review Committee

11 August 2020
Colombo

FINANCIAL REPORTS

FINANCIAL CALENDAR 2019/20

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 2019/20 Interim Financial Report (Unaudited)	13 August 2019
2 nd Quarter 2019/20 Interim Financial Report (Unaudited)	04 November 2019
3 rd Quarter 2019/20 Interim Financial Report (Unaudited)	14 February 2020
4 th Quarter 2019/20 Interim Financial Report (Unaudited)	12 August 2020

Independent Auditor's Report



KPMG
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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 2020, 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 50 to 113.

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 2020, and of their financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

Basis for Opinion

We conducted our audit in accordance with Sri Lanka Auditing Standards (SLAuSs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Group

in accordance with the Code of Ethics issued by CA Sri Lanka ("Code of Ethics"), 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 Company financial statements and the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the company financial statements and the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

1. VALUATION OF FINANCIAL INSTRUMENTS

Refer to the significant accounting policy in note 3.3 and explanatory notes 15,16,17,18 and 26 to the financial statements.

Risk Description

The Group's investment portfolio comprises of 97% of the total assets (by value) as at 31 March 2020.

This is considered to be the key driver of the Group's capital and revenue performance. The investments measured

at fair value comprises of 85% of the total assets and the fair value of such financial instruments that are traded in an active market is determined based on quoted market prices. We do not consider the valuation of these investments to be at higher risk of significant misstatement.

The exercise of judgment and the use of estimates and assumptions are 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.

As a result of the COVID-19 pandemic, volatility in the financial markets has increased. There have been a sharp decline in market yields, greater illiquidity of financial assets due to low trading, all of which have diminished the observability of the market data needed to measure these financial instruments, making their measurement more complex.

The determination of provision for impairment using expected credit loss model is subject to a number of key assumptions and judgements including forward looking probability of default, loss given default and macroeconomic scenarios.

Accordingly, due to their materiality in the context of the financial statements as a whole and the management judgements



involved, valuation of financial instruments are considered to be an 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.
- » Evaluating the appropriateness of the impairment methodology adopted by the Group in accordance with SLFRS 9 and challenging the key assumptions and evaluating the reasonableness of the key judgments and methodology used by the management.
- » Comparing observable inputs against independent sources and externally available market data and reperforming independent valuations.
- » Obtaining and agreeing with the third party confirmations for a sample of outstanding financial instruments.
- » Assessing the adequacy of the disclosures in the financial statements in accordance with the relevant accounting standards.

2. RECOVERABILITY OF DEFERRED TAX ASSETS

Refer to the significant accounting policy in note 3.9.2 and explanatory note 23 to the financial statements.

Risk Description

The Group has recognised deferred tax asset of Rs. 299.8 Mn as at 31 March 2020 in respect of future deductible temporary differences and undisputed accumulated tax losses which the management considered would 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 the management in respect of assessing the sufficiency of future taxable profits and the probability of such future taxable profit being generated and reversals of existing taxable temporary differences. These estimates and projections are affected due to the impact of COVID-19 pandemic on the economy and business activities, as well as by expected interest rate fluctuations.

Therefore, 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 judgments, complexity and estimation required in forecasting 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 interest margins and operating cost growth rates, with the historical performance of the Company, 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.
- » Evaluating the probability of claiming undisputed tax losses through the perusal of tax correspondents.

- » Evaluating the adequacy of the disclosures in the financial statements in accordance with the relevant accounting standards.

3. IMPACT ON INITIAL ADOPTION OF IFRIC 23 – UNCERTAINTY OVER INCOME TAX TREATMENT

Refer to the significant accounting policy in notes 3.9.3 and 4.2 and explanatory note 21 to the financial statements.

Risk Description

The Group is exposed to number of tax assessments raised by the Inland Revenue Department and those assessments are currently in various stages of the appeal procedure. The outcome of such tax assessments requires significant judgements and could have a material impact on the financial statements.

The Group has adopted IFRIC 23 – "Uncertainty Over Income Tax Treatments" which is effective from 1 April 2019 and the management has assessed the level of uncertainty on the acceptance of the income tax treatment by the taxation authority.

The Group has recognised a provision of Rs. 488.7 Mn for uncertain tax treatments in relation to the tax assessments raised by the taxation authorities in the financial statements for the year ended 31 March 2020 in accordance with the requirements of IFRIC 23. The quantification of these uncertain tax treatment is based on management judgements using the opinion of tax specialists. Changes over management judgements on these tax assessments will have a significant impact on the financial statements.

We identified the initial adoption of IFRIC 23 as a key audit matter due to the judgements exercised by the management in relation to assessing the Group's



estimation on resolution to uncertain tax treatments and the estimated tax liability.

Our audit procedures included:

- » Inquiring from the management on the tax assessments raised by the taxation authorities and assessing their impact to the financial statements, including effectiveness of identification and measurement of impact due to uncertain tax positions.
- » Examining the opinions obtained by the management from the tax consultant and the legal representative.
- » Challenging the management assessment on the basis for the probability of possible outcomes considered based on the opinions issued by tax consultant and the legal representative.
- » Assessing the appropriateness of the estimated tax provision amount determined by the management based on the tax consultant's opinion and use of in-house specialist in determining the accuracy of the tax liability amount.
- » Testing the completeness of the Group's uncertain tax position by inspecting, analysing and comparing the tax assessments raised by Inland Revenue Department to the calculation of tax provision in accordance with IFRIC 23 and performing inquiries from the management.
- » Evaluating the accuracy of the transition adjustment on the adoption of IFRIC 23 and the adequacy of the disclosures in the financial statements in accordance with relevant accounting standards.

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.

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 auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

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

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

Chartered Accountants

Colombo

11 August 2020

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 March,	Note	Group		Company	
		2020 Rs. '000	2019 Rs. '000	2020 Rs. '000	2019 Rs. '000
Income	6	5,220,425	4,171,474	1,125,686	1,216,385
Direct income	7	5,196,768	4,148,711	1,125,686	1,213,356
Direct expenses	8	(3,189,921)	(3,570,379)	(982,945)	(1,096,281)
Net trading income		2,006,847	578,332	142,741	117,075
Other income	9	23,657	22,763	-	3,029
Gain/ (loss) on fair valuation of financial assets recognised through profit or loss - measured at fair value	10	350,269	(139,191)	-	-
		2,380,773	461,904	142,741	120,104
Operating expenses					
Personnel expenses		(472,954)	(242,326)	(45,356)	(21,769)
Premises, equipment and establishment expenses		(40,661)	(37,631)	(8,787)	(7,525)
Other operating expenses	11	(139,636)	(120,438)	(31,374)	(35,895)
(Provision)/ reversal for impairment of financial assets at amortised cost		(19,197)	26,874	(18,172)	(3,815)
		(672,448)	(373,521)	(103,689)	(69,004)
Operating profit		1,708,325	88,383	39,052	51,100
Share of profit/(loss) from equity accounted investee (net of tax)		-	-	982,949	(29,565)
Profit before taxation	12	1,708,325	88,383	1,022,001	21,535
Income tax expenses	13	(635,086)	(80,835)	(15,950)	(19,333)
Profit for the year		1,073,239	7,548	1,006,051	2,202
Other comprehensive income					
Items that will never be reclassified to profit or loss					
Actuarial loss on retirement benefit obligations		(684)	(3,784)	-	-
Gain/(loss) on financial assets measured at fair value through other comprehensive income		(33,088)	(24,831)	-	208
Disposal loss on sale of equity investments measured at fair value through other comprehensive income		(208)	-	(208)	-
Tax effect on other comprehensive income		211	1,060	-	-
Share of other comprehensive income from equity accounted investees (net of tax)		-	-	(33,492)	(27,637)
Other comprehensive income / (expense)		(33,769)	(27,555)	(33,700)	(27,429)
Total comprehensive income / (expense) for the year		1,039,470	(20,007)	972,351	(25,227)
Profit attributable to:					
Equity holders of the parent		1,006,051	2,202	1,006,051	2,202
Non - controlling interests		67,188	5,346	-	-
		1,073,239	7,548	1,006,051	2,202
Total comprehensive income/ (expense) attributable to:					
Equity holders of the parent		972,351	(25,227)	972,351	(25,227)
Non - controlling interests		67,119	5,220	-	-
		1,039,470	(20,007)	972,351	(25,227)
Basic earnings per share (Rs.)	14	9.94	0.02	9.94	0.02

Figures in brackets indicate deductions.

The notes disclosed on pages 55 to 113 form an integral part of these consolidated financial statements.

Consolidated Statement of Financial Position

As at,	Note	Group		Company	
		31.03.2020 Rs. '000	31.03.2019 Rs. '000	31.03.2020 Rs. '000	31.03.2019 Rs. '000
ASSETS					
Cash at banks and in hand		61,354	55,317	19,744	21,344
Derivative financial instruments	15	2,734	3,454	-	-
Financial assets recognised through profit or loss -measured at fair value	16	38,540,849	31,985,437	-	-
Financial assets - fair value through other comprehensive income	17	184,623	217,920	-	1,208
Financial assets at amortised cost	18	5,361,512	7,557,832	6,768,167	7,974,257
Group balances receivable	29	5,632	514	9,931	121
Trade and other receivables	19	598,672	246,661	1,418	6,878
Non - current assets held for sale	20	42,416	42,416	-	-
Taxes receivable	21	271,610	178,845	103,006	58,585
Investment in subsidiary	22	-	-	3,291,070	3,212,043
Deferred tax asset	23	299,775	862,024	6,683	16,573
Property, plant and equipment and right of use assets	24	65,250	37,050	20,698	20,864
Intangible assets	25	118,694	118,000	3,969	4,997
Total Assets		45,553,121	41,305,470	10,224,686	11,316,870
LIABILITIES					
Bank overdrafts		455,103	971,036	442,724	830,539
Derivative financial instruments	26	3,118	2,878	-	-
Securities sold under re-purchase agreements	27	33,294,423	29,204,828	-	-
Short term borrowings	28	5,928,107	6,566,174	5,827,371	6,566,174
Group balances payable	29	731	1,198	-	629
Trade and other payables	31	721,350	237,524	59,795	26,905
Taxes payable	21	488,668	348	-	-
Long term borrowings	30	150,885	251,833	150,885	251,833
Retirement benefit obligations	32	39,812	31,856	-	-
Borrowings on debentures	33	517,641	216,205	-	-
Total Liabilities		41,599,838	37,483,880	6,480,775	7,676,080
EQUITY					
Stated capital	34	227,500	227,500	227,500	227,500
Risk reserve	35	1,135,297	1,021,248	1,135,297	1,021,248
Retained earnings		2,529,183	2,506,870	2,529,183	2,506,870
Fair valuation reserve	36	(148,069)	(114,828)	(148,069)	(114,828)
Equity attributable to the equity holders of the parent		3,743,911	3,640,790	3,743,911	3,640,790
Non - controlling interests		209,372	180,800	-	-
Total Equity		3,953,283	3,821,590	3,743,911	3,640,790
Total Equity and Liabilities		45,553,121	41,305,470	10,224,686	11,316,870
Net assets per share (Rs.)					
		36.98	35.96	36.98	35.96

Figures in brackets indicate deductions.

The notes disclosed on pages 55 to 113 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.

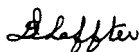


Mangala Jayashantha
Chief Financial Officer

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

Consolidated Statement of Changes in Equity

For the year ended 31 March 2020	Attributable to equity holders of parent				Total	Non-controlling Interests	Total Equity
	Stated Capital	Risk Reserve	Retained Earnings	Fair Valuation Reserve			
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Balance as at 1 April 2018	227,500	1,012,200	2,545,342	(90,053)	3,694,989	175,587	3,870,576
Impact on adoption of SLFRS 9 (net of tax)	-	-	(28,972)	-	(28,972)	(7)	(28,979)
Adjusted balance as at 1 April 2018	227,500	1,012,200	2,516,370	(90,053)	3,666,017	175,580	3,841,597
Total comprehensive income for the year							
Profit for the year	-	-	2,202	-	2,202	5,346	7,548
Other comprehensive income/ (expense) for the year	-	-	(2,654)	(24,775)	(27,429)	(126)	(27,555)
Total comprehensive expense	-	-	(452)	(24,775)	(25,227)	5,220	(20,007)
Transfers to risk reserve	-	9,048	(9,048)	-	-	-	-
Balance as at 31 March 2019	227,500	1,021,248	2,506,870	(114,828)	3,640,790	180,800	3,821,590
Balance as at 1 April 2019	227,500	1,021,248	2,506,870	(114,828)	3,640,790	180,800	3,821,590
Impact on adoption of IFRIC 23 (Note 4.2)	-	-	(464,230)	-	(464,230)	(24,438)	(488,668)
Adjusted balance as at 1 April 2019	227,500	1,021,248	2,042,640	(114,828)	3,176,560	156,362	3,332,922
Total comprehensive income for the year							
Profit for the year	-	-	1,006,051	-	1,006,051	67,188	1,073,239
Other comprehensive expense for the year	-	-	(459)	(33,241)	(33,700)	(70)	(33,770)
Total comprehensive income / (expense)	-	-	1,005,592	(33,241)	972,351	67,118	1,039,469
Transactions with equity holders							
Distribution to equity holders							
Dividend paid - Interim 2019/20 (Note 37)	-	-	(405,000)	-	(405,000)	-	(405,000)
Dividend paid to shareholders with NCI*	-	-	-	-	-	(14,108)	(14,108)
Total distribution to equity holders	-	-	(405,000)	-	(405,000)	(14,108)	(419,108)
Transfers to risk reserve	-	114,049	(114,049)	-	-	-	-
Balance as at 31 March 2020	227,500	1,135,297	2,529,183	(148,069)	3,743,911	209,372	3,953,283

* Non controlling interest

Figures in brackets indicate deductions.

The notes disclosed on pages 55 to 113 form an integral part of these consolidated financial statements.

Statement of Changes in Equity

For the year ended 31 March 2020	Stated Capital	Risk Reserve	Retained Earnings	Fair Valuation Reserve	Total
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Balance as at 1 April 2018	227,500	1,012,200	2,545,342	(90,053)	3,694,989
Impact on adoption of SLFRS 9 (net of tax)	-	-	(28,972)	-	(28,972)
Adjusted balance as at 1 April 2018	227,500	1,012,200	2,516,370	(90,053)	3,666,017
Total comprehensive income for the year					
Profit for the year	-	-	2,202	-	2,202
Other comprehensive expense for the year	-	-	(2,654)	(24,775)	(27,429)
Total comprehensive expense	-	-	(452)	(24,775)	(25,227)
Transfers to risk reserve	-	9,048	(9,048)	-	-
Total transactions with equity holders	-	-	-	-	-
Balance as at 31 March 2019	227,500	1,021,248	2,506,870	(114,828)	3,640,790
Balance as at 1 April 2019	227,500	1,021,248	2,506,870	(114,828)	3,640,790
Impact on adoption of IFRIC 23 (Note 4.2)	-	-	(464,230)	-	(464,230)
Adjusted balance as at 1 April 2019	227,500	1,021,248	2,042,640	(114,828)	3,176,560
Total comprehensive income for the year					
Profit for the year	-	-	1,006,051	-	1,006,051
Other comprehensive expense for the year	-	-	(459)	(33,241)	(33,700)
Total comprehensive income/(expense)	-	-	1,005,592	(33,241)	972,351
Transactions with equity holders					
Distribution to equity holders					
Dividend paid - Interim 2019/20 (Note 37)	-	-	(405,000)	-	(405,000)
Total distribution to equity holders	-	-	(405,000)	-	(405,000)
Transfers to risk reserve	-	114,049	(114,049)	-	-
Balance as at 31 March 2020	227,500	1,135,297	2,529,183	(148,069)	3,743,911

Figures in brackets indicate deductions.

The notes disclosed on pages 55 to 113 form an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows

For the year ended 31 March	Group		Company	
	2020	2019	2020	2019
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Cash flows from operating activities				
Interest receipts and gains realised	5,128,645	4,065,400	1,079,228	1,162,394
Interest payments and other direct cost	(2,849,543)	(3,346,076)	(982,551)	(1,097,408)
Other receipts	23,657	11,616	-	-
Cash payments to employees and suppliers	(389,270)	(369,744)	(50,972)	(58,656)
Operating profit before changes in operating assets and liabilities	1,913,489	361,196	45,705	6,330
Increase in financial assets - fair value through profit or loss	(6,205,657)	(5,579,157)	-	-
(Increase)/ Decrease in financial assets - at amortised cost	2,203,247	(1,471,509)	1,234,376	(513,211)
(Increase)/ Decrease in trade and other receivables	(401,516)	564,374	5,460	(3,911)
Increase in group balance receivables	(5,118)	(72)	(16,551)	(121)
Increase/ (Decrease) in trade and other payables	255,804	(344,330)	(3,099)	7,580
Increase/ (Decrease) in group balances payables	(467)	470	(629)	(10,333)
Increase/ (Decrease) in short term borrowings	(640,143)	549,075	(740,144)	561,321
Increase in securities sold under re-purchase agreements	3,756,705	5,565,682	-	-
Cash flows generated from/ (used in) operations	876,344	(354,271)	525,118	47,655
Tax paid (Note 21)	(100,579)	(123,932)	(40,051)	(61,394)
Gratuity paid (Note 32)	(374)	(6,968)	-	-
Net cash flows generated from/(used in) operating activities	775,391	(485,171)	485,067	(13,739)
Cash flows from investing activities				
Purchase of property, plant, equipment and intangible assets (Note 25 and 26)	(6,262)	(29,241)	(1,052)	(23,168)
Proceeds on sale of property, plant, equipment	-	11,321	-	3,029
Dividend receipts	42,000	54,989	406,200	12
Proceed from sale of investments	1,000	-	1,000	-
Net cash flows generated from/ (used) in investing activities	36,738	37,069	406,148	(20,127)
Cash flows from financing activities				
Dividend paid (Note 37)	(405,000)	(202,500)	(405,000)	(202,500)
Dividend paid to shareholders with non-controlling interest	(14,108)	-	-	-
Redemption of listed debentures (Note 33)	(211,555)	(190,378)	-	(190,378)
Dividend tax paid (Note 13.1)	(66,126)	-	-	-
Borrowings on debentures (Note 33)	506,630	-	-	-
Repayment of long term borrowings (Note 30)	(100,000)	(100,000)	(100,000)	(100,000)
Net cash flows used in financing activities	(290,159)	(492,878)	(505,000)	(492,878)
Net cash inflow/ (outflow) for the year	521,970	(940,980)	386,215	(526,744)
Cash and cash equivalents at the beginning of the year	(915,719)	25,261	(809,195)	(282,451)
Cash and cash equivalents at the end of the year (Note A)	(393,749)	(915,719)	(422,980)	(809,195)
Note A				
Cash at banks and in hand	61,354	55,317	19,744	21,344
Bank overdraft	(455,103)	(971,036)	(442,724)	(830,539)
	(393,749)	(915,719)	(422,980)	(809,195)

Figures in brackets indicate deductions.

