First Capital

FIRST CAPITAL HOLDINGS PLC

ANNUAL REPORT

2018/19

CONTENTS

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

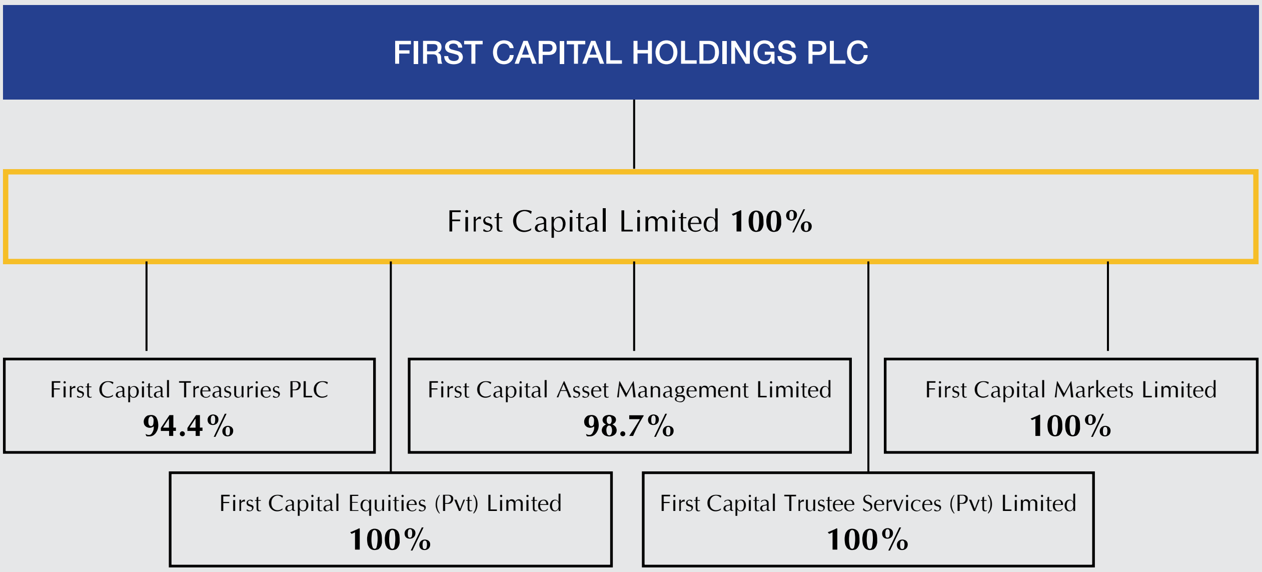
Who we are

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 advantage in our core businesses.

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

Capital Markets Advisory	

Capital market strategies and objective advice for corporate transformation provided by First Capital Limited.	• Debt and equity capital raising
	• Advisory services:
	  • 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.	• Unit Trusts • Discretionary portfolio management • Retirement planning
Fixed Income	
Seamless investment solutions provided by First Capital Treasuries PLC and First Capital Limited.	• Primary dealing • Secondary market trading in government securities and corporate debt securities
Equities	
Efficient secondary market trading provided by First Capital Equities (Private) Limited.	• Stock broking