The notes disclosed on pages 55 to 113 form an integral part of these 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 2020 is 92 (2019 – 96).

The Consolidated Financial Statements for the year 2019/20 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 ultimate parent undertaking and controlling party (Parent company) is Janashakthi PLC which is incorporated in Sri Lanka.

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 the Subsidiary	Principal Activity
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.
First Capital Markets Limited (Note B)	Engages in general investments (Fixed income securities) and fee based activities.
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 brokering of Listed Securities.
First Capital Trustee Services (Private) Limited	Engage in trustee services in corporate debt securities.

Note A

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. The amalgamation process has not commenced yet.

Note B

The Board of Directors of First Capital Holdings PLC decided to terminate the business of margin trading lending and trading and brokering of listed debt securities carried out by First Capital Markets Limited in February 2018. Accordingly, the business of trading and brokering of listed debt securities/ margin lending operations were terminated. Presently, the Company carries out general investments (fixed income securities) and fee-based operations.

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. These Financial Statements, except for information on cash flows have been prepared following the accrual basis of accounting. This is the first set of the Group’s annual financial statements in which SLFRS 16 “Leases” and IFRIC 23 “Uncertainty over income tax treatments” have been applied. The related changes to the significant accounting policies are described in Notes 4.1 and 4.2.

2.2 Presentation of Financial Statements

The assets and liabilities of the Consolidated Statement of Financial Position are grouped by nature and listed in order to reflect their relative liquidity and maturity pattern.

2.3 Approval of Financial Statements by Directors

The Consolidated Financial Statements for the year ended 31 March 2020 were authorised for issue by the Board of Directors on 11 August 2020.

2.3.1 Directors’ Responsibility for the Financial Statements

The Board of Directors is responsible for the preparation and fair presentation of these Financial Statements in accordance with Sri Lanka Accounting Standards and as per the provisions of the Companies Act No. 07 of 2007 and related disclosure requirements of Listing Rules.

Notes to the Financial Statements *Contd.*

This responsibility includes: designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of Financial Statements that are free from material misstatements, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

The Board of Directors acknowledges their responsibility as set out in the “Annual Report of the Board of Directors” and “Statement of Director’s Responsibility”.

2.4 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,

Category	Basis of measurement	Note
Investment in subsidiaries	Equity method of accounting	Note 3.1.3
Derivative financial assets/ liabilities	Fair value	Note 3.3.3
Financial assets measured at fair value though profit or loss	Fair value	Note 3.3.4.1
Financial assets measured at fair value though other comprehensive income	Fair value	Note 3.3.4.3
Financial assets at amortised cost	Amortised cost	Note 3.3.4.2
Right of use of assets	Discounted future lease rental payments	Note 3.8
Retirement benefit obligations	Projected unit credit method	Note 3.14.2

2.5 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.

2.6 Use of Significant Judgments, Estimates and Assumptions

The preparation of Consolidated Financial Statements in conformity with SLFRSs/ LKASs 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 based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results which form the basis of making the judgments about the carrying amount of assets and liabilities that are not readily apparent from other sources.

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

Information about critical judgments, estimates and assumptions in applying accounting policies that have the most significant effect on the amounts recognised in the Consolidated Financial Statements are included in the following notes to these Financial Statements.

Critical accounting estimate/judgment	Disclosure Note
Going concern	2.11
Classification of financial assets and liabilities	3.3.2
Non-current assets held for sale	3.7
Fair value of financial instruments	3.3.11
Useful lives of intangible assets	3.4
Useful lives of property, plant and equipment	3.5
Retirement benefit obligation	3.14.2
Deferred tax on unutilised tax losses	3.9.2
Impairment losses on financial assets	3.3.7
Impairment of non-financial assets	3.6
Provisions for liabilities, commitments and contingencies	3.24

2.7 Comparative Information

Comparative information including quantitative, narrative and descriptive information is disclosed in respect of the previous period in the Consolidated Financial Statements in order to enhance the understanding of the current period's Financial Statements and to enhance the inter period comparability. The presentation and classification of the Consolidated Financial Statements of the previous year are amended, where relevant for better presentation and to be comparable with those of the current year. The Group has not restated the comparative information for contracts within the scope of Sri Lanka Accounting Standard – SLFRS 16 on “Leases” (SLFRS 16) and adoption of IFRIC 23 on “uncertainty over Income tax treatments”.

2.8 Materiality, Presentation and Aggregation

As per LKAS – 1 “Presentation of Financial Statements”, each material class of similar items are presented separately in the Financial Statements. Items of dissimilar nature or function are presented separately unless they are immaterial.

Notes to the Financial Statements are presented in a systematic manner which ensures the understandability and comparability of Financial Statements of the Group. Understandability of the Financial Statements is not compromised by obscuring material information with immaterial information or by aggregating material items that have different natures or functions.

2.9 Offsetting

Financial assets and financial liabilities are offset and the net amount reported in the Statement of Financial Position, only when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or to realise the assets and settle the liabilities simultaneously. Income and expenses are not offset in the Income Statement, unless required or permitted by an Accounting Standard or Interpretation (issued by the International Financial Reporting Interpretations Committee and

Standard Interpretations Committee) and as specifically disclosed in the Significant Accounting Policies of the Group.

2.10 Rounding

The amounts in the Consolidated Financial Statements have been rounded off to the nearest Thousand, except where otherwise indicated as permitted by the Sri Lanka Accounting Standard LKAS 1 on ‘Presentation of Financial Statements’.

2.11 Going Concern

The Board of Directors is satisfied that the Company has adequate resources to continue its operations in the foreseeable future and 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, going concern basis has been adopted in preparing these Financial Statements.

2.12 Events After Reporting Date

Events after the reporting date are those events, favorable and unfavorable, that occur between the reporting date and the date when the Financial Statements are authorised for issue. In this regard, all material and important events that occurred after the reporting period are considered and appropriate disclosures are made where necessary (Note 42).

2.13 Changes in Accounting Policies

The Group has consistently applied the accounting policies as set out in Note 3 to all periods presented in these financial statements except for the changes arising out of transition to SLFRS 16 – “Leases”.

2.13.1 SLFRS 16 – “Leases”

Previously, the Group determined whether an arrangement is or contains a lease under IFRIC 4 – “Determining whether an arrangement contains a lease”. The Group now assess whether a contract is or contains a lease in accordance with SLFRS 16, as explained in Note 3.8.

SLFRS 16 requires the recognition of lease liabilities and right of use of assets for leases previously classified as operating

leases in accordance with LKAS 17. Further, the standard requires to recognise depreciation allowance and finance charges during the lease period.

Under LKAS 17, lease payments were recognised as an expense in the statement of profit or loss on a straightline basis over the lease term.

The Group used a number of practical expedients when applying SLFRS 16 to leases previously classified as operating leases under LKAS 17. In particular,

- » Did not recognise right-of-use assets and liabilities for leases for which term ends within 12 months of the date of initial application
- » Used hindsight when determining the lease term.

On transition, for these leases, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Group's incremental borrowing rate plus the remaining value of advances paid at the date of initial application (i.e, 1 April 2019). The Group elected to apply the practical expedient to assessment of which transactions are leases. The Group applied IFRS 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognised in retained earnings as at 1 April 2019. Accordingly, comparative information presented for 2019 is not restated – i.e. it is presented, as previously reported, under LKAS 17 and related interpretations (Note 4.1).

3. SIGNIFICANT ACCOUNTING POLICES

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.

Notes to the Financial Statements *Contd.*

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

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

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

Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred. Any contingent consideration payable is measured at fair value at the acquisition date. If the

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

3.1.3 Subsidiaries

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

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

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

The Consolidated Financial Statements are prepared to a common financial year which ends 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 derecognises the assets and liabilities of the subsidiary, any non-controlling interest and the other components of equity related to the subsidiary.

3.1.4 Step Acquisitions

The Group elects the remeasurement approach for step acquisition that result in significant influence being exerted in a company. Under this approach, the previously held interest is remeasured to fair value through profit or loss. Obtaining significant influence is seen

as an economic event that changes the nature of the investment, which is also consistent with the approach for the loss of significant influence.

When significant influence is achieved in stages, the Group remeasures its previously held equity interest in the acquiree at its acquisition-date fair value and recognises the resulting gain or loss, if any, in profit or loss. The amount that was recognised in other comprehensive income, is recognised on the same basis as would be required if the group had disposed directly of the previously held equity interest.

Previously held interests will in almost all cases have been fair value through other comprehensive income 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 fair valuation 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 55.

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

3.1.9 Transactions Eliminated on Consolidation

Intra-group balances, and income and expenses arising from intra- group transactions are eliminated in preparing the Consolidated Financial Statements. Unrealised gains arising from transactions

with equity accounted investees are eliminated to the extent of the Group's interest in the investee against the investment in the investee. Unrealised losses are eliminated in the same way as unrealised gains except that they are only eliminated to the extent that there is no evidence of impairment.

3.1.10 Interest in associate

Associates are those entities in which the Group has significant influence but not control or joint control, over the financial and operating policies. Interests in associates are accounted for using equity method. They are initially recognised at cost.

Subsequent to initial recognition, the Consolidated Financial Statements and separate Financial Statements include the investor's share of profit or loss and Other Comprehensive Income of equity accounted investees, until the date on which significant influence ceases. The Dividends received from associates are treated as reduction of investment.

3.1.11 Material Gains or Losses, Provisional Values or Error Corrections

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

3.1.12 Unconsolidated Structured Entities

The Group manages and 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 38 to the financial statements.

3.2 Foreign Currency

3.2.1 Foreign Currency Transactions

Transactions in foreign currencies are translated to the respective functional currency (Sri Lankan Rupees-LKR) at exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items are the difference between 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 foreign currency translated at the exchange rate at the end of the year.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items in a foreign currency that are measured in terms of historical cost are translated using the exchange rate at the date of the transaction.

Foreign currency differences arising on retranslation are recognised in Statement of Profit or Loss.

3.3 Financial Instruments

3.3.1 Initial Recognition, Classification and Subsequent Measurement

3.3.1.1 Date of recognition

All financial assets and liabilities are initially recognised on the trade date, i.e., the date that the Company becomes a party to the contractual provisions of the instrument. This includes "regular way trades": purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place.

Notes to the Financial Statements *Contd.***3.3.1.2 Initial measurement of Financial Instruments**

The classification of financial instruments at initial recognition depends on the purpose and the management's intention for which the financial instruments were acquired and their characteristics. All financial instruments are measured initially at their fair value plus transaction costs, except in the case of financial assets and financial liabilities recorded at fair value through profit or loss.

3.3.2 Classification and Subsequent Measurement of Financial Instruments

On initial recognition, a financial asset is classified as measured at: amortised cost, FVTOCI or FVTPL.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- » the asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- » the contractual terms of the financial asset give rise on specified dates to cash flows that are Assessment of whether Contractual Cash Flows are Solely Payments of Principal and Interest ("SPPI").

A debt instrument is measured at FVTOCI only if it meets both of the following condition and is not designated as at FVTPL:

- » the asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets.
- » Its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present

subsequent changes in fair value in OCI. This election is made on an investment by investment basis. All other financial assets are classified as measured at FVTPL.

In addition, on initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

3.3.2.1 Business Model Assessment

The Group makes an assessment of the objective of a business model in which an asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to Management.

The information considered includes:

- » the stated policies and objectives for the portfolio and the operation of those policies in practice. In particular, whether Management's strategy focuses on earning contractual interest revenue, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realising cash flows through the sale of the assets;
- » how the performance of the portfolio is evaluated and reported to the Group's Management;
- » the risks that affect the performance of the business model (and the financial assets held within that business model) and its strategy for how those risks are managed;
- » how managers of the business are compensated (e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected); and
- » the frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity. However,

information about sales activity is not considered in isolation, but as part of an overall assessment of how the Group's stated objective for managing the financial assets is achieved and how cash flows are realised.

Financial assets that are held for trading or managed and whose performance is evaluated on a fair value basis are measured at FVTPL because they are neither held to collect contractual cashflows nor held both to collect contractual cash flows and to sell financial assets.

Financial assets - Assessment whether contractual cash flows are solely payments of principal and interest

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Group considers:

- » contingent events that would change the amount or timing of cash flows;
- » terms that may adjust the contractual coupon rate, including variable-rate features;
- » prepayment and extension features; and
- » terms that limit the Group's claim to cash flows from specified assets (e.g. non-recourse features).

A prepayment feature is consistent with the solely payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable additional compensation for early termination of the contract. Additionally, for a financial asset acquired at a discount or premium to its contractual paramount, a feature that permits or requires prepayment at an amount that substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable additional compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant at initial recognition.

Financial assets at FVTPL	These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss.
Financial assets at amortised cost	These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.
Debt investments at FVTOCI	These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.
Equity investments at FVTOCI	These assets are subsequently measured at fair value. Dividend is recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never reclassified to profit or loss.

3.3.3 Derivatives recorded at fair value through profit or loss

3.3.3.1 Derivatives held for risk management purposes

Derivatives held for risk management purposes include all derivative assets and liabilities that are not classified as trading assets or liabilities. Derivatives held for risk management purposes are measured at fair value in the statement of financial position.

3.3.3.2 Other Derivatives

If a derivative is not held for trading, and is not designated in a qualifying hedge relationship, then all changes in its fair value are recognised immediately in profit or loss as a component of net income from other financial instruments at FVTPL.

3.3.4 Financial Assets

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

All the financial assets are recognised at fair value at its initial recognition.

3.3.4.1 Financial assets measured at - fair value through profit or loss

A financial asset is classified at fair value through Profit or Loss if it is classified as held for trading or is designated as such upon initial recognition. Financial assets are designated at fair value through Profit or Loss if the Group manages such investments

and makes purchase and sale decisions based on their fair value in accordance with the Group's documented risk management or investment strategy. Upon initial recognition, transaction costs are recognised in Profit or Loss as incurred.

Financial assets at fair value through Profit or Loss are measured at fair value, and subsequent therein are recognised in Profit or Loss.

Following assets represent Financial assets at fair value through profit or loss,

- » Investment in government securities
- » Investment in listed debentures
- » Investment in listed shares
- » investment in unit trusts

3.3.4.2 Financial assets at amortised cost

4.1.2 A financial asset shall be measured at amortised cost if both of the following conditions are met:

- (a) the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and
- (b) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost of the Group comprise of the followings,

- » Lending
- » Investment in corporate debt securities
- » Fixed deposits
- » Staff loans

3.3.4.3 Financial assets measured at fair value through other comprehensive income

Financial assets measured at fair value through other comprehensive income (FVTOCI) are non-derivative financial assets that are designated FVTOCI and that are not classified in any of the previous categories of financial assets. FVTOCI are recognised initially at fair value plus any directly attributable transaction costs.

Notes to the Financial Statements *Contd.*

Subsequent to initial recognition, these are measured at fair value and changes therein, other than impairment losses are recognised in other comprehensive income and presented within equity in the fair value reserve. When an investment in debt instrument is derecognised, the cumulative gain or loss in other comprehensive income is transferred to Profit or Loss.

Financial assets at FVTOCI comprise investments in unquoted equities.

3.3.4.4 Cash and Cash Equivalents

Cash and cash equivalents comprise cash in hand and cash at banks and other highly liquid financial assets which are held for the purpose of meeting short-term cash commitments with original maturities of less than three months which are subject to insignificant risk of changes in their fair value.

Bank overdrafts that are repayable on demand and form an integral part of the Group cash management are included as a component of cash and cash equivalents for the purpose of the Statement of Cash Flows.

3.3.5 Financial Liabilities

The Group initially recognises debt securities and borrowings on the date that they are originated. All other financial liabilities are recognised at initially on the trade date, which is the date that the Group becomes party to the contractual provisions of the instruments.

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

The Group classifies non-derivative financial liabilities into the other financial liabilities category. Such financial liabilities are recognised initially at fair value plus any directly attributable transaction cost. Subsequent to initial recognition, these financial liabilities are measured at amortised cost using effective interest rate method.

Financial liabilities comprise;

- » Bank overdrafts
- » Securities sold under re-purchase agreements
- » Short term borrowings
- » Long term borrowings
- » Borrowing on listed debentures

3.3.5.1 Recognition and measurement of financial liabilities

Group classifies financial liabilities, other than financial guarantees and loan commitments, into one of the following categories:

- » Financial liabilities at amortised cost; and
- » Financial liabilities at fair value through profit or loss,

A financial liability is measured initially at fair value plus, transaction costs that are directly attributable to its acquisition or issue. Subsequent measurement of financial liability is at fair value or amortised cost. The amortised cost of a financial liability is the amount at which the 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 the initial amount and the maturity amount.

3.3.5.1.1 Classification and subsequent measurement of financial liabilities

The subsequent measurement of financial liabilities depends on their classification.

3.3.5.2 Financial liabilities at amortised cost

Financial liabilities issued by the Group that are not designated at fair value through profit or loss are recognised initially at fair value plus any directly attributable transaction costs, by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the Effective Interest Rate. Subsequent to initial recognition these financial liabilities are measured at amortised cost using the effective interest method.

The Effective Interest Rate amortisation is included in "Interest expense" in the statement of profit or loss. Gains and losses too are recognised in the income statement when the liabilities are derecognised as well as through the Effective Interest Rate amortisation process.

3.3.5.3 Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include derivative liabilities held for risk management purposes.

3.3.6 Reclassification of Financial Assets and Liabilities

Financial assets are not reclassified subsequent to their initial recognition, except and only in those rare circumstances when the Group's changes its objective of the business model for managing such financial assets. Financial liabilities are not reclassified as such reclassifications are not permitted by SLFRS 9.

*3.3.7 Impairment of Financial Assets**3.3.7.1 Recognition of ECL*

The Group recognises allowances for Expected Credit Losses (ECL) on the following financial instruments that are not measured at FVTPL:

- » financial assets that are debt instruments;
- » Lending;
- » financial guarantee contracts issued; and
- » undrawn credit commitments.

The Group measures loss allowances at an amount equal to lifetime ECL, except for the following, for which are measured as 12-month ECL:

- » debt investment securities that are determined to have low credit risk at the reporting date; and
- » other financial instruments on which credit risk has not increased significantly since their initial recognition.

The Group considers a debt investment security to have low credit risk when its credit risk rating is equivalent to the definition of “investment grade”. The Group does not apply the low credit risk exemption to any other financial instruments. 12-month ECL are the portion of ECL that result from default events on a financial instrument that are possible within the 12 months after the reporting date.

Group assesses financial assets under three stages in determining ECL.

- » **Stage 1** : financial instruments that have not had a significant increase in credit risk since initial recognition. For these assets, a 12-months ECL is recognised.
- » **Stage 2** : financial instruments that have experienced a significant increase in credit risk since initial recognition but for which the exposure is not yet defaulted. For these assets, lifetime ECLs are recognised, representing the expected credit losses that result from all possible default events over the expected life of the financial asset.
- » **Stage 3** : financial instruments which are deemed to be credit impaired. This is where a credit loss has already been suffered on the assets. For these assets, lifetime ECLs are recognised, representing the expected credit losses that result from all possible default events over the expected life of the financial asset.

ECL are a probability-weighted estimate of credit losses. They are measured as follows:

- » financial assets that are not credit impaired at the reporting date: as the present value of all cash shortfalls (i.e., the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive);
- » financial assets that are credit impaired at the reporting date: as the difference between the gross carrying amount and the present value of estimated future cash flows;

- » undrawn loan commitments: as the present value of the difference between the contractual cash flows that are due to the Group if the commitment is drawn down and the cash flows that the Group expects to receive; and
- » financial guarantee contracts: the expected payments to reimburse the holder less any amounts that the Group expects to recover.

3.3.7.2 Credit-Impaired Financial Assets

At each reporting date, the Group assesses whether financial assets carried at amortised cost and debt financial assets carried at FVTOCI are credit-impaired (referred to as “Stage 3 financial assets”). A financial asset is “credit-impaired” when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- » significant financial difficulty of the borrower or issuer;
- » a breach of contract such as a default or being more than 90 days past due;
- » the restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise;
- » it is probable that the borrower will enter bankruptcy or other financial reorganisation; or
- » the disappearance of an active market or a security because of financial difficulties.

3.3.7.3 Presentation of Allowance for ECL in the Statement of Financial Position

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

For debt securities at FVTOCI, the loss allowance is charged to profit or loss and is recognised in OCI.

3.3.7.4 Write-off

Loans and debt securities are written off (either partially or in full) when there is no reasonable expectation of recovering a financial asset in its entirety or a portion thereof. This is generally the case when the Group determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. This assessment is carried out at the individual asset level.

Recoveries of amounts previously written off are included in “provision for impairment of financial assets at amortised cost” in the Statement of Profit or Loss.

Financial assets that are written off could still be subject to enforcement activities in order to comply with the Group’s procedures for recovery of amounts due.

3.3.8 Derecognition of Financial Assets and Financial Liabilities

3.3.8.1 Financial assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:

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

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of

Notes to the Financial Statements *Contd.*

the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. In that case, the Group also recognises an associated liability.

The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

3.3.8.2 Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as derecognition of the original liability and the recognition of a new liability. The difference between the carrying value of the original financial liability and the consideration paid is recognised in profit or loss.

3.3.9 Offsetting financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously.

3.3.10 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.

3.3.11 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 minimize the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

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

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

3.4 Intangible Assets

3.4.1 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.

3.4.2 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 is 5 – 6 years.

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

3.4.3 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.

3.5 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.

3.5.1 Recognition and Measurement

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

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

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

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

3.5.2 Subsequent Cost

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.

3.5.3 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, plant and equipment are as follows:

Asset Type	Life Time (Years)
Computer equipment	5 – 6
Fixtures and fittings	5
Furniture	5
Office equipment	5
Motor vehicle	5

3.5.4 Derecognition

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

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

3.6 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.

Notes to the Financial Statements *Contd.*

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.

3.7 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.

3.8 SLFRS 16 – Leases**Policy applicable from 1 April 2019**

At the inception of a contract, the Group assess whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for a consideration.

To assess whether a contract conveys the right to control the use of an identified asset, the Group use the definition of a lease in SLFRS 16.

This policy is applied to contracts entered into (or changed) after 1 April 2019.

3.8.1 Group acting as a lessee

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate plus remaining value of lease rentals paid in advance if any.

The Group determines its incremental borrowing rate by analysing its borrowings from various external sources and makes certain adjustments to reflect the terms of the lease and type of the lease asset.

Lease payments included in the measurement of lease liability includes

- » Fixed payments
- » Variable lease payments that depend on an index or rate
- » Amount expected to be payable under residual value guarantee

- » The exercise price under a purchase option that the Company is reasonably certain to exercise

Lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable or if there is a fixed in substance lease payment.

When the lease liability is remeasured as such, a corresponding adjustment is made to the carrying amount of the right-of-use asset or is recorded in the profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Group presents the right-of-use asset and the lease liability in Note 24 and Note 31 respectively.

Short term leases and leases of low value assets

The Group elected not to recognise right-of-use assets and lease liabilities for lease of low value assets and short-term leases. The Group recognises the lease payments associated with these leases as an expense on the straight-line basis.

Policy applicable before 1 April 2019

For contracts entered into prior to 1 April 2019, the Group determined whether the arrangement was or contained a lease based on the assessment of whether;

- » Fulfilment of the arrangement was dependent on the use of a specific asset or assets and;
- » The arrangement had conveyed a right to use the asset

3.8.2 Finance Leases - As a Lessee

Finance leases that transfer to the Group substantially all of the risks and benefits incidental to ownership of the leased item, are capitalised at the commencement of the lease at the fair value of the leased property or, if lower,

at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised in finance cost in the statement of profit or loss.

Leased assets are depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

3.8.3 Operating Leases - As a Lessee

Operating lease payments are recognised as an expense in the statement of profit or loss on a straightline basis over the lease term. Contingent rent payable is recognised as an expense in the period in which they are incurred.

3.9 Tax Expense

Tax expense comprises current, deferred tax and other statutory taxes. Income tax and deferred tax expense is recognised in Statement of Profit or Loss except to the extent that it relates to items recognised in the Statement of Other Comprehensive Income or Statement of Changes in in equity.

3.9.1 Current tax expense

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

The provision for income tax is based on the elements of income and expenditure as reported in the Financial Statements and is measured using the tax rates enacted or substantially enacted as at the reporting date.

3.9.2 Deferred tax

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not 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 and jointly controlled entities 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.
- » Taxable temporary differences arising on subsidiaries, associates or joint ventures who have not distributed their entire profits to the parent or investor.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by 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 income 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.

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilised. 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 assets and liabilities are not discounted.

The net increase in the carrying amount of deferred tax liability net of deferred tax asset is recognised as deferred tax expense and conversely any net decrease is recognised as reversal to deferred tax expense, in the Statement of Profit or Loss.

3.9.3 Uncertainty Over Income Tax Treatments

The Group has accounted for the uncertainty over tax treatments under IFRIC 23. An 'uncertain tax treatment' is a tax treatment for which there is uncertainty over whether the relevant taxation authority will accept the tax treatment under tax law. If it is not probable that the taxation authority will accept an uncertain tax treatment, effect of uncertainty shall be reflected in determining the related taxable profit (tax loss), tax bases, unused tax losses, unused tax credits or tax rates. The effect of uncertainty for each uncertain tax treatment shall be reflected by using either of the most likely amount or the expected value methods, depending on which method the Group expects to better predict the resolution of the uncertainty.

3.9.4 Withholding Tax on Dividends

Dividend distributed out of taxable profit of the local companies attracts a 14% deduction and is not available for set off against the tax liability of the Group. 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 arises from the distribution of dividends by the Company is recognised at the same time as the liability to pay the related dividend is recognised.

Notes to the Financial Statements *Contd.***3.9.5 Economic Service Charge (ESC)**

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

Economic Service Charge is abolished with effect from 1 December 2019.

3.9.6 Nation Building Tax (NBT)

As per the provisions of the Nation Building Tax Act, No. 9 of 2009 and the subsequent amendments thereto, Nation Building Tax should be payable at the rate of 2% with effect from 1 January 2011 on the liable turnover as per the relevant provisions of the Act.

Nation Building Tax was abolished with effect from 1 December 2019.

3.9.7 Value Added Tax on Financial Services (VAT on FS)

VAT on Financial Services is calculated in accordance with the amended VAT Act No. 7 of 2003 and subsequent amendments thereto. The base for the computation of VAT on Financial Services is the accounting profit before income tax adjusted for the economic depreciation and emoluments of employees. VAT on financial services is computed on the prescribed rate of 15%.

The VAT on Financial services is recognised as expense in the period it becomes due.

3.9.8 Value Added Tax (VAT)

As defined in the VAT Act No. 14 of 2002 and subsequent amendments thereto, The Fee and Commission income of the group companies is liable for Value Added Tax at 15% up to 30 November 2019 and subsequently at 8%.

3.10 Debt Securities issued

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

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

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

3.11 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.

3.12 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.

3.13 Other Liabilities

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

3.14 Employee Benefits**3.14.1 Defined Contribution Plan**

A defined contribution plan is a post-employment plan under which an

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

3.14.1.1 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.

3.14.1.2 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.

3.14.2 Defined Benefit Plans

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

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.

According to the payment of Gratuity Act No.12 of 1983, the liability for gratuity payment to an employee arises only after the completion of 5 years of continued service.

3.14.3 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.

Statement of Profit or Loss and Other Comprehensive Income

3.15 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 financial assets measured at fair value through other comprehensive income are 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 Other Comprehensive Income.

3.16 Gain/(Loss) on Sale of Financial Investments measured at Fair Value through Profit or loss

Gain/(loss) on Sale of Financial Investments measured at fair value through profit or loss 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.

3.17 Gain/(Loss) on Redemption of Units

Gain/(loss) on Redemption of units comprises realised trading gain/(loss) 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.

3.18 Gain/(Loss) on Disposal of Financial Investments – Fair Value through Other Comprehensive Income

Gain/(Loss) on Disposal of Financial Investments measured at fair value through other comprehensive income comprises realised capital gain/ (loss) on disposal of investment in equity securities classified as financial assets measured at fair value through other comprehensive income, is presented in other comprehensive income.

3.19 Gain/(Loss) on Fair Valuation of Financial Investments – Fair Value through Profit or Loss

Gain/(loss) on Fair Valuation of Financial Investments is the unrealised gain/ (loss) on fair valuation (marked to market valuation) of government securities, quoted shares, investment in units and listed debentures. The fair valuation gain/ (loss) is presented in profit or loss in the statement of profit or loss and other comprehensive income.

3.20 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.

3.21 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.

3.22 Expenses Recognition

Expenses are recognised in the Statement of Profit or Loss on the basis of a direct association between the cost incurred and the earning of specific items of income. All expenditure incurred in the running of the business and in maintaining the property, plant & equipment in a state of efficiency has been charged to income in arriving at the profit for the year.

Notes to the Financial Statements *Contd.*

For the presentation of the Statement of Profit or Loss the Directors are of the opinion that the nature of the expenses method present fairly the element of the Group's performance, and hence such presentation method is adopted.

3.23 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.

3.24 Commitments and Contingencies

All discernible risks are accounted for in determining the amount of all known liabilities. The Group's share of any contingencies and capital commitments of a Subsidiary or Associate for which the Group 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 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.

3.26 Events after Reporting Period

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 42 to the Financial Statements.

3.27 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.

4 NEW ACCOUNTING STANDARDS AND INTERPRETATIONS BECAME EFFECTIVE DURING THE YEAR**4.1 SLFRS 16 – Leases**

The impact on transition to SLFRS 16 as at 1 April 2019 is as follows.

Lease liability recognised as at 1 April 2019 is as follows,

Description	Rs. '000
Operating lease commitments as at 31 March 2019	30,427
Discounted using the incremental borrowing rate as at 1 April 2019	22,299
Lease liability recognised as at 1 April 2019	22,299

The right-of-use asset recognised as at 1 April 2019 is as follows,

Description	Rs. '000
Right-of-use of asset measured with reference to the lease liability	22,299
Prepaid lease rentals as at 1 April 2019	27,526
Less: Net Investment in sub lease	(645)
Right-of-use of asset recognised as at 1 April 2019	49,180

Operating lease rental commitments are discounted at the rate of 15%, the Group's incremental borrowing rate, in arriving at present value of lease payments.

4.2 IFRIC 23 – Uncertainty over Income Tax treatments

The International Accounting Standards Board (IASB or the Board) issued IFRIC Interpretation 23 - Uncertainty over Income Tax Treatments (the Interpretation). The

Interpretation clarifies application of recognition and measurement requirements in IAS 12 Income Taxes when there is uncertainty over income tax treatments. The Interpretation specifically addresses the following:

- » Whether an entity considers uncertain tax treatments separately
- » The assumptions an entity makes about the examination of tax treatments by taxation authorities
- » How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates
- » How an entity considers changes in facts and circumstances

Uncertainty in determining taxable profit has been assessed in line with IFRIC 23 and following amounts are recognised in the Statement of Financial Position as at 1 April 2019, adjusting opening balances as permitted by the interpretation.

Group

	Retained Earnings (Rs. '000)	Non-controlling Interest (Rs. '000)	Total Equity (Rs. '000)
Balance as at 1 April 2019	2,506,870	180,800	3,821,590
Adoption of IFRIC 23	(464,230)	(24,438)	(488,668)
Adjusted balance as at 1 April 2019	2,042,640	156,362	3,332,922

Company

	Retained Earnings (Rs. '000)	Total Equity (Rs. '000)
Balance as at 1 April 2019	2,506,870	3,640,790
Adoption of IFRIC 23	(464,230)	(464,230)
Adjusted balance as at 1 April 2019	2,042,640	3,176,560

5 NEW ACCOUNTING STANDARDS ISSUED BUT NOT EFFECTIVE AS AT REPORTING DATE

The Institute of Chartered Accountants of Sri Lanka has issued following new Sri Lanka Accounting Standards (SLFRSs/LKASs) which will become applicable for financial periods beginning after on or after 1 April 2020. Accordingly, the Group has not applied the following new standards in preparing these Financial Statements.

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

5.1 Amendments to references to conceptual framework in Sri Lanka Financial Reporting Standards

These amendments are effective for reporting period beginning on or after 1 January 2020 and include limited revisions of definitions of an asset and a liability, as well as new guidance on measurement and derecognition, presentation and disclosure. The concept of prudence has been reintroduced with the statement that prudence supports neutrality.

5.2 Definition of material (Amendments to LKAS 1 and LKAS 8)

Definition of Material Amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors (the amendments) to align the definition of 'material' across the standards and to clarify certain aspects of the definition. None of the amendments above are expected to result in a material impact on the Group's financial statements.

5.3 Definition of a business (Amendments to SLFRS 3)

These amendments are effective from 1 January 2020 on a prospective basis and assist entities in determining whether a transaction should be accounted for as a business combination or asset acquisition.

Notes to the Financial Statements *Contd.*

For the Year ended 31 March,	Group		Company	
	2020 Rs. '000	2019 Rs. '000	2020 Rs. '000	2019 Rs. '000

6 INCOME

Direct income (Note 7)	5,196,768	4,148,711	1,125,686	1,213,356
Other income (Note 9)	23,657	22,763	-	3,029
	5,220,425	4,171,474	1,125,686	1,216,385

7 DIRECT INCOME

Interest income on financial assets recognised through profit or loss - measured at fair value	2,774,910	2,811,526	-	-
Interest income on financial assets at amortised cost	798,981	1,173,997	1,113,537	1,201,805
Margin trading income	6	12,440	-	-
Gain/ (loss) on sale of financial assets recognised through profit or loss - measured at fair value	1,251,867	(41,455)	-	-
Fee and commission income	286,943	104,353	12,149	11,539
Brokering income	42,061	32,861	-	-
Dividend income	42,000	54,989	-	12
	5,196,768	4,148,711	1,125,686	1,213,356

7.1 Timing of Income Recognition

Income generated at a point in time	1,622,871	150,748	12,149	11,551
Income generated over the period	3,573,897	3,997,963	1,113,537	1,201,805
	5,196,768	4,148,711	1,125,686	1,213,356

8 DIRECT EXPENSES

Interest expenses on re-purchase agreements	2,138,454	2,444,024	-	-
Interest expenses on corporate debt securities	983,893	1,053,341	974,844	1,063,169
Brokerage cost	25,777	16,978	-	1,342
Interest expenses on listed debentures	31,188	45,417	-	24,726
Other direct expenses	10,609	10,619	8,101	7,044
	3,189,921	3,570,379	982,945	1,096,281

9 OTHER INCOME

Gain on disposal of property, plant and equipment	-	11,147	-	3,029
Miscellaneous income	23,657	11,616	-	-
	23,657	22,763	-	3,029

10 GAIN/ (LOSS) ON FAIR VALUATION OF FINANCIAL ASSETS RECOGNISED THROUGH PROFIT OR LOSS - MEASURED AT FAIR VALUE

Government securities	363,889	65,951	-	-
Listed debentures	31,002	14,905	-	-
Listed shares	(38,746)	(63,129)	-	-
Unit trusts	(4,917)	(15,626)	-	-
Derivative financial instruments - Government securities	(959)	(141,292)	-	-
	350,269	(139,191)	-	-

Gain/ (loss) on fair valuation of financial investments has been accounted for in accordance with the SLFRS 9.

For the Year ended 31 March,	Group		Company	
	2020 Rs. '000	2019 Rs. '000	2020 Rs. '000	2019 Rs. '000
11 OTHER OPERATING EXPENSES				
Professional services expenses	25,261	15,998	9,278	8,411
Sales promotion expenses	17,231	17,046	4,575	6,400
Value added tax/ Nation building tax on financial services	40,443	18,688	10,073	12,899
Communication and information technology expenses	24,056	25,293	1,365	1,638
Travelling expenses	8,045	10,725	5,031	5,839
Fund transfer charges/ bank charges	20,943	14,830	1,052	708
Provision for economic service charge	966	10,624	-	-
Miscellaneous expenses	2,691	7,234	-	-
	139,636	120,438	31,374	35,895

12 PROFIT BEFORE TAX

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

Directors' emoluments	156,445	23,525	20,570	4,229
Auditors' remuneration - Audit services	2,028	1,997	415	385
Auditors' remuneration - Other services	240	-	100	-
Salaries	157,835	157,399	14,135	15,096
Depreciation of property, plant and equipment (Note 24)	23,578	10,410	7,644	5,229
Amortisation of intangible assets (Note 25)	2,970	2,570	1,343	1,304
Employer's contribution to EPF & ETF	25,007	24,818	2,167	2,423
Retirement benefit cost (Note 32)	7,646	7,048	-	-
Legal fees	734	1,324	121	173
Donations	10	105	-	-
Provision for impairment of trade and other receivables	1,594	1,140	-	-
Provision/ (reversal) for impairment of financial assets at amortised cost	19,197	(26,874)	18,172	3,815

13 TAXATION

The Company is liable to pay income tax at the rate of 28% for the period of nine months from 1 April 2019 to 31 December 2019 as per the Inland Revenue Act No 24 of 2017 and at the rate of 24% for the period from 1 January 2020 to 31 March 2020 as per the Inland Revenue Department's Notice no PN/IT/2020-03 dated 12 February 2020 on its taxable income for the year 2019/20 (2018/19 : 28%). However, the legislative process relating to the amendment to laws needs to be completed for the proposed tax rate to be considered as substantively enacted as at the reporting date. Hence, current tax liability for the period from 1 January 2020 to 31 March 2020 has been computed using the existing tax rate of 28%.