Group Financial Highlights

For the year ended 31 March	2019	2018	Variance
Income statement (Rs. '000)			
Income	**4,171,474**	4,186,064	-0.35%
Net income before expenses	**461,904**	1,641,396	-71.86%
Profit before taxation	**88,383**	1,152,108	-92.33%
Profit after taxation	**7,548**	1,965,723	-99.62%
Total comprehensive income	**(20,007)**	1,875,436	-101.07%
Selected return ratios (Percentage)			
Return on equity	**0.06%**	64.40%	-64.34%
Return on capital employed	**9.42%**	14.52%	-5.10%
Financial position (Rs. '000)			
Total assets	**41,305,470**	35,192,013	17.37%
Total shareholders' funds	**3,821,590**	3,870,576	-1.27%
Stated capital	**227,500**	227,500	-
Funds employed (Debt & Equity)	**41,031,666**	34,350,359	19.45%
Selected ratios (Times/ Percentage)			
Leverage ratio (Debt to Equity)	**9.74**	7.87	23.72%
Interest cover	**1.03**	1.42	-27.61%
Capital Adequacy Ratio - First Capital Treasuries PLC	**15.69%**	14.69%	6.81%
Share related information			
Earnings per share (Rs.)	**0.02**	18.49	-99.88%
Dividend per share (Rs.)	**-**	2.00	-100.00%
Dividend payout	**-**	10.82%	-100.00%
Net assets per share (Rs.)	**35.96**	36.49	-1.46%
Closing share price (Rs.)	**23.10**	31.80	-27.36%
Market capitalisation (Rs. Mn)	**2,338.88**	3,219.75	-27.36%
Number of shares issued	**101,250,000**	101,250,000	-

Rs. 462MN

Net Trading Income before Expenses

Rs. 8MN

Profit After Tax

Rs. 41BN

Total Assets

Rs. 3.8Bn

Net Assets

Operational Highlights

Rs. 254BN

Value of Government Securities channelled to the public

Rs. 5.9BN

Assets Under Management

Rs. 28.5BN

Total funds raised through Corporate Debt Structuring and Placement

Chairman's Statement

Dear Shareholder,

A challenging year for the First Capital Holdings PLC group (FCH), where after a solid start, markets retreated during the second half in the face of several unforeseen externalities, including the general economic slowdown, the weakening Rupee and widespread political instability. In spite of these headwinds, your Company managed to recover its performance to end the year with a marginal profit.

FINANCIAL RECAP

Reflecting the tough operating conditions, Group net trading income before operating expenses fell to Rs. 462Mn in 2018/19 from Rs. 1.64Bn in the previous financial year, while consolidated net profits declined from Rs. 1.97Bn which included a one-off recognition of deferred tax assets of Rs. 902Mn in 2017/18 to Rs. 8Mn for the financial year ended 31 March 2019.

On a more positive note, ICRA Lanka Ltd reaffirmed the Group's SLA[-] credit rating, stating the robustness of our well-diversified business model and our strong market positioning.

POSITIONING FOR GROWTH

In the recent past, we have seen our immediate operating environment become increasingly challenging. Against this backdrop, the strategic decisions that we make to evolve our business in response to these changes have never been more important. Based on commitments made in 2017/18, we took action to evolve our business model in tandem with changing market dynamics. In my previous year's review, I outlined some key areas that we will focus on in the current financial year, such as phasing out our Margin Trading operation, a decision that was based on the poor performance of the local equities market for the past several years. I am pleased to announce that this process has now been completed with client portfolios being transferred.

At the same time, we pursued some strategically important initiatives to position the Group to overcome the current headwinds facing the industry. One of the key efforts for the year was strong emphasis placed on developing our wealth management business, where we looked to promote our product suite to enable clients to meet their financial goals through long-term, responsible investing.

Further, we continued with our ongoing digitisation and directed our technology investments for the year towards achieving two key objectives; Firstly, enhancing the client experience and secondly, improving overall operational efficiency would help to lower costs over the long term. And, as the benefits of these investments materialise over time, I believe they will serve as the key competitive lever for the Group.

GOVERNANCE AND STEWARDSHIP

The Board remains firm in its belief that sound governance practices provide the crucial foundation for the long-term success of the Group and that it is only by upholding the highest standards of corporate governance that we will ensure successful delivery of the Group's strategy.

Chairman's Statement *Contd.*

As Chairman of the FCH Board, I speak on behalf of my colleagues on the Board in stating that the Board is fully committed to maintaining a robust governance system that reflects our culture of performance, compliance, and accountability.