Notes to the Financial Statements *Contd.*

For the year ended 31 March,	Group		Company	
	2020 Rs. '000	2019 Rs. '000	2020 Rs. '000	2019 Rs. '000
13.1 Income tax expenses				
Recognised in Profit or Loss				
Current tax expenses	(6,060)	(453)	(6,060)	-
(Under)/over provision for taxes	(440)	(185)	-	(27)
Deferred tax expense (Note 23)	(562,460)	(80,197)	(9,890)	(19,306)
Taxes on dividend	(66,126)	-	-	-
	(635,086)	(80,835)	(15,950)	(19,333)
Recognised in Other Comprehensive Income				
Deferred tax assets recognised during the year (Note 23)	211	1,060	-	-
	(634,875)	(79,775)	(15,950)	(19,333)
Reconciliation of accounting profit to income tax				
Profit before taxation	1,708,325	88,383	1,022,001	21,535
Less : Income from other sources	-	(18,998)	-	-
Less : Exempted income	(26,223)	(188,265)	(982,949)	(3,041)
Add : Disallowable expenses	224,680	382,118	39,160	53,739
Less : Allowable expenses	(16,457)	(27,664)	(3,158)	(2,877)
Adjusted profit for the year	1,890,325	235,574	75,054	69,356
Add : Income from other sources	-	18,998	-	-
Total statutory income	1,890,325	254,572	75,054	69,356
Tax loss claimed during the year	(1,868,682)	(252,953)	(53,411)	(69,356)
Taxable income	21,643	1,619	21,643	-
Income tax expense				
Tax at 10% on unit trust management income	-	-	-	-
Tax at 28% on other income	(6,060)	(453)	(6,060)	-
	(6,060)	(453)	(6,060)	-
13.2 Accumulated tax losses				
Balance at the beginning of the year	11,722,744	11,826,680	55,676	125,084
Loss incurred during the year	15,011	148,568	-	-
Loss utilised during the year	(1,868,682)	(252,953)	(53,411)	(69,356)
Adjustment with respect of previous year	(109,935)	449	(2,265)	(52)
Balance at the end of the year	9,759,138	11,722,744	-	55,676

14 BASIC EARNINGS PER SHARE

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

For the year ended 31 March,	Group		Company	
	2020	2019	2020	2019
Profit attributable to equity holders of the parent (Rs. '000)	1,006,051	2,202	1,006,051	2,202
Weighted average number of ordinary shares in issue	101,250,000	101,250,000	101,250,000	101,250,000
Earnings per share (Rs.)	9.94	0.02	9.94	0.02

As at,	Group		Company	
	31.03.2020 Rs. '000	31.03.2019 Rs. '000	31.03.2020 Rs. '000	31.03.2019 Rs. '000

15 DERIVATIVE FINANCIAL INSTRUMENTS

Forward purchase contracts	2,734	3,454	-	-
	2,734	3,454	-	-

16 FINANCIAL ASSETS RECOGNISED THROUGH PROFIT OR LOSS - MEASURED AT FAIR VALUE

Listed shares (Note 16.1)	442,820	250,643	-	-
Government securities (Note 16.2)	36,212,069	29,533,426	-	-
Listed debentures (Note 16.3)	1,452,818	1,745,160	-	-
Investment in unit trusts (Note 16.4)	433,142	456,208	-	-
	38,540,849	31,985,437	-	-

16.1 Listed shares - Group

As at,	No. of shares		Fair Value		Cost	
	31.03.2020	31.03.2019	31.03.2020 Rs. '000	31.03.2019 Rs. '000	31.03.2020 Rs. '000	31.03.2019 Rs. '000
Citizens Development Business Finance PLC	-	570,247	-	43,966	-	44,707
Janashakthi Insurance Company PLC	13,099,471	2,151,477	297,358	57,229	324,708	61,971
John Keells Holdings PLC	129,527	139,527	14,947	21,766	20,982	22,601
Lanka Walltile PLC	-	398,816	-	23,929	-	51,027
National Development Bank PLC	449,270	428,341	29,742	40,350	57,168	55,026
Orient Finance PLC	2,138,299	2,138,299	13,044	27,798	32,671	32,671
Peoples Leasing and Finance PLC	1,348,986	1,700,000	16,458	22,780	23,213	29,409
Royal Ceramics Lanka PLC	-	217,375	-	12,825	-	24,998
Commercial Credit and Finance PLC	45,754	-	837	-	1,007	-
Seylan Bank PLC	3,187,073	-	70,434	-	93,585	-
Total			442,820	250,643	553,334	322,410

As at,	Fair Value		Face values	
	31.03.2020 Rs. '000	31.03.2019 Rs. '000	31.03.2020 Rs. '000	31.03.2019 Rs. '000

16.2 Government securities - Group

Treasury Bills	17,769,983	650,483	18,660,093	707,703
Treasury Bonds	18,438,245	28,882,943	17,294,842	28,028,580
Sri Lanka development bonds	3,841	-	3,542	-
	36,212,069	29,533,426	35,958,477	28,736,283

Notes to the Financial Statements *Contd.***16.2.a Securities pledged as collateral**

Out of the government securities classified as financial assets recognised through profit or loss -measured at fair value, the following amounts had been pledged as collateral for re-purchase agreements entered into by the Group.

As at,	Group			
	Fair Value		Face Values	
	31.03.2020 Rs. '000	31.03.2019 Rs. '000	31.03.2020 Rs. '000	31.03.2019 Rs. '000
Treasury bills	17,478,776	536,528	18,360,197	592,262
Treasury bonds	17,803,140	26,325,379	16,704,483	26,251,228
	35,281,916	26,861,907	35,064,680	26,843,490

16.3 Listed Debentures

As at,	Group		Company	
	31.03.2020 Rs. '000	31.03.2019 Rs. '000	31.03.2020 Rs. '000	31.03.2019 Rs. '000
Listed debentures				
Citizen Development Bank PLC	262,610	1,661	-	-
Commercial Leasing & Finance PLC	-	197,360	-	-
Hayleys PLC	-	2,072	-	-
Janashakthi PLC	284,348	697,127	-	-
Lanka Orix Finance PLC	-	681,218	-	-
Lanka Orix Leasing Company Holdings PLC (Maturity - 2019)	-	134,395	-	-
Richard Peries & Company PLC	-	3,928	-	-
Siyapatha Finance PLC	-	27,399	-	-
Lanka Orix Leasing Company Holdings PLC (Maturity - 2024)	802,825	-	-	-
Softlogic Capital PLC	33,152	-	-	-
Bogawantalawa Tea Estates PLC	69,883	-	-	-
	1,452,818	1,745,160	-	-

16.3.(a) Securities pledged as collateral - Group

Listed debentures classified as financial assets recognised through profit or loss -measured at fair value amounting to Rs. 1,032Mn have been pledged as collateral for re-purchase agreements and margin facility entered into by the Group (2019 - Rs. 1,745Mn).

As at,	Group		Company	
	31.03.2020 Rs. '000	31.03.2019 Rs. '000	31.03.2020 Rs. '000	31.03.2019 Rs. '000
16.4 Investment in unit trusts				
First Capital Equity Fund	26,208	30,034	-	-
First Capital Money Market Fund	62,087	71,980	-	-
First Capital Wealth Fund	344,847	352,874	-	-
JB Vantage Short Term Gilt Fund	-	1,320	-	-
	433,142	456,208	-	-

As at,	Group		Company	
	31.03.2020 Rs. '000	31.03.2019 Rs. '000	31.03.2020 Rs. '000	31.03.2019 Rs. '000
17 FINANCIAL ASSETS - FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME				
Investment in Equity investments of Bartleet Transcapital Limited - (Note 17.1)	-	1,208	-	1,208
Investment in Equity investments of Lanka Financial Service Bureau Limited (Note 17.2)	-	-	-	-
Investment in Equity investments of Kanrich Finance Limited (Note 17.3)	184,623	216,712	-	-
	184,623	217,920	-	1,208

17.1 Investment in Bartleet Transcapital Limited

Balance at the beginning of the year	1,208	1,000	1,208	1,000
Gain/ (loss) on fair valuation	-	208	-	208
Disposals during the year	(1,208)	-	(1,208)	-
Balance at the end of the year	-	1,208	-	1,208

17.2 Investment in Lanka Financial Service Bureau Limited

Balance at the beginning of the year	-	1,000	-	-
Investment made during the year	1,000	-	-	-
Loss on fair valuation	(1,000)	(1,000)	-	-
Balance at the end of the year	-	-	-	-

17.3 Investment in Kanrich Finance Limited

Balance at the beginning of the year	216,712	240,750	-	-
Loss on fair valuation	(32,089)	(24,038)	-	-
Balance at the end of the year	184,623	216,712	-	-

First Capital Limited holds 8,270,077 ordinary shares acquired at Rs. 40 per share in Kanrich Finance Limited which is equivalent to 10% stake and the said investment is classified under Financial assets measured at fair value through other comprehensive income.

The Group designated the investment shown above as equity securities at Fair value through other comprehensive income because these equity securities represent investment that the Group intends to hold for medium to long term for strategic purpose.

As at,	Group		Company	
	31.03.2020 Rs. '000	31.03.2019 Rs. '000	31.03.2020 Rs. '000	31.03.2019 Rs. '000
18 FINANCIAL ASSETS AT AMORTISED COST				
Corporate debt securities (Note 18.1)	1,341,371	2,367,186	-	-
Investments under re-sale agreements (Note 18.2)	911,929	2,110,458	13,790	-
Investments in fixed deposits (Note 18.3)	29,155	122,078	17,866	11,568
Short term lending (Note 18.4)	2,611,746	2,459,812	6,736,511	7,962,689
Long term lending (Note 18.5)	370,871	428,486	-	-
Staff loans	96,440	69,812	-	-
	5,361,512	7,557,832	6,768,167	7,974,257

18.1 Corporate debt securities

Investment in commercial papers	814,215	2,350,802	-	-
Investment in securitised papers	531,600	16,428	-	-
Less : Provision for impairment (Note 18.1.1)	(4,444)	(44)	-	-
	1,341,371	2,367,186	-	-

Notes to the Financial Statements *Contd.*

As at,	Group		Company	
	31.03.2020 Rs. '000	31.03.2019 Rs. '000	31.03.2020 Rs. '000	31.03.2019 Rs. '000
18.1.1 Movement in provision for expected credit loss on corporate debt securities				
Balance as at the beginning of the year	(44)	(44)	-	-
Charge for the year	(4,400)	-	-	-
Balance as at the end of the year (Note 18.1.1.a)	(4,444)	(44)	-	-

18.1.1.a This represents expected loss on corporate debt securities classified as "Stage 1" and "Stage 2" amounting to Rs. 4,277,831 and Rs. 122,517 (2019 - "Stage 1" - Rs. 2,392 and "Stage 2" - Rs. 42,043) respectively in accordance with SLFRS 9.

As at,	Group		Company	
	31.03.2020 Rs. '000	31.03.2019 Rs. '000	31.03.2020 Rs. '000	31.03.2019 Rs. '000
18.2 Investments under re-sale agreements				
Government securities (Note 18.2.a)	847,204	2,058,725	13,790	-
Corporate debt securities	64,725	51,733	-	-
	911,929	2,110,458	13,790	-

18.2.a This represents fair value of collateral accepted by the Group amounting to Rs. 900.30 Mn as at 31 March 2020 (Company - Nil) and the Group is entitled to repledge the same for borrowings (repos). Fair value of collateral amounting to Rs. 878.43 Mn has been repledged for the borrowings (repos) as at 31 March 2020 and the Group is required to return the said collateral to the respective counterparties with the settlement of outstanding (reverse repos).

As at,	Group		Company	
	31.03.2020 Rs. '000	31.03.2019 Rs. '000	31.03.2020 Rs. '000	31.03.2019 Rs. '000
18.3 Investments in fixed deposits				
Fixed deposits (Note 18.3.1)	34,162	127,096	22,872	16,570
Less : Provision for impairment (Note 18.3.2)	(5,007)	(5,018)	(5,006)	(5,002)
	29,155	122,078	17,866	11,568

18.3.1 Group investments in fixed deposits amounting to Rs. 34.2 Mn (Company - Rs. 22.9Mn) have been pledged as collateral for banking facilities (As at 31 March 2019 - Group Rs. 26.5Mn, Company - Rs. 16.6Mn).

As at,	Group		Company	
	31.03.2020 Rs. '000	31.03.2019 Rs. '000	31.03.2020 Rs. '000	31.03.2019 Rs. '000
18.3.2 Movement in provision for expected credit loss on fixed deposits				
Balance as at the beginning of the year	(5,018)	(5,018)	(5,002)	(5,002)
(Charge) /reversal for the year	11	-	(4)	-
Balance as at the end of the year (Note 18.3.2.a)	(5,007)	(5,018)	(5,006)	(5,002)

18.3.2.a Group's investment in fixed deposits represents investment classified as "Stage1" in accordance with SLFRS 9 amounting to Rs. 6,869 (Company - Rs. 5,888) (2019 - Rs. 5,709 (Group), Rs. 4,910 (Company)) and Rs. 5,000,000 (Company - Rs. 5,000,000 (Stage 3)) respectively.

As at,	Group		Company	
	31.03.2020 Rs. '000	31.03.2019 Rs. '000	31.03.2020 Rs. '000	31.03.2019 Rs. '000
18.4 Short term lending				
Short term lending (Gross)	2,668,680	2,507,286	6,763,277	7,971,287
Less : Provision for impairment (Note 18.4.1)	(56,934)	(47,474)	(26,766)	(8,598)
	2,611,746	2,459,812	6,736,511	7,962,689

As at,	Group		Company	
	31.03.2020 Rs. '000	31.03.2019 Rs. '000	31.03.2020 Rs. '000	31.03.2019 Rs. '000
<i>18.4.1 Movement in provision for expected credit loss on short term lending</i>				
Balance as at the beginning of the year	(47,474)	(224,219)	(8,598)	(4,784)
(Charge) /reversal for the year	(9,460)	21,429	(18,168)	(3,814)
Write off during the year	-	155,316	-	-
Balance as at the end of the year (Note 18.4.1.a)	(56,934)	(47,474)	(26,766)	(8,598)

*18.4.1.a***Group**

This represents expected loss on short term lending classified as "Stage 1", "Stage 2" and Stage 3" amounting to Rs. 3,301,560, Rs. 8,873,740 and Rs. 44,758,898 respectively (2019 - "Stage 2" - Rs. 3,623,499 and "Stage 3" - Rs. 43,851,000) in accordance with SLFRS 9.

Company

This represents "Stage 1" in accordance with SLFRS 9.

As at,	Group		Company	
	31.03.2020 Rs. '000	31.03.2019 Rs. '000	31.03.2020 Rs. '000	31.03.2019 Rs. '000
18.5 Long term lending				
Long term lending (Gross)	377,101	429,368	-	-
Less : Provision for impairment (Note 18.5.1)	(6,230)	(882)	-	-
	370,871	428,486	-	-

18.5.1 Movement in provision for expected credit loss on long term lending

Balance as at the beginning of the year	(882)	(2,064)	-	-
(Charge) /reversal for the year	(5,348)	1,182	-	-
Balance as at the end of the year (Note 18.5.1.a)	(6,230)	(882)	-	-

18.5.1.a This represents expected loss on long term lending classified as "Stage 1" and "Stage 3" amounting to Rs. 6,073,460 and Rs. 156,170 (2019 - "Stage 1" - Rs. 563,571 and "Stage 3" - Rs. 318,203) in accordance with SLFRS 9.

As at,	Group		Company	
	31.03.2020 Rs. '000	31.03.2019 Rs. '000	31.03.2020 Rs. '000	31.03.2019 Rs. '000
19 TRADE AND OTHER RECEIVABLES				
Trade receivables (Note 19.1)	373,296	85,470	-	-
Other receivables (Note 19.2)	225,376	161,191	1,418	6,878
	598,672	246,661	1,418	6,878

Notes to the Financial Statements *Contd.*

As at,	Group		Company	
	31.03.2020 Rs. '000	31.03.2019 Rs. '000	31.03.2020 Rs. '000	31.03.2019 Rs. '000
19.1 Trade receivables				
Margin trading debtors (Note 19.1.a)	-	1,464	-	-
Stock brokering debtors (Note 19.1.b)	373,296	84,006	-	-
	373,296	85,470	-	-
19.1.(a) Margin trading debtors				
Margin trading debtors	63,508	64,972	-	-
Less : Provision for impairment	(63,508)	(63,508)	-	-
	-	1,464	-	-
19.1.(b) Stock brokering debtors				
Stock brokering debtors	373,296	84,006	-	-
Less : Provision for impairment	-	-	-	-
	373,296	84,006	-	-
19.2 Other receivables				
Rent deposit	14,689	24,257	-	3,656
Deposit with CSE	1,750	1,790	-	-
Advance paid for land and premises	77,300	77,300	-	-
Fee receivable	23,080	14,663	-	-
Prepayment	10,567	12,854	1,125	3,063
Coupon receivable	58,205	-	-	-
Staff advances	12,440	1,002	-	-
Net investment in sub lease	422	-	-	-
Miscellaneous	26,923	29,325	293	159
	225,376	161,191	1,418	6,878
20 NON-CURRENT ASSETS HELD FOR SALE - GROUP				
Investments in equities (Note 20.1)	42,416	42,416	-	-
	42,416	42,416	-	-

	No. of shares	31.03.2020 Rs. '000	31.03.2019 Rs. '000
20.1 Investments in equities - Group			
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 : Provision 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. 58.94Mn has been accounted for the estimated liability on income tax, settlement of creditors and the impairment of investment to reflect the recoverable amount.

As at,	Group		Company	
	31.03.2020 Rs. '000	31.03.2019 Rs. '000	31.03.2020 Rs. '000	31.03.2019 Rs. '000
21 TAXES RECEIVABLE/ PAYABLE				
Tax receivable (Note 21.1)	271,610	178,845	103,006	58,585
Tax payable (Note 21.2)	488,668	348	-	-
21.1 Taxes receivables				
Balance as at 1 April	178,845	70,118	58,585	-
(Over)/ under provision with respect to previous years	(440)	(224)	4,370	-
Payment made during the year	100,231	119,575	40,051	58,585
Provision for income tax	(6,060)	-	-	-
Provision for economic service charge	(966)	(10,624)	-	-
Balance at the end of the year	271,610	178,845	103,006	58,585
21.2 Taxes payables				
Balance as at 1 April	348	4,291	-	2,782
Impact of adoption of IFRIC 23 (Note 21.3)	488,668	-	-	-
Adjusted balance as at 1 April	489,016	4,291	-	2,782
(Over)/Under provision for the previous year	-	(39)	-	27
Provision for the year	-	453	-	-
Payment made during the year	(348)	(4,357)	-	(2,809)
Balance at the end of the year	488,668	348	-	-

21.3 First Capital Treasuries PLC (subsidiary) has pending income tax assessments in relation to the chargeability of interest income on Primary Dealer's operations for years of assessment of 2008/09, 2012/13, 2013/14, 2014/15, 2015/16, 2016/17 and 2017/18 amounting to Rs. 1.2Bn. First Capital Limited (subsidiary) has pending income tax assessments in relation to extra disallowance of interest/operating costs for the years of assessment of 2010/11, 2012/13, 2013/14, 2014/15, 2015/16, 2016/17 and 2017/18 amounting to Rs. 496.9Mn. All of these assessments have been raised by the Department of Inland Revenue against the income tax returns filed by the respective Companies. The subsidiaries have appealed against these assessments and they are currently at different appeal procedure levels.

The Board of Directors of the Company has made an assessment on the impact on initial adoption of IFRIC 23 – Uncertainty over income tax treatment on the above assessments and accordingly has determined a provision for tax liability of Rs. 440Mn and Rs. 49Mn for First Capital Treasuries PLC and First Capital Limited respectively as at 1 April 2019 based on the tax consultants' view. Provision made in First Capital Treasuries PLC reflects the most likely amount of liability that the Company would be liable to pay considering the unutilised tax losses of Rs. 1.2Bn which better predicts the resolution of the uncertainty. Provision made in First Capital Limited reflects the liability based on expected value as per IFRIC 23.

The said provisions represent Group's assessment of the impact on the financial statements as a result of the initial adoption of IFRIC 23 as at the transition date (1 April 2019) retrospectively with the cumulative effect of initially applying the Interpretation as an adjustment to the opening balance of retained earnings.

Notes to the Financial Statements *Contd.*

22 INVESTMENT IN SUBSIDIARY - COMPANY

As at,	No. of shares		Value of shares	
	31.03.2020	31.03.2019	31.03.2020 Rs. '000	31.03.2019 Rs. '000
Investment in subsidiary - Company				
First Capital Limited				
Balance at the beginning of the year	11,700,005	11,700,005	3,212,043	3,269,245
Impact on adoption of IFRIC 23 (Note 4.2)	-	-	(464,230)	-
Adjusted balance as at the beginning of the year	11,700,005	11,700,005	2,747,813	3,269,245
Shares acquired during the year	-	-	-	-
Share of profit during the year	-	-	982,949	(29,565)
Share of other comprehensive income during the year	-	-	(33,492)	(27,637)
Dividend received	-	-	(406,200)	-
Balance at the end of the year	11,700,005	11,700,005	3,291,070	3,212,043
Holding percentage	100.0%	100.0%	100.0%	100.0%

	Group		Company	
	2020 Rs. '000	2019 Rs. '000	2020 Rs. '000	2019 Rs. '000

23 DEFERRED TAX ASSET

Balance at 1 April	862,024	941,161	16,573	35,879
Recognised in other comprehensive income (Note 13)	211	1,060	-	-
Recognised in statement of profit and loss (Note 13)	(562,460)	(80,197)	(9,890)	(19,306)
Balance as at 31 March	299,775	862,024	6,683	16,573

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 2018/19 is 28%).

23.1 The provision for deferred tax is attributable to the following:

As at,	31.03.2020		31.03.2019	
	(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	(8,168)	(2,287)	(11,459)	(3,209)
On provision for impairment of financial assets	23,789	6,661	7,044	1,970
On retirement benefit obligations	39,812	11,147	31,856	8,920
On accumulated tax losses	1,015,192	284,254	3,051,225	854,343
	1,070,625	299,775	3,078,666	862,024
Company				
On property, plant and equipment	(2,905)	(813)	(5,085)	(1,424)
On provision for impairment of financial assets	26,773	7,496	8,601	2,408
On accumulated tax losses	-	-	55,676	15,589
	23,868	6,683	59,192	16,573

Deferred tax asset has not been recognised in respect of the Group's brought forward tax losses as at 31 March 2020 amounting to Rs. 7,522Mn (31 March 2019 - Rs. 8,672Mn) due to the uncertainty in claiming such losses as a result of tax assessments raised (Company-Nil).

	Office Equipment Rs. '000	Furniture Rs. '000	Fixtures and Fittings Rs. '000	Motor Vehicles Rs. '000	Right of Use Assets Rs. '000	Total 2020 Rs. '000	Total 2019 Rs. '000
24 PROPERTY, PLANT AND EQUIPMENT - GROUP							
Cost							
As at 1 April	51,579	11,548	30,295	22,115	-	115,537	104,321
Impact on adoption of SLFRS 16	-	-	-	-	49,180	49,180	-
Adjusted balance as at 1 April	51,579	11,548	30,295	22,115	49,180	164,717	104,321
Additions during the year	2,076	93	429	-	-	2,598	27,644
Disposals during the year	-	-	-	-	-	-	(16,428)
As at 31 March	53,655	11,641	30,724	22,115	49,180	167,315	115,537
Accumulated depreciation							
As at 1 April	40,403	9,142	24,347	4,595	-	78,487	84,331
Charge for the year	3,908	699	1,781	4,374	12,816	23,578	10,410
Disposals during the year	-	-	-	-	-	-	(16,254)
As at 31 March	44,311	9,841	26,128	8,969	12,816	102,065	78,487
Carrying values							
As at 31 March 2020	9,344	1,800	4,596	13,146	36,364	65,250	
As at 31 March 2019	11,176	2,406	5,948	17,520	-		37,050

Based on the assessment of potential impairment carried out by the Group as at 31 March 2020, no provision was required to be made in the Financial Statements (Provision for impairment losses as at 31 March 2019 - Nil).

Group's Property, Plant and Equipment included fully-depreciated assets having a gross amount of Rs. 72.31 Mn as at 31 March 2020 (2019 Rs. 64.02 Mn).

There were no capitalised borrowing costs relating to the acquisition of Property, Plant and Equipment during the year (2019 - Nil).

There were no restrictions on the title of the Property, Plant and Equipment as at 31 March 2020 (2019 - Nil).

There were no items of Property, Plant and Equipment pledged as security as at 31 March 2020 (2019 - Nil).

There were no temporary idle items of Property, Plant and Equipment as at 31 March 2020 (2019 - Nil).

Notes to the Financial Statements *Contd.*

	Office Equipment Rs. '000	Furniture Rs. '000	Fixtures and Fittings Rs. '000	Motor Vehicles Rs. '000	Right of Use Assets Rs. '000	Total 2020 Rs. '000	2019 Rs. '000
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24 PROPERTY, PLANT AND EQUIPMENT - COMPANY**Cost**

As at 1 April	2,744	863	1,570	21,900	-	27,077	8,929
Impact on adoption of SLFRS 16	-	-	-	-	6,741	6,741	-
Adjusted balance as at 1 April	2,744	863	1,570	21,900	6,741	33,818	8,929
Additions during the year	309	-	428	-	-	737	23,088
Disposals during the year	-	-	-	-	-	-	(4,940)
As at 31 March	3,053	863	1,998	21,900	6,741	34,555	27,077

Accumulated depreciation/ Impairment losses

As at 1 April	997	337	499	4,380	-	6,213	5,924
Charge for the year	517	151	351	4,374	2,251	7,644	5,229
Disposals during the year	-	-	-	-	-	-	(4,940)
As at 31 March	1,514	488	850	8,754	2,251	13,857	6,213

Carrying values

As at 31 March 2020	1,539	375	1,148	13,146	4,490	20,698	
As at 31 March 2019	1,747	526	1,071	17,520	-		20,864

Based on the assessment of potential impairment carried out by the Company as at 31 March 2020, no provision was required to be made in the Financial Statements (2019 - Nil).

Company's Property, Plant and Equipment included fully-depreciated assets having a gross amount of Rs. 4.9 Mn as at 31 March 2020 (2019 - Nil).

There were no capitalised borrowing costs relating to the acquisition of Property, Plant and Equipment during the year (2019 - Nil).

There were no restrictions on the title of the Property, Plant and Equipment as at 31 March 2020 (2019 - Nil).

There were no items of Property, Plant and Equipment pledged as security as at 31 March 2020 (2019 - Nil).

There were no temporary idle items of Property, Plant and Equipment as at 31 March 2020 (2019 - Nil).

	Software	Business License (Note 25.1)	Goodwill (Note 25.2)	Total	
	Rs. '000	Rs. '000	Rs. '000	2020 Rs. '000	2019 Rs. '000
25 INTANGIBLE ASSETS - GROUP					
Gross value					
Balance as at 1 April	38,632	28,800	80,872	148,304	146,707
Additions during the year	3,664	-	-	3,664	1,597
Balance as at 31 March	42,296	28,800	80,872	151,968	148,304
Amortisation/ Impairment losses					
Balance as at 1 April	30,304	-	-	30,304	27,734
Amortisation during the year	2,970	-	-	2,970	2,570
Balance as at 31 March	33,274	-	-	33,274	30,304
Carrying Values as at 31 March 2020	9,022	28,800	80,872	118,694	
Carrying Values as at 31 March 2019	8,328	28,800	80,872		118,000

Note 25.1

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

Note 25.2

Goodwill on acquisition of subsidiary companies are as follows.

	Gross Goodwill	Impairment provision	Carrying value 31.03.2020	Carrying value 31.03.2019
As at,	Rs.'000	Rs.'000	Rs.'000	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 2020.

Notes to the Financial Statements *Contd.*

	Software	Total	
	Rs. '000	2020 Rs. '000	2019 Rs. '000
25 INTANGIBLE ASSETS - COMPANY			
Gross value			
Balance as at 1 April	6,715	6,715	6,635
Additions during the year	315	315	80
Disposals during the year	-	-	-
Balance as at 31 March	7,030	7,030	6,715
Amortisation/ Impairment losses			
Balance as at 1 April	1,718	1,718	414
Amortisation during the year	1,343	1,343	1,304
Disposals during the year	-	-	-
Balance as at 31 March	3,061	3,061	1,718
Carrying Values as at 31 March 2020	3,969	3,969	
Carrying Values as at 31 March 2019	4,997		4,997

As at	Group		Company	
	31.03.2020 Rs. '000	31.03.2019 Rs. '000	31.03.2020 Rs. '000	31.03.2019 Rs. '000
26 DERIVATIVE FINANCIAL INSTRUMENTS				
Forward purchase contracts	-	2,637	-	-
Forward sale contracts	3,118	241	-	-
	3,118	2,878	-	-

27 SECURITIES SOLD UNDER REPURCHASE AGREEMENTS

Against government securities	32,131,893	27,464,872	-	-
Against corporate debt instruments	1,162,530	1,739,956	-	-
	33,294,423	29,204,828	-	-

28 SHORT TERM BORROWINGS

Borrowings on corporate debt securities	4,556,029	5,192,726	4,556,029	5,192,726
Other short term borrowings	1,372,078	1,373,448	1,271,342	1,373,448
	5,928,107	6,566,174	5,827,371	6,566,174

29 GROUP BALANCES RECEIVABLES/ PAYABLES

Group balances receivables (Note 29.1)	5,632	514	9,931	121
Group balances payables (Note 29.2)	731	1,198	-	629

As at	Group		Company	
	31.03.2020 Rs. '000	31.03.2019 Rs. '000	31.03.2020 Rs. '000	31.03.2019 Rs. '000
29.1 Group balances receivables				
Janashakthi PLC	4,574	116	4,107	-
Premier Synthetic Leather Manufacturers (Private) Limited	197	13	184	-
Kelsey Homes ((Private) Limited	565	380	351	-
Nextventures Limited	56	5	49	-
First Capital Limited	-	-	1,534	11
First Capital Equities (Private) Limited	-	-	227	110
KHL Corporate Services Limited	240	-	180	-
First Capital Treasuries PLC	-	-	2,931	-
First Capital Asset Management Limited	-	-	351	-
First Capital Markets Limited	-	-	17	-
	5,632	514	9,931	121
29.2 Group balances payables				
Janashakthi PLC	715	707	-	-
KHL Corporate Services Limited	16	491	-	-
First Capital Limited	-	-	-	629
	731	1,198	-	629

30 LONG TERM BORROWINGS - GROUP/ COMPANY

Bank	As at 01.04.2019 Rs. '000	Facility obtained Rs. '000	Repayment		Accrued interest Rs. '000	As at 31.03.2020 Rs. '000	Tenure of the Loan	Security offered
			Capital Rs. '000	Interest Rs. '000				
Bank of Ceylon	251,833	-	100,000	50,063	(49,115)	150,885	5 Years	Corporate guarantee of Janashakthi PLC and First Capital Limited

As at	Group		Company	
	31.03.2020 Rs. '000	31.03.2019 Rs. '000	31.03.2020 Rs. '000	31.03.2019 Rs. '000
31 TRADE AND OTHER PAYABLES				
Trade payables	245,537	17,294	-	-
Accrued expenses	240,749	32,612	27,679	4,142
Advance against non-current assets held for sale	80,218	80,218	-	-
Provision for statutory liabilities	96,197	78,031	714	1,089
Dividend payable	25,151	19,597	25,040	19,485
Lease liabilities (Note 31.1)	17,429	-	1,961	-
Other liabilities	16,069	9,772	4,401	2,189
	721,350	237,524	59,795	26,905

Notes to the Financial Statements *Contd.*

As at	Group		Company	
	31.03.2020 Rs. '000	31.03.2019 Rs. '000	31.03.2020 Rs. '000	31.03.2019 Rs. '000
31.1 Lease Liabilities				
Balance as at 1 April	-	-	-	-
Impact on adoption of SLFRS 16	22,300	-	3,084	-
Adjusted balance as at 1 April	22,300	-	3,084	-
Interest charged	2,808	-	365	-
Lease payments during the period	(7,679)	-	(1,488)	-
Balance as at 31 March	17,429	-	1,961	-

31.2 Amounts Recognised in Profit or Loss**Leases under SLFRS 16**

Interest on lease liabilities	(2,808)	-	(365)	-
Income from sub-leasing right-of-use assets presented in "other income"	77	-	-	-

Operating leases under LKAS 17

Lease expense	-	(13,306)	-	(1,121)
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31.3 Amounts Recognised in Statement of Cash Flows

Total cash outflow for leases	(7,679)	-	(1,488)	-
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As at	Group		Company	
	31.03.2020 Rs. '000	31.03.2019 Rs. '000	31.03.2020 Rs. '000	31.03.2019 Rs. '000
32 RETIREMENT BENEFIT OBLIGATIONS				
Balance at the beginning of the year	31,856	27,992	-	-
Amount recognised in Profit or loss for the year				
Gratuity charge for the year	4,560	4,539	-	-
Interest charge for the year	3,086	2,509	-	-
Amount recognised in Other comprehensive income for the year				
Actuarial loss for the year	684	3,784	-	-
Benefits paid during the year	(374)	(6,968)	-	-
Balance at the end of the year	39,812	31,856	-	-

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:	2019/20	2018/19
Expected annual average salary increment:	8.0%	8.5%
Discount rate / interest rate:	10.25%	11.5%
Staff turnover factor:	10%	10%
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.

	2019/20 Rs. '000	2018/19 Rs. '000
Increase in discount rate by 1%	(2,669)	(2,039)
Decrease in discount rate by 1%	2,634	2,207
Increase in salary increment by 1%	2,667	2,251
Decrease in salary increment by 1%	(2,743)	(2,111)

As at,	Group		Company	
	31.03.2020 Rs. '000	31.03.2019 Rs. '000	31.03.2020 Rs. '000	31.03.2019 Rs. '000

33 BORROWING ON DEBENTURES

Balance at the beginning of the year	216,205	407,178	-	191,607
Add: Issued during the year	506,630	-	-	-
Accrual of interest	26,459	45,454	-	24,727
	749,294	452,632	-	216,334
Less: Settlement of interest (Coupon)	(20,098)	(46,049)	-	(25,956)
Less: Redemption with interest	(211,555)	(190,378)	-	(190,378)
Balance at the end of the year (Note 33.1)	517,641	216,205	-	-

As at,	Group		Company	
	31.03.2020 Rs. '000	31.03.2019 Rs. '000	31.03.2020 Rs. '000	31.03.2019 Rs. '000

33.1 Debentures issued

First Capital Treasuries PLC	517,641	216,205	-	-
	517,641	216,205	-	-

Debentures issued by First Capital Treasuries PLC (Subsidiary)

The debentures represent 7,500,000 Rated, Subordinated, Unsecured, Redeemable 5 year (2020/2025) debentures at a face value of Rs. 100/- interest payable at a rate of 12.75% 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
		31.03.2020 Rs. '000	31.03.2019 Rs. '000	31.03.2019 Rs. '000				
5 years	7,500,000	7,500,000	758,342	-	30-Jan-20	30-Jan-25	12.75% (AER-13.16%)	Annually
	7,500,000	7,500,000	758,342	-				

Inter- Company investments in Listed Debentures of First Capital Treasuries PLC amounting to Rs. 249 Mn including amortised interest cost has been eliminated (As at 31 March 2019 - Rs. 295 Mn).

Notes to the Financial Statements *Contd.*

As at,	Group		Company	
	31.03.2020 Rs. '000	31.03.2019 Rs. '000	31.03.2020 Rs. '000	31.03.2019 Rs. '000

34 STATED CAPITAL

Ordinary shares of 101,250,000	227,500	227,500	227,500	227,500
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	Group		Company	
	31.03.2020 Rs. '000	31.03.2019 Rs. '000	31.03.2020 Rs. '000	31.03.2019 Rs. '000

35 RISK RESERVE

Balance at the beginning of the year	1,021,248	1,012,200	1,021,248	1,012,200
Transfers made during the year	114,049	9,048	114,049	9,048
Balance at the end of the year	1,135,297	1,021,248	1,135,297	1,021,248

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

As at,	Group		Company	
	31.03.2020 Rs. '000	31.03.2019 Rs. '000	31.03.2020 Rs. '000	31.03.2019 Rs. '000

36 FAIR VALUATION RESERVE

Balance at the beginning of the year	(114,828)	(90,053)	(114,828)	(90,053)
Loss on financial assets measured at fair value through other comprehensive income	(33,241)	(24,775)	(33,241)	(24,775)
Balance at the end of the year	(148,069)	(114,828)	(148,069)	(114,828)

37 DIVIDEND PAID

The Board of Directors of First Capital Holdings PLC declared 1st interim dividend of Rs. 4/-per share totaling Rs. 405Mn in August 2019 for year 2019/20.