As part of this commitment, we regularly review our governance system to ensure it reflects changes in law and keeps pace with best practice developments in corporate governance. Throughout the year, we worked diligently to further refine the Group's governance framework and improve the system of policies and procedures to utilise the best of our talent and resources, and enable FCH to operate as a lean, nimble, and ethical organisation. In this context, some notable revisions were made to strengthen the credit and investments policies. Meanwhile in the interest of the long-term continuity of our business model, we also focused on talent management and development as well as strengthening our corporate culture, which I believe is fundamental to our continued success.

OUTLOOK AND STRATEGY

Going forward, the Board will look beyond the 'here and now' and focus on what lies beyond the horizon. This means asking some tough questions; What will, for instance, the industry look like a decade from now? What are the opportunities and risks? Above all, how can FCH ensure that it continues to grow as a responsible, transparent and ethical business? Posing these questions to ourselves on a regular basis will help to assess how future-ready our business is at any given time, and what action needs to be taken in order to ensure we maintain our status quo as the market leader at all times.

BOARD CHANGES

I would like to extend a warm welcome Mr. Prakash Schaffter and Mr. Ramesh Schaffter, both of whom were appointed in a non-executive capacity to the FCH Board with effect from December 2018. Both appointments were made following the September 2018 acquisition of a majority stake in our holding Company, Dunamis Capital PLC by Janashakthi PLC.

As leading industry experts with years of experience both locally and overseas, Prakash and Ramesh bring a fresh perspective that would no doubt add considerable value to our strategy and business model in the coming years.

APPRECIATIONS

I would like to extend my sincere thanks to my colleagues on the Board for their keen interest and eager participation in all Board matters. I also wish to take this opportunity to thank the management and all Group staff for the dedication and commitment with which they have worked to manage the turbulent situation.

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

And finally, a special thank you to our valued shareholders for the trust and confidence placed in the Company. I seek your continued support in the years ahead.

(Sgd.)
Nishan Fernando
Chairman

Director / Chief Executive Officer's Review

Fresh off the success in the previous financial year, we entered the year 2018/19 with a great deal of optimism, and we were off to a solid start. The policy environment for the first six months was very conducive and presented several growth opportunities across all our business verticals. In particular, the decision by the Central Bank of Sri Lanka (CBSL) in April 2018 to relax its tight monetary policy stance which saw the Standing Lending Facility Rate (SLFR) being dropped by 0.25% to 8.50% followed by relative stability for the next few months.

Regrettably, a series of unforeseen global and local events caused a complete reversal in the fortunes in the latter half of the financial year. Globally, money markets remained largely skewed towards the US economy, as the Federal Reserve continued to raise policy rates as part of its ongoing monetary policy normalisation strategy. The resulting outflows from both debt and equity markets affected investor confidence and caused Sri Lanka's sovereign rating to be downgraded by three leading International Rating Agencies. More importantly, the Country had to deal with the challenges of a severe liquidity shortfall in the domestic money market. Taking steps to control the impact, the CBSL decided to allow greater flexibility in the determination of the exchange rate with effect from September 2018, a move that triggered an unprecedented 16% depreciation in the Rupee in the immediate aftermath of the announcement. In a bid to facilitate a further liquidity injection, the CBSL also reduced the Statutory Reserve Ratio (SRR) applicable on all rupee deposit liabilities of commercial banks from 7.5% to 6.00% in mid- November 2018. Stating the need to neutralise the effect of the SRR reduction, interest rates which had remained relatively stable since April 2018 were revised upward in November 2018. Consequently, the Standing Deposit Facility Rate (SDFR) and the Standard Liquidity Facility Rate (SLFR) were increased by 0.75% and 0.50% respectively, further narrowing the policy rate corridor. And with the liquidity crisis persisting despite these efforts, the CBSL further reduced the SRR by 1% to 5% with effect from 1 March 2019. The SDFR and SLFR remained unchanged at 8.00% and 9.00% respectively as at 31 March 2019.