38 INVOLVEMENT WITH UNCONSOLIDATED STRUCTURED ENTITIES

The table below describes the type of structured entities (unit trust funds) that the Group does not consolidate as a result of the open-ended nature of the said funds in which it holds an interest. The said funds are managed by First Capital Asset Management Limited (subsidiary).

Name of the Fund	Nature of Business	Date of Incorporation	Managing Company	Investment made by First Capital Limited and First Capital Asset Management Limited (Rs' 000)	Management fee received by First Capital Asset Management Limited (Rs' 000)
First Capital Wealth Fund	The Unit Trust engages in investment in medium term fixed income securities (i.e. Government Securities and Corporate Debt Securities) on behalf of its clients.	18 August 2010	First Capital Asset Management Limited	344,847	7,145
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	62,087	28,179
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	-	269
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	-	4,013
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	26,208	537

Summarised financial performance of the above unit trusts for the year ended 31 March 2020 are as follows.

Name of the Fund	Income	Profit/ (loss) after tax for the year	Total Equity	Net Asset per Unit
	Rs. '000	Rs. '000	Rs. '000	Rs.
First Capital Wealth Fund	76,337	50,500	603,846	1,126
First Capital Money Market Fund	756,937	723,254	7,004,272	1,749
First Capital Gilt -Edged Fund	4,024	379	51,409	1,440
First Capital Fixed Income Fund	89,409	88,394	826,183	1,648
First Capital Equity Fund	2,378	(6,462)	42,080	690

Notes to the Financial Statements *Contd.***39 RELATED PARTY DISCLOSURES****39.1 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	Mr. Prakash Schaffter	Mr. Ramesh Schaffter
Janashakthi PLC	Parent	-	Director	-	Director	-	Director	-	Director	Director/CEO
Janashakthi Insurance PLC	Subsidiary of the Parent	-	-	-	Director	-	-	-	Chairman	Director
Janashakthi Capital Limited	Subsidiary of the Parent	-	-	-	-	-	-	-	Director	Director
Agrisquad (Private) Limited	Subsidiary of the Parent	-	-	-	-	-	-	-	-	Director
Orient Finance PLC	Subsidiary of the Parent	-	-	-	-	Director	-	-	Director	Director
Orient Capital Limited	Subsidiary of the Parent	-	-	-	-	-	-	-	Director	Director
First Capital Limited	Subsidiary	Chairman	Managing Director	Director/CEO	Director	Director	Director	Director	-	-
First Capital Asset Management limited	Subsidiary	Chairman	Managing Director	Director/CEO	Director	Director	Director	Director	-	-
First Capital Treasuries PLC	Subsidiary	Chairman	Managing Director	Director/CEO	-	Director	Director	Director	-	-
First Capital Markets Limited	Subsidiary	Chairman	Managing Director	Director/CEO	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/CEO	-	-	-	-	-	-
Kelsey Developments PLC	Subsidiary of the Parent	-	Director	-	Chairman	-	Director	-	Director	Director
Kelsey Homes (Private) Limited	Subsidiary of the Parent	-	Managing Director	-	Director	-	-	-	-	-
Thornton Engineering (Private) Limited	Related party through KMP	-	Director	-	-	-	-	-	-	-
K H L Corporate Services Limited	Subsidiary of the Parent	-	Director	-	-	-	-	-	Director	Director
Twid Capital (Private) Limited	Subsidiary of the Parent	-	-	-	-	-	-	-	-	-
Premier Synthetic Leather Manufacturers (Private) Limited	Related party through KMP	-	Director	-	-	-	-	-	-	-
Nextventures Limited	Related party through KMP	-	Director	-	-	-	-	-	-	-
Sprout (Private) Limited	Related party through KMP	-	-	-	-	-	-	-	-	-

KMP - Key Management Personnel

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 as per 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. Related party transactions were made on terms equivalent to those that prevail in arm's length transactions.

Nature of transaction	Group		Company	
	2019/20 Rs.'000	2018/19 Rs.'000	2019/20 Rs.'000	2018/19 Rs.'000
39.2 Transactions with Parent Company				
Statement of Profit or Loss and Other Comprehensive Income				
Interest income	187,548	209,207	-	-
Fee income	13,810	7,548	-	-
Brokerage income (Stock brokering)	2,866	4,606	-	-
Gain realised on sale of corporate debt securities	2	-	-	-
Interest expense	883	15,252	-	3,022
Reimbursement of expenses	26,358	24,049	2,372	-
Corporate guarantee facility commission expenses	4,635	7,044	4,635	7,044
Corporate guarantee facility commission income	833	-	833	-
Statement of Changes in Equity				
Dividend paid	316,479	-	316,479	-
Statement of Financial Position				
Current account payable	715	707	-	-
Current account receivable	4,574	116	-	-
Short term lending	740,818	615,642	-	-
Investment in commercial papers	380,939	188,850	-	-
Investment in debentures	284,348	697,127	-	-
Transactions relating to Corporate Guarantees				
Corporate guarantee received	1,300,000	800,000	1,300,000	800,000

Nature of transaction	Group		Company	
	2019/20 Rs.'000	2018/19 Rs.'000	2019/20 Rs.'000	2018/19 Rs.'000
39.3 Transactions with Subsidiaries				
Statement of Profit or Loss and Other Comprehensive Income				
Interest income	-	-	1,102,497	1,170,155
Fee income	-	-	5,010	4,575
Interest expense	-	-	-	72,928
Dividend receipts	-	-	406,200	-
Corporate guarantee facility commission expenses	-	-	3,722	3,113
Statement of Financial Position				
Short term lending	-	-	6,763,278	7,971,287
Current account payable	-	-	-	629
Current account receivable	-	-	5,644	121
Securities purchased under re-sale agreements (Against government securities)	-	-	13,790	-
Transactions relating to Corporate Guarantees				
Corporate guarantee provided	-	-	274,000	274,000
Corporate guarantee received	-	-	1,000,000	1,000,000

Notes to the Financial Statements *Contd.*

Nature of transaction	Group		Company	
	2019/20	2018/19	2019/20	2018/19
	Rs.'000	Rs.'000	Rs.'000	Rs.'000

39.4 Transactions with other related companies**Statement of Profit or Loss and Other Comprehensive Income**

Interest income	222,576	346,004	-	-
Fee income	10,187	3,331	-	-
Gain realised on sale of government securities	65,025	-	-	-
Dividend income	33,701	46,030	-	-
Interest expense	71,409	163,296	-	4,060
Secretarial fees	1,433	1,509	593	593
Management fee (Portfolio Management and Unit Trust)	51,093	-	-	-

Statement of Financial Position

Investment in debentures	-	299,307	-	-
Investment in securitised papers	167,218	-	-	-
Investment in unit trust	433,142	454,895	-	-
Short term lending	988,309	940,440	-	-
Long term lending	40,754	93,606	-	-
Securities sold under re-purchase agreements (Against government securities)	998,149	378,447	-	-
Management fee receivable (Portfolio management)	10,436			
Current account receivable	1,057	398	-	-
Current account payable	16	491	-	-
Units issued by unit trusts	1,957,775	800,237	-	-
Funds under management (Portfolio Management)	17,050,777	-	-	-

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.

39.5 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.

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

Nature of transaction	Group		Company	
	2019/20 Rs.'000	2018/19 Rs.'000	2019/20 Rs.'000	2018/19 Rs.'000
Statement of Profit or Loss and Other Comprehensive Income				
Interest income	66,469	101,158	-	-
Brokerage income (Stock brokering)	156	-	-	-
Management fee income (Portfolio management)	4,340	2,695	-	-
Interest expense	5,950	6,503	-	-
Emoluments paid	156,445	23,525	20,570	7,809
Consultancy fee	347	558	347	26
Statement of Changes in Equity				
Dividend paid by unit trust	1	2	-	-
Statement of Financial Position				
Management fee receivable (Portfolio management)	391	306	-	-
Lendings	346,212	431,505	-	-
Securities sold under re-purchase agreements (Against government securities)	7,172	1,153	-	-
Securities sold under re-purchase agreements (Against corporate debt securities)	33,443	53,189	-	-
Investments made in unit trust	69,144	95,443	-	-
Funds under management (Portfolio management)	742,419	487,871	-	-

39.6 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 Holdings PLC/ Janashakthi PLC	Company/ Parent	Corporate Guarantee facility	1,300,000	25%	Corporate guarantee facilities obtained at commercial terms.
First Capital Limited/ Janashakthi PLC	Subsidiary/ Parent	Short Term Lending	740,818	14%	Short Term Lending at commercial terms (Limit - LKR 750Mn).

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 Holdings PLC/ First Capital Limited	Company/ Subsidiary	Short Term Lending	6,763,278	130%	Short term lending made at commercial terms.
First Capital Holdings PLC/ First Capital Treasuries PLC	Company/ Subsidiary	Intra-Day Liquidity Facility	1,000,000	19%	Short term borrowing at commercial terms.
First Capital Holdings PLC/ First Capital Limited	Company/ Subsidiary	Interest income on Short term lending	1,102,195	21%	Short term lending made at commercial terms.
First Capital Holdings PLC/ First Capital Limited/	Company/ Subsidiary	Corporate Guarantee facility	1,000,000	19%	Corporate guarantee facilities obtained at commercial terms.
First Capital Holdings PLC/ Janashakthi PLC	Company/ Parent	Corporate Guarantee facility	1,300,000	25%	Corporate guarantee facilities obtained at commercial terms.

40 CONTINGENT LIABILITIES

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

Company

- (a) First Capital Holdings PLC (the Company) provided a corporate guarantee on behalf of its subsidiary, First Capital Limited amounting to Rs. 274Mn for its banking facilities.
- (b) The Company has appealed against an assessment on financial VAT in year of assessment 2016/17 amounting to Rs. 21Mn to the Department of Inland Revenue. The hearing has not been commenced yet.

Group

- (c) First Capital Treasuries PLC (Subsidiary) has appealed against assessments on financial VAT in year of assessment 2010/11, 2012/13, 2013/14, 2014/15, 2015/16 amounting to Rs. 310.1Mn to the Tax Appeals Commission. Hearing of the said appeals has not been concluded yet. Further, the Company has appealed against assessment on financial VAT (2016/17 and 2017/18) and NBT on financial services (2016/17 and 2017/18) to Rs. 169Mn and Rs. 23.2Mn respectively to the Department of Inland Revenue and hearing has not been determined yet.
- (d) First Capital Limited (Subsidiary) has appealed against assessment on financial VAT (2012/13, 2013/14, 2014/15) amounting to Rs. 111.4Mn to the Tax Appeals Commission. Hearing of the said appeals has not been concluded yet.

The related appeals against the said assessments 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 material litigations or claims with respect to employee compensation. Further, the Company did not have any 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 2020.

41 COMMITMENTS

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

Capital Commitments

First Capital Treasuries PLC entered into a sale and purchase agreement to acquire a property (land and premises) for a consideration of Rs. 382Mn and an advance of Rs. 77.3Mn was paid. However, in consequent to the seller failing to honor 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 2020 is Rs. 636Mn (31 March 2019 - Rs. 4,982Mn) and the value of forward sales contracts (Government Securities) as at 31 March 2020 is Rs. 967Mn (31 March 2019 - Rs. 155Mn).

42 EVENTS AFTER REPORTING PERIOD

There were no material events after the reporting date, which require disclosures/ adjustments in the financial statements other than disclose below;

- » The Board of Directors of the Company declared 2nd interim dividend of Rs. 5/- per share amounting to Rs. 506,250,000/- in May 2020 for year 2019/20.

43 IMPACT ON COVID-19 PANDEMIC

On 11 March 2020, the World Health Organisation declared COVID-19 as Global Pandemic situation. The pandemic has significantly affected the Sri Lankan economy as well as the business environment. The situation has started before the financial year end, and has been continued so far effecting many aspects of the country. With the declaration of COVID-19 as a Global Pandemic situation and in response to the serious threat imposed on public health and safety, Sri Lankan Government enforced several measures to control the pandemic such as entry restrictions for foreigners, movement restrictions between districts and later island wide curfew was imposed from 20 March 2020 onwards.

Accordingly, the Group followed the government guidelines and acted to ensure the safety of employees, stakeholder and business partners. The COVID-19 Pandemic had a moderate impact on the Company's general business routines. Since the Company is equipped with a strong Business Continuity Plan, it was better prepared to face the situation when the Government imposed curfew on 20 March 2020. The Company had adequate infrastructure in place to face such emergency and therefore the impact on the business operations was minimal.

The Group has considered the said situation as an adjusting event and has evaluated and determined the extent of the development after the reporting date also in the current reporting period. All relevant and adequate adjustments have been incorporated in the financial statements. However, the outbreak of COVID-19 did not have a significant impact on the performance and valuation of assets of the Group. Further, the Group had not faced liquidity concerns since the Group has unutilised banking facilities of Rs. 1.44Bn as at 31 March 2020. Subsequent to COVID-19 pandemic, CBSL reduced the policy rates in 4 instances (March, April, June and July 2020) which resulted in a favorable impact on the Group's performance.

Notes to the Financial Statements *Contd.*

44 FINANCIAL RISK MANAGEMENT

Overview

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

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

44.1 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.

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.

44.2 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.

44.3 Liquidity Risk

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

Management of liquidity risk includes the following elements:

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

Maturity Analysis of the Financial Assets and Financial Liabilities

Group	Carrying Amount Rs.'000	On Demand Rs.'000	Up to 3 Months Rs.'000	3 Months to 1 Year Rs.'000	1-3 Years Rs.'000	3-5 Years Rs.'000	Over 5 Years Rs.'000
Assets							
Cash at banks and in hand	61,354	61,354	-	-	-	-	-
Derivative financial instruments	2,734	-	2,734	-	-	-	-
Financial assets recognised through profit or loss - measured at fair value	38,540,849	875,962	4,804	18,581,101	10,469,957	7,671,130	937,895
Financial assets - fair value through other comprehensive income	184,623	-	-	-	-	184,623	-
Financial assets at amortised cost	5,361,512	-	4,079,089	485,890	369,820	330,273	96,440
Other financial assets (Trade receivables - Net)	373,296	-	373,296	-	-	-	-
Total As at 31 March 2020	44,524,368	937,316	4,459,923	19,066,991	10,839,777	8,186,026	1,034,335
As at 31 March 2019	39,905,944	764,154	7,144,984	2,433,826	23,127,515	2,302,662	4,132,654
Liabilities							
Bank overdrafts	455,103	455,103	-	-	-	-	-
Derivative financial instruments	3,118	-	3,118	-	-	-	-
Securities sold under repurchase agreements	33,294,423	-	30,142,569	3,142,260	5,672	-	3,922
Short term borrowings	5,928,107	-	4,049,923	1,878,184	-	-	-
Other financial liabilities (Trade payables - Net)	245,537	245,537	-	-	-	-	-
Long term borrowings	150,885	-	25,885	75,000	50,000	-	-
Borrowings on debentures	517,641	-	-	-	-	517,641	-
Total As at 31 March 2020	40,594,814	700,640	34,221,495	5,095,444	55,672	517,641	3,922
As at 31 March 2019	37,231,446	981,399	31,151,834	4,677,222	417,418	-	3,573

Notes to the Financial Statements *Contd.*

Company	Carrying Amount Rs.'000	On Demand Rs.'000	Up to 3 Months Rs.'000	3 Months to 1 Year Rs.'000	1-3 Years Rs.'000	3-5 Years Rs.'000	Over 5 Years Rs.'000
Assets							
Cash at banks and in hand	19,744	19,744	-	-	-	-	-
Financial assets at amortised cost	6,768,167	-	6,768,167	-	-	-	-
Total As at 31 March 2020	6,787,911	19,744	6,768,167	-	-	-	-
As at 31 March 2019	7,996,930	21,465	7,974,257	-	-	-	1,208
Liabilities							
Bank overdrafts	442,724	442,724	-	-	-	-	-
Short term borrowings	5,827,371	-	5,827,371	-	-	-	-
Long term borrowings	150,885	-	25,885	75,000	50,000	-	-
Total As at 31 March 2020	6,420,980	442,724	5,853,256	75,000	50,000	-	-
As at 31 March 2019	7,649,175	831,168	6,593,007	75,000	150,000	-	-

44.4 Credit Risk

Credit risk is the risk of financial loss to the Group if a client or counterparty 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 2020	12 Month Expected Credit Losses Rs.'000	Life Time Expected Credit Losses Not Credit Impaired Rs.'000	Life Time Expected Credit Losses Credit Impaired Rs.'000	Total Rs.'000
Assets				
Cash at banks and in hand	61,354	-	-	61,354
Financial assets at amortised cost	2,896,610	2,364,014	100,888	5,361,512
Other financial assets (Trade receivables)	373,296	-	63,508	436,804
Total financial assets	3,331,260	2,364,014	164,396	5,859,670

Group - As at 31 March 2019	12 Month Expected Credit Losses Rs.'000	Life Time Expected Credit Losses Not Credit Impaired Rs.'000	Life Time Expected Credit Losses Credit Impaired Rs.'000	Total Rs.'000
Assets				
Cash at banks and in hand	55,317	-	-	55,317
Financial assets at amortised cost	5,537,067	1,927,477	93,288	7,557,832
Other financial assets (Trade receivables)	85,470	-	63,508	148,978
Total financial assets	5,677,854	1,927,477	156,796	7,762,127

Company - As at 31 March 2020	12 Month Expected Credit Losses Rs.'000	Life Time Expected Credit Losses Not Credit Impaired Rs.'000	Life Time Expected Credit Losses Credit Impaired Rs.'000	Total Rs.'000
Assets				
Cash at banks and in hand	19,744	-	-	19,744
Financial assets at amortised cost	6,768,167	-	5,000	6,773,167
Total financial assets	6,787,911	-	5,000	6,792,911

Company - As at 31 March 2019	12 Month Expected Credit Losses Rs.'000	Life Time Expected Credit Losses Not Credit Impaired Rs.'000	Life Time Expected Credit Losses Credit Impaired Rs.'000	Total Rs.'000
Assets				
Cash at banks and in hand	21,344	-	-	21,344
Financial assets at amortised cost	7,974,257	-	5,000	7,979,257
Total financial assets	7,995,601	-	5,000	8,000,601

Notes to the Financial Statements *Contd.***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 2020	Cash at Banks and in Hand	Derivative Financial Instruments	Financial Assets- FVTPL	Financial Assets- amortised cost	Financial Assets- FVTOCI	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	-	73	36,212,069	-	-	-	36,212,142
Corporate	61,354	2,661	2,328,780	4,359,436	184,623	373,296	7,310,150
Others	-	-	-	1,002,076	-	-	1,002,076
Total	61,354	2,734	38,540,849	5,361,512	184,623	373,296	44,524,368

Group - As at 31 March 2019	Cash at Banks and in Hand	Derivative Financial Instruments	Financial Assets- FVTPL	Financial Assets- amortised cost	Financial Assets- FVTOCI	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	-	-	29,533,426	-	-	-	29,533,426
Corporate	55,317	3,454	2,452,011	6,022,561	217,920	84,006	8,835,269
Others	-	-	-	1,535,271	-	1,464	1,536,735
Total	55,317	3,454	31,985,437	7,557,832	217,920	85,470	39,905,430

Company - As at 31 March 2020	Cash at Banks and in Hand	Derivative Financial Instruments	Financial Assets- FVTPL	Financial Assets- amortised cost	Financial Assets- FVTOCI	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	19,744	-	-	6,768,167	-	-	6,787,911
Others	-	-	-	-	-	-	-
Total	19,744	-	-	6,768,167	-	-	6,787,911

Company - As at 31 March 2019	Cash at Banks and in Hand	Derivative Financial Instruments	Financial Assets- FVTPL	Financial Assets- amortised cost	Financial Assets- FVTOCI	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	21,344	-	-	7,974,257	1,208	-	7,996,809
Others	-	-	-	-	-	-	-
Total	21,344	-	-	7,974,257	1,208	-	7,996,809

44.5 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.