Meanwhile the political standoff that took place in the Country in September 2018 and the subsequent policy uncertainty put the domestic economy in a perilous position. The tourism industry bore the brunt of the impact, having to contend with mass cancellations just ahead of the peak winter 2018 season. Adding to these woes, the industrial sector tabled a weak performance for the second consecutive year. And despite steady growth in the Services sector and a notable rebound in the Agriculture sector, Sri Lanka's GDP expanded by only 3.2% in 2018. The external sector remained under stress as the budget deficit widened with imports continuing to outpace exports. And with limited expansion in GDP, Sri Lanka's debt-to-GDP ratio remained at around 80%, causing the IMF-led EFF programme to be temporarily suspended in November 2018, yet again negatively affecting market sentiment and investor confidence.

PERFORMANCE OF CORE BUSINESSES

Fixed Income

A difficult year for our fixed income business as across the industry yields on government securities were affected by weak market sentiment and the disruption caused by the government's response to

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

the tight money market liquidity situation. Under these circumstances, our Primary Dealer arm - First Capital Treasuries PLC (FCT), experienced significant trading losses and marked-to-market losses mainly towards end of 2018.

In light of these developments, our priority shifted towards ensuring stable net interest margins throughout the year. Taking a prudent approach, we focused mainly on medium term bonds that present a moderate risk profile, a strategy that I am pleased to report has substantially contributed to FCT's top line for the year under review. Moreover, the Company actively participated in the secondary market transactions throughout the year.

Nonetheless in light of the tenuous operating environment, the Company's key top line indicator - net trading income (before expenses) declined to Rs, 269Mn in the FY 2018/19, from Rs. 998Mn reported in the previous financial year.

Over and above this, the new tax regime introduced for Primary Dealers with effect from year 2018/19 meant the Company had to contend with an additional tax burden. Consequently, FCT reported a profit after tax of Rs. 96Mn in 2018/19, compared to the Rs. 1.67Bn (inclusive of a deferred tax asset of Rs. 847Mn) reported in the previous financial year.

As always, FCT remained complaint with the regulatory directives applicable to stand alone Primary Dealers.

Corporate Advisory
It was a challenging year for the Corporate Advisory unit as well, with limited opportunities in the market and the level of competition intensifying. However, leveraging on our reputation and long standing track record we were able to drive higher volumes. Our transaction volumes increased from Rs. 24Bn in 2017/18 to Rs. 28.5Bn in the year under review, indeed a commendable achievement given the increasingly demanding operating environment.

Despite the increase in volumes, fee income declined to Rs. 69Mn in 2018/19 from Rs. 80Mn in the previous financial year amidst increased competitive pressures.

Internal resources of the unit were further strengthened through a series of operational improvements, including several high profile personnel being added to the team.

Wealth Management
The Wealth Management business made steady progress reporting an above par performance, with the asset portfolio recording a year on year growth of 16% in the year under review. The key growth driver for the year was the money market fund.

Having found a growing number of retail customers seeking out alternative investment options, our strategy for the year was centred on raising awareness and promoting our products in this space.

These measures enabled the wealth management business to successfully generate a net fee income of Rs. 33Mn for 2018/19, a slight decrease from the Rs. 38Mn reported in the previous financial year.

Equities
I believe 2018/19, was by far the most challenging year for the equities business, as trading activity at the Colombo Stock Exchange hit an all-time low in the last decade. Given the sluggish trading conditions, we worked hard to retain market share of overall thin volumes.

Other Developments
Our margin trading operation was successfully phased out as indicated in the previous year, with client portfolios being transferred.

KEY OPERATIONAL HIGHLIGHTS

In my previous years' review, I concluded by stating that we will focus on four Group level strategies encompassing Group sales team, digitalisation, process re-engineering and automation and foreign-tie ups. However, in light of the uncertain business environment in 2018, we took a slightly different approach than what was planned. Accordingly, we did not expand our branch footprint and instead focused on strengthening our reach vis-a-vis our existing locations in Colombo, Kandy, Kurunegala, Negombo and Matara. Each branch continued with their scheduled regional programs with the aim of increasing awareness of our products and services.