Notes to the Financial Statements *Contd.***45 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.

45.1 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 31.03.2020		As at 31.03.2019	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Financial assets measured at fair value				
Derivative financial instruments	2,734	2,734	3,454	3,454
Financial assets recognised through profit or loss - measured at fair value	38,540,849	38,540,849	31,985,437	31,985,437
Financial assets - fair value through other comprehensive income	184,623	184,623	217,920	217,920
	38,728,206	38,728,206	32,206,811	32,206,811
Financial assets not measured at fair value				
Cash at banks and in hand	61,354	61,354	55,317	55,317
Financial assets at amortised cost	5,361,512	5,361,512	7,557,832	7,557,832
Trade receivables	373,296	373,296	85,470	85,470
	5,796,162	5,796,162	7,698,619	7,698,619
Total financial investments	44,524,368	44,524,368	39,905,430	39,905,430
Financial liabilities measured at fair value				
Derivative financial instruments	3,118	3,118	2,878	2,878
	3,118	3,118	2,878	2,878
Financial liabilities not measured at fair value				
Bank overdrafts	455,103	455,103	971,036	971,036
Securities sold under re-purchase agreements	33,294,423	33,331,477	29,204,828	29,212,991
Short term borrowings	5,928,107	5,928,107	6,566,174	6,566,174
Long term borrowings	150,885	150,885	251,833	251,833
Borrowings on debentures	517,641	521,589	216,205	211,417
	40,346,159	40,387,161	37,210,076	37,213,452
Total financial liabilities	40,349,277	40,390,279	37,212,954	37,216,330

Company	As at 31.03.2020		As at 31.03.2019	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Financial assets measured at fair value				
Financial assets - fair value through other comprehensive income	-	-	1,208	1,208
	-	-	1,208	1,208
Financial assets not measured at fair value				
Cash at banks and in hand	19,744	19,744	21,344	21,344
Financial assets at amortised cost	6,768,167	6,768,167	7,974,257	7,974,257
	6,787,911	6,787,911	7,995,601	7,995,601
Total financial investments	6,787,911	6,787,911	7,996,808	7,996,808
Financial liabilities measured at fair value				
	-	-	-	-
Financial liabilities not measured at fair value				
Bank overdrafts	442,724	442,724	830,539	830,539
Short term borrowings	5,827,371	5,827,371	6,566,174	6,566,174
Long term borrowings	150,885	150,885	251,833	251,833
	6,420,980	6,420,980	7,648,546	7,648,547
Total financial liabilities	6,420,980	6,420,980	7,648,546	7,648,547

Notes to the Financial Statements *Contd.*

45.2 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 2020	Total Carrying Amount 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	2,734	2,734	-	-	2,734
	2,734	2,734	-	-	2,734
Financial assets recognised through profit or loss - measured at fair value					
Investment in government securities	36,212,069	36,212,069	-	-	36,212,069
Investment in listed debentures	1,452,818	-	1,452,818	-	1,452,818
Investment in unit trust	433,142	-	433,142	-	433,142
Investment in listed shares	442,820	442,820	-	-	442,820
	38,540,849	36,654,889	1,885,960	-	38,540,849
Financial assets - fair value through other comprehensive income	184,623	-	184,623	-	184,623
	38,728,206	36,657,623	2,070,583	-	38,728,206
Financial assets not measured at fair value					
Financial assets at amortised cost	5,361,512	-	-	5,361,512	5,361,512
Trade receivables	373,296	-	-	373,296	373,296
	5,734,808	-	-	5,734,808	5,734,808
Total financial investments	44,463,014	36,657,623	2,070,583	5,734,808	44,463,014
Financial liabilities measured at fair value					
Derivative financial instruments					
Forward sale contracts	3,118	3,118	-	-	3,118
	3,118	3,118	-	-	3,118
Financial liabilities not measured at fair value					
Securities sold under re-purchase agreements	33,294,423	-	-	33,331,477	33,331,477
Short term borrowings	5,928,107	-	-	5,928,107	5,928,107
Long term borrowings	150,885	-	-	150,885	150,885
Borrowings on debentures	517,641	-	521,589	-	521,589
	39,891,056	-	521,589	39,410,469	39,932,058
Total financial liabilities	39,894,174	3,118	521,589	39,410,469	39,935,176

Group - As at 31 March 2019	Total Carrying Amount 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	3,454	3,454	-	-	3,454
	3,454	3,454	-	-	3,454
Financial assets recognised through profit or loss - measured at fair value					
Investment in government securities	29,533,426	29,533,426	-	-	29,533,426
Investment in listed debentures	1,745,160	-	1,745,160	-	1,745,160
Investment in unit trust	456,208	-	456,208	-	456,208
Investment in listed shares	250,643	250,643	-	-	250,643
	31,985,437	29,784,069	2,201,368	-	31,985,437
Financial assets - fair value through other comprehensive income	217,920	-	216,712	1,208	217,920
	32,206,811	29,787,523	2,418,080	1,208	32,206,811
Financial assets not measured at fair value					
Financial assets at amortised cost	7,557,832	-	-	7,557,832	7,557,832
Trade receivables	85,470	-	-	85,470	85,470
	7,643,302	-	-	7,643,302	7,643,302
Total financial assets	39,850,113	29,787,523	2,418,080	7,644,510	39,850,113
Financial liabilities measured at fair value					
Derivative financial instruments					
Forward purchase contracts	2,637	2,637	-	-	2,637
Forward sale contracts	241	241	-	-	241
	2,878	2,878	-	-	2,878
Financial liabilities not measured at fair value					
Securities sold under re-purchase agreements	29,204,828	-	-	29,212,991	29,212,991
Short term borrowings	6,566,174	-	-	6,566,174	6,566,174
Long term borrowings	251,833	-	-	251,833	251,833
Borrowings on debentures	216,205	-	211,417	-	211,417
	36,239,040	-	211,417	36,030,998	36,242,415
Total financial liabilities	36,241,918	2,878	211,417	36,030,998	36,245,293

Notes to the Financial Statements *Contd.*

Company - As at 31 March 2020	Total Carrying Amount Rs.'000	Level 1 Rs.'000	Level 2 Rs.'000	Level 3 Rs.'000	Total Fair Value Rs.'000
Financial assets not measured at fair value					
Financial assets at amortised cost	6,768,167	-	-	6,768,167	6,768,167
	6,768,167	-	-	6,768,167	6,768,167
Total financial investments	6,768,167	-	-	6,768,167	6,768,167
Financial liabilities measured at fair value	-	-	-	-	-
Financial liabilities not measured at fair value					
Short term borrowings	5,827,371	-	-	5,827,371	5,827,371
Long term borrowings	150,885	-	-	150,885	150,885
	5,978,256	-	-	5,978,256	5,978,256
Total financial liabilities	5,978,256	-	-	5,978,256	5,978,256
Company - As at 31 March 2019					
	Total Carrying Amount 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 assets - fair value through other comprehensive income	1,208	-	-	1,208	1,208
	1,208	-	-	1,208	1,208
Financial assets not measured at fair value					
Financial assets at amortised cost	7,974,257	-	-	7,974,257	7,974,257
	7,974,257	-	-	7,974,257	7,974,257
Total financial assets	7,975,465	-	-	7,975,465	7,975,465
Financial liabilities measured at fair value	-	-	-	-	-
Financial liabilities not measured at fair value					
Short term borrowings	6,566,174	-	-	6,566,174	6,566,174
Long term borrowings	251,833	-	-	251,833	251,833
	6,818,007	-	-	6,818,007	6,818,007
Total financial liabilities	6,818,007	-	-	6,818,007	6,818,007

45.3 Measurement of fair values*45.3.(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 the investee company is lower or higher
Unit Trusts	The fair values are based on the Net Asset Values published by the respective unit trusts.	Not applicable	Not applicable
Equity Securities (Financial assets - fair value through other comprehensive income)	The fair values are based on the price to book value approach.	Discounting factor used to arrive the unlisted price	The estimated fair value would increase/decrease if the discounting factor used by investor company is lower or higher

*45.3.(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.

	Debentures	Unit Trust	Equity Securities (Financial assets - FVTOCI)	Total
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Balance as at 1 April 2019	1,745,160	456,208	217,920	2,419,288
Purchase	315,187	32,115	-	347,301
Sales	(638,531)	(50,265)	(1,000)	(689,795)
Gain/ (loss) on fair valuation of financial investments	31,002	(4,917)	(32,297)	(6,211)
Balance as at 31 March 2020	1,452,818	433,141	184,623	2,070,583

Notes to the Financial Statements *Contd.*45.4. (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
Janashakthi PLC	867	1,740	(862)	(1,720)
Citizen Development Bank PLC	1,344	2,699	(1,334)	(2,657)
LOLC Holdings PLC	13,019	26,317	(12,747)	(25,228)
Softlogic Capital PLC	535	1,081	(523)	(1,035)
Bogawantalawa Tea Estates PLC	1,279	2,590	(1,248)	(2,467)
	17,044	34,427	(16,714)	(33,107)

45.4. (b) *Sensitivity analysis on Unit Trust (Group)*

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

	(-) 0.5% Decrease Rs.'000	(-) 1% Decrease Rs.'000	(+) 0.5% Increase Rs.'000	(+) 1% Increase Rs.'000
First Capital Wealth Fund	(1,724)	(3,448)	1,724	3,448
First Capital Money Market Fund	(310)	(621)	310	621
First Capital Equity Fund	(131)	(262)	131	262
	(2,165)	(4,331)	2,165	4,331

46 FINANCIAL INSTRUMENTS - ACCOUNTING CLASIFICATIONS

Group - As at 31 March 2020

	Financial assets/ liabilities FVTPL Rs. '000	Financial assets/ liabilities at amortised cost Rs. '000	Financial assets - FVTOCI Rs. '000	Total carrying amount Rs. '000	Fair value Rs. '000
Financial assets measured at fair value					
Financial assets - FVTPL	38,540,849	-	-	38,540,849	38,540,849
Derivative Financial Instruments	2,734	-	-	2,734	2,734
Financial assets - FVTOCI	-	-	184,623	184,623	184,623
	38,543,583	-	184,623	38,728,206	38,728,206
Financial assets not measured at fair value					
Cash at banks and in hand	-	61,354	-	61,354	61,354
Financial assets at amortised cost	-	5,361,512	-	5,361,512	5,361,512
Trade receivables	-	373,296	-	373,296	373,296
	-	5,796,162	-	5,796,162	5,796,162
Total financial assets	38,543,583	5,796,162	184,623	44,524,368	44,524,368
Financial liabilities measured at fair value					
Derivative Financial Instruments	3,118	-	-	3,118	3,118
	3,118	-	-	3,118	3,118
Financial liabilities not measured at fair value					
Bank overdrafts	-	455,103	-	455,103	455,103
Securities sold under re-purchase agreements	-	33,294,423	-	33,294,423	33,331,477
Short term borrowings	-	5,928,107	-	5,928,107	5,928,107
Long term borrowings	-	150,885	-	150,885	150,885
Borrowings on debentures	-	517,641	-	517,641	521,589
	-	40,346,159	-	40,346,159	40,387,161
Total Financial Liabilities	3,118	40,346,159	-	40,349,277	40,390,279

Notes to the Financial Statements *Contd.*

Group - As at 31 March 2019

	Financial assets/ liabilities FVTPL Rs. '000	Financial assets/ liabilities at amortised cost Rs. '000	Financial assets - FVTOCI Rs. '000	Total carrying amount Rs. '000	Fair value Rs. '000
Financial assets measured at fair value					
Financial assets - FVTPL	31,985,437	-	-	31,985,437	31,985,437
Derivative Financial Instruments	3,454	-	-	3,454	3,454
Financial assets - FVTOCI	-	-	217,920	217,920	217,920
	31,988,891	-	217,920	32,206,811	32,206,811
Financial assets not measured at fair value					
Cash at banks and in hand	-	55,317	-	55,317	55,317
Financial assets at amortised cost	-	7,557,832	-	7,557,832	7,557,832
Trade receivables	-	85,470	-	85,470	85,470
	-	7,698,619	-	7,698,619	7,698,619
Total financial assets	31,988,891	7,698,619	217,920	39,905,430	39,905,430
Financial liabilities measured at fair value					
Derivative Financial Instruments	2,878	-	-	2,878	2,878
	2,878	-	-	2,878	2,878
Financial liabilities not measured at fair value					
Bank overdrafts	-	971,036	-	971,036	971,036
Securities sold under re-purchase agreements	-	29,204,828	-	29,204,828	29,212,991
Short term borrowings	-	6,566,174	-	6,566,174	6,566,174
Long term borrowings	-	251,833	-	251,833	251,833
Borrowings on debentures	-	216,205	-	216,205	211,417
	-	37,210,076	-	37,210,076	37,213,451
Total Financial Liabilities	2,878	37,210,076	-	37,212,954	37,216,329

Company - As at 31 March 2020

	Financial assets/ liabilities FVTPL Rs. '000	Financial assets/ liabilities at amortised cost Rs. '000	Financial assets - FVTOCI Rs. '000	Total carrying amount Rs. '000	Fair value Rs. '000
Financial assets not measured at fair value					
Cash at banks and in hand	-	19,744	-	19,744	19,744
Financial assets at amortised cost	-	6,768,167	-	6,768,167	6,768,167
	-	6,787,911	-	6,787,911	6,787,911
Total financial assets	-	6,787,911	-	6,787,911	6,787,911
Financial liabilities not measured at fair value					
Bank overdrafts	-	442,724	-	442,724	442,724
Short term borrowings	-	5,827,371	-	5,827,371	5,827,371
Long term borrowing	-	150,885	-	150,885	150,885
	-	6,420,980	-	6,420,980	6,420,980
Total financial liabilities	-	6,420,980	-	6,420,980	6,420,980

Company - As at 31 March 2019

	Financial assets/ liabilities FVTPL Rs. '000	Financial assets/ liabilities at amortised cost Rs. '000	Financial assets - FVTOCI Rs. '000	Total carrying amount Rs. '000	Fair value Rs. '000
Financial assets measured at fair value					
Financial assets - FVTOCI	-	-	1,208	1,208	1,208
	-	-	1,208	1,208	1,208
Financial assets not measured at fair value					
Cash at banks and in hand	-	21,344	-	21,344	21,344
Financial assets at amortised cost	-	7,974,257	-	7,974,257	7,974,257
	-	7,995,601	-	7,995,601	7,995,601
Total financial assets	-	7,995,601	1,208	7,996,809	7,996,809
Financial liabilities not measured at fair value					
Bank overdrafts	-	830,539	-	830,539	830,539
Short term borrowings	-	6,566,174	-	6,566,174	6,566,174
Long term borrowing	-	251,833	-	251,833	251,833
	-	7,648,546	-	7,648,546	7,648,546
Total financial liabilities	-	7,648,546	-	7,648,546	7,648,546

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 2020				31 March 2019			
	Shareholders		Holding		Shareholders		Holding	
	Number	%	Number	%	Number	%	Number	%
1-1,000	4,391	77.69	1,458,722	1.45	4,400	77.54	1,487,324	1.47
1,001 - 10,000	1,011	17.89	3,548,706	3.50	1,025	18.06	3,520,553	3.48
10,001 - 100,000	216	3.82	6,097,150	6.02	217	3.82	6,313,472	6.24
100,001 - 1,000,000	30	0.53	6,397,525	6.32	29	0.51	6,180,754	6.10
Over 1,000,000	4	0.07	83,747,897	82.71	4	0.07	83,747,897	82.71
Total	5,652	100.00	101,250,000	100.00	5,675	100.00	101,250,000	100.00

3. ANALYSIS OF SHAREHOLDERS

Category of Shareholders	31 March 2020				31 March 2019			
	Shareholders		Holding		Shareholders		Holding	
	Number	%	Number	%	Number	%	Number	%
Individuals	5,481	96.97	13,006,812	12.85	5,517	97.22	13,065,558	12.90
Institutions	171	3.03	88,243,188	87.15	158	2.78	88,184,442	87.10
Total	5,652	100.00	101,250,000	100.00	5,675	100.00	101,250,000	100.00
Resident	5,627	99.56	100,423,540	99.18	5,654	99.63	100,964,097	99.72
Non-Resident	25	0.44	826,460	0.82	21	0.37	285,903	0.28
Total	5,652	100.00	101,250,000	100.00	5,675	100.00	101,250,000	100.00

4. PUBLIC HOLDING

	31-03-2020	31-03-2019
Number of shares held by the public	17,073,927	17,073,927
Percentage held by the public	16.86%	16.86%
Float adjusted market capitalisation	389,213,100	394,334,325

Number of public shareholders as at 31 March 2020 is 5,644.

The Company is not in compliant with the Minimum Public Holding Requirement under option 5 of the Section 7.13.1 (a) of CSE Listing Rules. However, the Company has received a waiver from the Securities and Exchange Commission of Sri Lanka to be complied with the same until November 2020.

5 SHARE PRICE MOVEMENT FOR THE YEAR

	2019/20 Rs.	2018/19 Rs.
Highest	56.70	33.00
Lowest	20.00	20.40
Year-end	22.80	23.10

6. INFORMATION ON SHARE TRADING AND MARKET CAPITALISATION

	2019/20	2018/19
Number of transactions	18,409	4,932
Number of shares traded	18,650,344	7,868,875
Value of shares traded (Rs.)	818,159,849	231,684,962
Market capitalisation (Rs.)	2,308,500,000	2,338,875,000

TOP TWENTY SHAREHOLDERS

	No. of Shares as at 31 March 2020	Holding (%)	No. of Shares as at 31 March 2019	Holding (%)
1 1.1 Commercial Bank of Ceylon PLC/Janashakthi PLC *	31,600,000	31.21	31,600,000	31.21
1.2 Seylan Bank PLC/Janashakthi PLC *	25,400,000	25.09	25,400,000	25.09
1.3 Janashakthi PLC *	22,119,816	21.85	22,119,816	21.85
1.4 Seylan Bank PLC/Janashakthi PLC	4,628,081	4.57	4,628,081	4.57
1.5 Commercial Bank of Ceylon PLC/Janashakthi PLC	300,703	0.30	300,703	0.30
2 People's Leasing & Finance PLC/Mr. D.M.P. Disanayake	668,072	0.66	271,087	0.27
3 Mrs. Vasudevan Saraswathi	472,000	0.47	343,895	0.34
4 DFCC Bank PLC/Mr. K.S.D. Senaweera	427,500	0.42	426,000	0.42
5 Sandwave Limited	358,151	0.35	-	-
6 Mr. Rajapaksa Vithanage Don Piyathilake & Mr. R.V.D.C.G. Rajapakse	300,530	0.30	-	-
7 Mr. Parami Tillakaratne	275,368	0.27	179,158	0.18
8 Mr. Arunasalam Sithampalam	264,000	0.26	264,000	0.26
9 Mr. Wickramatunga Arachchi Pathiranage Don Mahipala Wickramatunga	225,000	0.22	205,000	0.20
10 Hatton National Bank PLC/Arunasalam Sithampalam	224,644	0.22	214,844	0.21
11 Mr. Nagen Dayaranjan Kurukulasuriya	208,836	0.21	208,836	0.21
12 Mr. Amal Joseph Tissera	208,680	0.21	249,010	0.25
13 Dr. Subashi Nemindi Samarasinghe	200,616	0.20	200,616	0.20
14 Mr. Dhanusha Senajith Duke De Lanerolle	180,000	0.18	200,000	0.20
15 Mr. Upali Chandrakumara Bandaranayake	175,000	0.17	-	-
16 Mr. Ravindra Earl Rambukwella	160,473	0.16	-	-
17 Seylan Bank PLC/ Tharana Gangul Thoradeniya	156,545	0.15	-	-
18 Mrs. Eileen Monica Perera (Deceased)	151,033	0.15	151,033	0.15
19 Citizens Development Business Finance PLC/K.D.C. Somalatha & K. Nandasiri	139,400	0.14	139,400	0.14
20 Sithlanka (Private) Limited	135,800	0.13	-	-
	88,980,248	87.89	87,101,479	86.05

* Previously owned by Dunamis Capital PLC (Dunamis Capital PLC was amalgamated with Janashakthi PLC on 6 December 2019).

Information on Listed Debentures

1. INFORMATION ON LISTED DEBENTURES

First Capital Treasuries PLC

Date of Allotment	Frequency on interest payment	No. of Debentures issued and allotted	Face Value Rs. '000	Rate of Interest	Date of Tenure	Maturity
30-Jan-20	Semi- Annually	7,500,000*	750,000	12.75% (AER-13.16%)	5 years	30-Jan-25

* Listed, Rated, Subordinated, Unsecured, Redeemable Debentures.

2. OBJECTIVE OF THE ISSUES

First Capital Treasuries PLC

1. To finance the (05) year Listed, Rated, Subordinated, Unsecured, Redeemable Debentures of LKR 500 Mn matured on 6 February 2020.
2. To reduce the existing Repo Borrowing position or to invest in Government Securities depending on the market conditions and interest rate outlook prevalent at the time of the receipt of funds.

3. MARKET VALUE

First Capital Treasuries PLC

Debentures with 5 year maturity have not been traded during the year ended 31 March 2020. Hence, par value is recognised as its market value.

5 year fixed rate (12.75% p.a. payable semi annually)	31-03-2020	31-03-2019
Highest price	-	N/A
Lowest price	-	N/A
Last traded price	-	N/A

Debenture Interest Yield	As at 31-03-2020	As at 31-03-2019
5 year fixed rate (12.75 % p.a. payable semi annually)	12.75%	N/A

Yield of Comparable Government Securities (%)	As at 31-03-2020	As at 31-03-2019
5 Year treasury bond	9.25%	9.99%

4. DEBT RELATED RATIOS

First Capital Treasuries PLC	As at	As at
	31-03-2020	31-03-2019
Debt/equity ratio (times)	8.73	8.99
Quick asset ratio (times)	1.14	1.10
Interest cover (times)	1.86	1.06

5. CREDIT RATINGS

5.1 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+".

5.2 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.

Ten-Year Summary

Group Trading Results Year ended 31 March	Based on LKAS/SLFRS - (Note A)								Based on SLAS	
	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Gross income	5,220,425	4,171,474	4,186,064	3,587,574	1,550,780	2,817,633	1,829,852	1,768,713	935,806	1,716,279
Profit before tax	1,708,325	88,383	1,152,108	245,511	62,060	1,071,123	398,785	517,319	(310,279)	605,172
Taxation	(635,086)	(80,835)	813,615	(13,913)	(14,600)	(86,224)	(68,689)	(23,272)	(14,858)	378,303
Profit/(loss) after tax	1,073,239	7,548	1,965,723	231,598	47,460	984,899	330,096	494,047	(325,137)	983,475
Other comprehensive income, net of income tax	(33,769)	(27,555)	(90,287)	6,836	2,105	(210,616)	(44,438)	254,098	-	-
Total comprehensive income	1,039,470	(20,007)	1,875,436	238,434	49,565	774,283	285,658	748,145	(325,137)	-

Group Financial Position As at 31 March	Based on LKAS/SLFRS - (Note B)								Based on SLAS	
	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
	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	61,354	55,317	319,663	55,340	31,066	33,193	38,298	18,304	7,187	6,436
Derivative financial instruments	2,734	3,454	47,868	24,075	40,861	40,609	19,844	10,378	17,583	74,328
Financial assets recognised through profit or loss - measured at fair value	38,540,849	31,985,437	-	-	-	-	-	-	-	-
Financial assets - fair value through other comprehensive income	184,623	217,920	-	-	-	-	-	-	-	-
Financial assets at amortised cost	5,361,512	7,557,832	-	-	-	-	-	-	-	-
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	-	-	-	-	-	-	-	-	-	-
Taxes receivable	271,610	178,845	70,118	104,032	62,379	65,972	62,549	17,426	-	-
Resale agreements	-	-	-	-	-	-	-	-	-	-
Trade and other receivables	598,672	246,661	811,035	540,521	576,353	524,524	755,566	356,608	428,861	877,148
Investment securities	-	-	-	-	-	-	-	-	-	-
Investment in venture capital	-	-	-	-	-	6,000	6,000	6000	8,000	8,000
Investment in equity accounted investees	-	-	-	-	-	408,876	-	-	-	-
Deferred tax asset	299,775	862,024	929,892	36,703	37,703	40,259	48,173	46,733	49,485	49,625
Property, plant and equipment	65,250	37,050	19,990	14,295	16,648	26,357	51,517	30,301	4,353	8,128
Other assets	166,742	160,930	161,831	156,986	157,779	160,149	158,251	100,725	141,724	142,623
Total Assets	45,553,121	41,305,470	35,192,013	31,689,764	20,780,284	20,464,601	16,360,931	14,456,833	7,571,573	11,666,222

Group Financial Position As at 31 March	Based on LKAS/SLFRS - (Note B)								Based on SLAS	
	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Liabilities										
Bank overdrafts	455,103	971,036	294,402	224,445	207,681	866	7,775	5,338	662	9,578
Derivative financial instruments	3,118	2,878	21,659	2,240	20,835	31,359	-	837	-	117
Securities sold under re-purchase agreements	33,294,423	29,204,828	23,412,237	21,102,897	14,487,714	14,837,179	12,368,398	11,771,296	4,845,633	8,687,508
Short term borrowings	5,928,107	6,566,174	6,013,598	6,768,015	2,886,142	2,224,579	1,052,435	579,471	1,338,519	997,342
Tax payables	488,668	348	4,291	3,956	331	1,719	-	-	4,120	15,754
Retirement benefit obligations	39,812	31,856	27,992	22,696	24,385	19,036	19,040	9,677	7,055	7,483
Borrowings on debentures	517,641	216,205	407,178	540,032	730,400	725,776	452,248	-	-	-
Long term borrowings	150,885	251,833	352,368	453,077	-	-	-	-	-	-
Other liabilities	722,081	238,722	787,712	358,793	237,920	286,276	432,032	135,056	159,808	204,539
Total Liabilities	41,599,838	37,483,880	31,321,437	29,476,151	18,595,408	18,126,790	14,331,928	12,501,675	6,355,797	9,922,321
Equity										
Stated capital	227,500	227,500	227,500	227,500	227,500	227,500	227,500	227,500	227,500	227,500
Risk reserve	1,135,297	1,021,248	1,012,200	854,456	822,022	820,964	648,793	553,704	432,916	432,916
Retained earnings	2,529,183	2,506,870	2,545,342	1,036,415	1,052,693	1,209,178	859,019	842,508	500,572	1,019,616
Fair valuation reserve	(148,069)	(114,828)	(90,053)	-	-	(1,564)	212,473	254,098	-	-
	3,743,911	3,640,790	3,694,989	2,118,371	2,102,215	2,256,078	1,947,785	1,877,810	1,160,988	1,680,032
Non-controlling interests	209,372	180,800	175,587	95,242	82,661	81,733	81,218	77,348	54,788	63,869
Minority interest	-	-	-	-	-	-	-	-	-	-
Total Equity	3,953,283	3,821,590	3,870,576	2,213,613	2,184,876	2,337,811	2,029,003	1,955,158	1,215,776	1,743,901
Total Equity and Liabilities	45,553,121	41,305,470	35,192,013	31,689,764	20,780,284	20,464,601	16,360,931	14,456,833	7,571,573	11,666,222
Financial Ratios										
Earning/(loss) per share - times	9.94	0.02	18.49	2.09	0.46	9.33	3.13	4.57	(3.13)	9.23
Dividend per share	9.00	-	2.00	2.00	-	4.00	4.00	-	2.00	-
Dividend payout (%)	90.54%	-	10.82%	95.69%	-	42.87%	127.80%	-	-	-
Return on equity (%)	27.25%	0.06%	64.40%	10.05%	2.10%	45.11%	16.57%	31.16%	-21.97%	82.84%
Leverage (times)	10.21	9.74	7.87	13.14	8.37	7.61	6.84	6.32	5.09	5.55

Note A

Trading Results relating to 2019/20, 2018/19, 2017/18, 2016/17, 2015/16, 2014/15, 2013/14, 2012/13 and 2011/12 have been presented in accordance with the Sri Lanka Accounting Standards (LKASs/ SLFRSs).

Note B

Financial Position as at 31 March 2020, 31 March 2019, 31 March 2018, 31 March 2017, 31 March 2016, 31 March 2015, 31 March 2014, 31 March 2013 and 31 March 2012 have been presented in accordance with the Sri Lanka Accounting Standards (LKASs/ SLFRSs).

Financial Instruments as at 31 March 2020 and 31 March 2019 have been presented in accordance with SLFRS 9 and Financial Instruments as at 31 March 2018, 31 March 2017, 31 March 2016, 31 March 2015, 31 March 2014, 31 March 2013 and 31 March 2012 have been presented in accordance with LKAS 39.

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 brokering 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.
- » **Derivatives:** A derivative is a financial instrument or other contract, the value of which changes in response to some underlying variable (eg. an interest rate), that has an initial net investment smaller than would be required for other instruments that have a similar response to the variable, and that will be settled at a future date.
- » **Dividend Cover:** Profit after tax divided by gross dividends. This measures the number of times the dividend is covered by distributable profits.
- » **Depreciation:** The systematic allocation of the depreciable amount of an asset over its useful life.
- » **Dividend Payout:** It is the percentage of earnings paid to shareholders in dividends.
- » **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.

Glossary of Financial and Business Terms *Contd.*

- » **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.
- » **Expected Credit Losses:** Expected credit losses are a probability – weighted estimate of credit losses over the expected life of the financial instrument.
- » **12 Month Expected Credit Losses:** The portion of expected credit losses that result from default events that are possible within the 12 months after the reporting date.
- » **Lifetime Expected Credit Losses:** The expected credit losses that result from all possible default events over the expected life of a financial instrument.
- » **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 assets recognised through profit or loss -measured at fair value:** These financial assets are held within a business model with the objective to sell financial assets.
- » **Financial assets at amortised cost:** These financial assets are held within a business model with the objective to hold financial assets in order to collect contractual cash flows. These assets are tested for impairment.
- » **Financial assets - fair value through other comprehensive income:** These financial assets are held within a business model with the objective to both hold financial assets in order to collect contractual cash flows and sell financial assets.
- » **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.
- » **Goodwill:** An intangible asset that represents the excess of the purchase price of an acquired company over the value of the net assets acquired.
- » **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.

» **Initial Public Offering (IPO):** 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 intended to sell immediately or in the near term and designated as fair value through profit or loss

or available for sale on initial recognition.

» **Margin Trading:** A credit facility given to investors who wish to expand their investment portfolio.

» **Market Maker:** In the local context, a market maker is a Primary Dealer that undertakes to buy or sell securities at specified prices for buying and selling, at all times, thus providing liquidity in that security.

» **Market Value per Share:** The price at which an ordinary share is transacted in the stock market.

» **Market Capitalisation:** The market value of a company at a given date obtained by multiplying the share price by the number of issued shares.

» **Materiality:** The relative significance of a transaction or an event, the omission or misstatement of which could influence the decisions of users of financial statements.

» **Money Broker:** Inter-bank money broker approved by the Central Bank of Sri Lanka.

» **Mergers and Acquisitions (M&A):** Transactions in which the ownership of companies, other businesses or their operating units are transferred or combined. They are considered as capital market strategy or tactical management transactions that can allow companies to grow, decrease in size, change the nature of their business or enhance their competitive position.

» **Net Assets per Share:** Net assets (total assets less total liabilities) divided by the number of shares issued.

» **Non-controlling Interest:** Portion of the profit or loss and net assets of a subsidiary attributable to equity interests that are not owned, directly or indirectly through subsidiaries, by the parent.

» **Operational Risk:** This refers to the risk of loss resulting from inadequate or failed internal processes, people and systems, or from external events.

» **Organic Growth:** The process of business growth through increased output, customer base expansion, or new product development, as opposed to through Mergers and Acquisitions-which is inorganic growth.

» **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.

Glossary of Financial and Business Terms *Contd.*

- » **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 (Listed shares/ debentures).
- » **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 28 Annual General Meeting of First Capital Holdings PLC will be held as a virtual meeting emanating from the Boardroom of the Company at No. 15, Walukarama Road, Colombo 03 on Thursday, 3 September 2020 at 10.30 a.m. to transact the following businesses.

1. To receive the Annual Report and the Audited Financial Statements of the Company for the year ended 31 March 2020 together with the Report of the Auditors thereon.
2. 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.
3. To re-elect Mr. Ramesh Schaffter 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-elect Dr. Nishan de Mel who retires by rotation in terms of Article 93 of the Articles of Association of the Company and offers himself for re-election.
5. 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”.
6. To re-appoint Messrs. KPMG, Chartered Accountants as Auditors of the Company for the ensuing year and authorise the Directors to determine their remuneration.
7. To authorise the Directors to determine and make donations.

By Order of the Board,

(Sgd.)

K H L Corporate Services Limited
Secretaries

11 August 2020

This image shows a full page of white paper with horizontal dotted lines. The lines are evenly spaced and run across the width of the page, providing a guide for handwriting practice. There are no margins, text, or other markings on the page.

Form of Proxy

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

1. Mr. Nishan Fernando failing him
2. Mr. Prakash Schaffter failing him
3. Mr. Ramesh Schaffter failing him
4. Mr. Eardley Perera failing him
5. Ms. Minette Perera failing her
6. Mr. Chandana de Silva failing him
7. Dr. Nishan de Mel failing him
8. Mr. Dinesh Schaffter failing him
9. Mr. Dilshan Wirasekara

as my/our Proxy to represent me/us and vote on my/our behalf at the 28 Annual General Meeting of the Company to be held as a virtual meeting emanating from the Boardroom of the Company at No. 15, Walukarama Road, Colombo 03 on Thursday, 3 September 2020 at 10.30 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.	To receive the Annual Report and the Audited Financial Statements of the Company for the year ended 31 March 2020 together with the Report of the Auditor's thereon.		
2.	Re-election of 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.		
3.	Re-election of Mr. Ramesh Schaffter who retires by rotation in terms of Article 93 of the Articles of Association of the Company and offers himself for re-election.		
4.	Re-election of Mr. Nishan de Mel who retires by rotation in terms of Article 93 of the Articles of Association of the Company and offers himself for re-election.		
5.	Re-appointment of Mr. Eardley Perera as a Director in terms of Section 211 of the Companies Act No.7 of 2007.		
6.	Re-appointment of Messrs. KPMG, Chartered Accountants as Auditors of the Company for the ensuing year.		
7.	Authorising Directors to determine and make donations.		

Signed on this.....day of 2020

Signature/s.....

.....
 Shareholder's N.I.C./P.P./Co. Reg. No.

Form of Proxy *Contd.***INSTRUCTIONS FOR THE COMPLETION OF THE FORM OF PROXY**

1. Please perfect the form of Proxy overleaf, after filling in legibly your full name and address, by signing in the space provided and filling the date of signature and your National Identity Card Number.
2. The completed form of Proxy must be forwarded to the Company Secretaries by email agm2020@firstcapital.lk, fax +94 112372498, WhatsApp to +94 773647178 or directly deposited at the office of 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. No registration of proxies will be accommodated after this deadline.
3. If an Attorney has signed the form of Proxy, the relative Power of Attorney should also accompany the completed form of Proxy for registration, if such Power of Attorney has not already been registered with the Company.
4. If the Shareholder is a company or a corporate body, the Proxy should be executed in accordance with its Articles of Association or Constitution. The Company may but shall not be bound to, require evidence of the authority of any such attorney or officer.
5. If there is any doubt as to how the vote is to be exercised, by reason of the manner in which the form of Proxy has been completed, no vote will be recorded by the form of Proxy.

Corporate Information

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. Prakash Schaffter
Mr. Ramesh Schaffter
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: 0112145030

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 Mohamad Macan Marker Mawatha
P.O. Box 186, Colombo 3

PRINCIPAL BANKERS

Seylan Bank PLC
Hatton National Bank PLC
Bank of Ceylon
People's Bank
Commercial Bank of Ceylon PLC
Cargills Bank Limited
National Development Bank PLC
Sampath Bank PLC
Nations Trust Bank PLC



First Capital Holdings PLC

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