Emphasising our commitment to increase customer convenience, notable progress was made on our digitalisation drive. Initiatives launched in 2018 include the e-statement program and the online customer on-boarding tool. In addition to SMS alerts and email alerts services for unit trust clients.

Meanwhile, making good on our process re-engineering strategy, we invested in a group CRM system. The move forms part of a focused effort to streamline the lead generation process and create a centralised data base that would facilitate greater cross functional visibility across the group businesses.

Once again our research team proved they are seasoned experts at the top of their game. Throughout the year, their research insights were featured in numerous local business publications such as the Echelon and the LMD and often received front page coverage in local newspapers. Our team also received some notable exposure in the media with several key personnel invited to share their views on Macroeconomic and regulatory developments in the current economic context. Meanwhile our ongoing partnership with Oxford Business Group (OBG) as the capital market research partner for the Sri Lanka economic report marked its 4th consecutive year.

INVESTING IN PEOPLE

Given the nature of our business, the knowledge and expertise of our people are fundamental to our success. Premised on this, we have continued to invest in their development through extensive training programmes. In the year under review, our focus was mainly on sharpening the technical capacity of our teams involved in investment and credit appraisal.

Taking steps further to strengthen our management pipeline, we also earmarked a few of our key personnel to participate in the Executive Leadership Development program conducted by the Colombo School of Business and Management.

LOOKING AHEAD

Having concluded what is perhaps one of the toughest years in recent times, I am cautiously optimistic about the future. The improved outlook for emerging markets over the next 18 - 24 months will bode well for Sri Lanka. It will likely mark the end to the cyclical downturn and trigger an uptick in both capital and equity market in due course, which I am confident will present opportunities for all aspects of our business.

APPRECIATIONS

I wish to express my sincere thanks to the Chairman and my colleagues on the Board for their leadership and direction in steering the Company towards its strategic vision. Let me take this opportunity to thank the senior management and each and every member of the FCH team for their steadfast support and unquestionable loyalty towards the Company.

I also wish to thank the officials of the Central Bank of Sri Lanka, Securities and Exchange Commission of Sri Lanka and Colombo Stock Exchange for their guidance and advice.

Finally, a special word of thanks is due to our shareholders, clients, bankers and other stakeholders of the Group for their long-standing support. I look forward to working together with you.

(Sgd.)
Dilshan Wirasekara
Director/ Chief Executive Officer

Board of Directors

1) **NISHAN FERNANDO**
Independent Non - Executive Chairman

2) **DINESH SCHAFFTER**
Managing Director

3) **DILSHAN WIRASEKARA**
Director / Chief Executive Officer

6) **EARDLEY PERERA**
Independent Non - Executive Director

7) **MINETTE PERERA**
Independent Non - Executive Director

8) **CHANDANA DE SILVA**
Independent Non - Executive Director

4) PRAKASH SCHAFFTER
Non-Independent Non-Executive Director

5) RAMESH SCHAFFTER
Non-Independent Non-Executive Director

9) NISHAN DE MEL
Independent Non - Executive Director

Board of Directors *Contd.*

1) 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 26 years of experience, during which period he has held the position of CFO/ Head of Finance at Sri Lanka Telecom PLC, Odel PLC and Goodhope Asia. Nishan is a Past President/ Council Member of the Institute of Chartered Accountants of Sri Lanka. He has served on the International Accounting Education Standards Board of the International Federation of Accountants, and of the Board of South Asian Federation of Accountants. He is currently serving as a member of the Consultative Advisory Group of International Accounting Education Standards Board.

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

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

2) DINESH SCHAFFTER
Managing Director

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

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

Other principal appointments
Managing Director : Kelsey Developments PLC
Director : Dunamis Capital PLC

3) 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 23 years, comprising diversified expertise in financial services including, banking, treasury and investment management, capital market strategy and corporate finance advisory.

Having joined First Capital in 2013 Wirasekara steered the Company, a full service investment bank holding licenses in stock brokering, unit trust management, margining trading and debt brokering in addition to its prominent position in the government securities market to establish itself as a significant contributor to the local capital market industry. He spearhead the formation of key debt structuring deals with internationally based development Financial Institutions as well the signing of strategic partnerships with foreign institutions focusing on emerging markets such as Sri Lanka.

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

He specialises in Asset and Liability Risk Management having secured the accolade of leading and representing two Sri Lankan companies in winning the International Bank Asset and Liability competition organized 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

4) PRAKASH SCHAFFTER

Non- Independent Non-Executive Director
(Appointed w.e.f. 21 December 2018)

Prakash Schaffter, a leading Insurance personality in Sri Lanka, currently serves as the executive chairman of Janashakthi Insurance PLC (Janashakthi). He has three decades of experience in the Insurance industry in both Sri Lanka and the United Kingdom. He has led Janashakthi as Managing Director since 2006, through a growth phase that saw Janashakthi become the third largest Insurer, acquire the Non-Life segment of AIA Insurance Lanka and most recently engage in the divestment of Janashakthi's Non-Life segment.

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

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 Insurance PLC, Janashakthi PLC, Dunamis Capital 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.

5) RAMESH SCHAFFTER

Non-Independent Non-Executive Director
(Appointed w.e.f. 21 December 2018)

Mr. Ramesh Schaffter was appointed as a Non-Independent, Non-Executive Director on 21 December 2018. He serves as Managing Director of Dunamis Capital 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
Managing Director : Dunamis Capital PLC
Director : Kelsey Developments PLC, Janashakthi Insurance PLC, Janashakthi PLC, Orient Finance PLC, Serendib Land PLC, Premier Synthetic Leather Manufacturers (Pvt) Ltd, K H L Corporate Services Limited, Sri Lanka Technology Incubator (Pvt) Ltd.

6) EARDLEY PERERA

Independent Non -Executive Director

Eardley Perera has been a Director of First Capital Holdings PLC since 1 May 2012 and serves as the Chairman of Dunamis Capital PLC (Parent Company).

Board of Directors *Contd.*

He is a graduate of the Chartered Institute of Marketing, UK, with over 40 years of experience in management. He has undergone management training in UK, Sweden, South Korea, India, the Philippines and Singapore. He is a member on the Board of Study of the Postgraduate Institute of Management (PIM) of the University of Sri Jayewardenepura and has been engaged in management education and consultancy.

Other principal appointments

Chairman : Dunamis Capital PLC and Kelsey Developments PLC and subsidiaries

Non-Executive Director : Janashakthi Insurance PLC, Janashakthi PLC, Sting Consultants (Private) Limited and Brand Finance Lanka (Private) Limited.

7) 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.

8) CHANDANA DE SILVA

Independent Non-Executive Director

Chandana de Silva has 25 years of managerial, financial experience and strategic acumen acquired in Sri Lanka and the United Kingdom. He held several senior management positions including that of Chief Financial Officer of a Nasdaq quoted telecom services company during his 23 years of work experience in the UK. Since moving back to Sri Lanka in 2002 he worked for MAS Holdings in a variety of roles and established its Supply Chain Management function, set up the MAS training centre and was the Chief Executive Officer of the MAS Investment Division when he left in 2011. He currently serves as a management consultant 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

Non-Executive Director : Dunamis Capital PLC, Kelsey Developments PLC, Eureka Technologies (Private) Limited, 24/7 Techies (Private) Limited, Sea-Change Partners Lanka (Private) Limited and Bairaha Farms PLC.

9) 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

Wasanthi Stephen
Head of Human Resources

Anuththara Sewwandi Kathriarachchi
AGM - Dealing Securities & Margin Trading

Harshanee Deshapriya
Senior Manager - Legal

Dimantha Mathew
Head of Research

Kapila Perera
Senior Manager - Risk and Compliance

Management Team *Contd.*

Mahesh Amarasinghe
Senior Manager - Debt Structuring & Placement

Anjelo Simmons
Chief Dealer

Anushi Ranawaka
Senior Manager - Treasury Sales

Dhilip Joseph
Senior Manager - Finance

Kavin Karunamoorthy
Senior Manager - Asset Management

Rohana Jayakody
Senior Manager - Branch Sales

Sujani Kumarage
Manager - Operations

Harsha Perera
Manager - Operations

Nisansala Munasinghe
Manager - Branding and Marketing Services

Anushka Dissanayake
Manager - Treasuries

Rangajeewa Abeywickrama
Manager - IT Operations

Nisansala Kothalawala
Manager - Middle Office

Salinda Samarakoon
Manager - Kandy Branch

Management Team *Contd.*

Dinesh Schaffter
Managing Director
Please refer to the Directors' Profile on page 14.

Dilshan Wirasekara
Director/ Chief Executive Officer
Please refer to the Directors' Profile on pages 14 to 15.

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

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

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

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

Mangala Jayashantha
Chief Financial Officer
Mangala Jayashantha brings over 18 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.

Wasanthi Stephen
Head of Human Resources
Wasanthi Stephen has over 20 years of work experience with over 17 in the Human Resource Industry in Sri Lanka. Her extensive exposure includes talent management, employee relations, handling industrial disputes, mentoring, counseling and Learning and Development in the hospitality, real estate, manufacturing and finance industries.

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

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

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

Anuththara Sewwandi Kathriarachchi
AGM - Dealing Securities & Margin Trading
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.

Harshanee Deshapriya
Senior Manager - 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. Her professional expertise ranges across various foreign and local investment activities such

as company takeovers and mergers, corporate finance and advisory services, dealing with foreign hedge funds, exchanges and contract management.

Harshanee holds a Master of Laws (LLM) in International Business and Commercial Law with a Merit Pass from the University of West London and she was awarded Outstanding Performance recognition for the highest average in dissertation. She obtained a Bachelor of Laws with Honours from the University of Colombo, Faculty of Law and she admitted as an Attorney-at-Law in Sri Lanka with Honours.

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

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

Dimantha Mathew
Head of Research
Dimantha Mathew has over 14 years of experience with investment banking a predominant focus.

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

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

Dimantha holds a Master of Business Administration from the University of Wales, UK and a Bachelor of Laws from the University of London. He is an Attorney-at-Law in Sri Lanka and also holds ACMA and CGMA qualifications.

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

Mahesh Amarasinghe
Senior Manager - Debt Structuring & Placement
Mahesh Amarasinghe counts over 19 years of significant experience in Treasury and Securities Management through business operations expertise gained at a Primary Dealer in and a Secondary Dealer of a range of fixed income securities.

He has extensive exposure in front and back-office operations and in customer relations in financial services.

Anjelo Simmons
Chief Dealer
Anjelo Simmons possesses 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.

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.

Management Team *Contd.*

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.

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).

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.

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.

Kavin Karunamoorthy
Senior Manager - 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.

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.

Sujani Kumarage
Manager - Operations
Sujani Kumarage 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.

Harsha Perera
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 managers treasury operations and oversees SWIFT Securities Payments and Settlements and maintains expansive relationships with Banks and Primary Dealers.

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

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

Nisansala Munasinghe
Manager - Branding and Marketing Services
Nisansala Munasinghe counts over 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.

Anushka Dissanayake
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. Joining Dunamis as a Senior Executive and promoted as an Assistant Manager in April 2014, Anushka worked under the direct supervision of the Managing Director. Subsequently, he was promoted as Manager-Treasuries of First Capital and manages fixed income trading.

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

Rangajeewa Abeywickrama
Manager - IT Operations
Rangajeewa Abeywickrama counts over 15 years of experience in the fields of IT Security, Cloud & Virtualisation, SWIFT Support Service, Disaster Recovery Planning and Risk Management.

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

Prior to joining First Capital, Rangajeewa worked as a System Administrator at Hayleys Advantis Limited in 2004.

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.

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

Salinda Samarakoon
Manager - Kandy Branch
Salinda Samarakoon counts over 16 years of experience with a decade's service at First Capital.

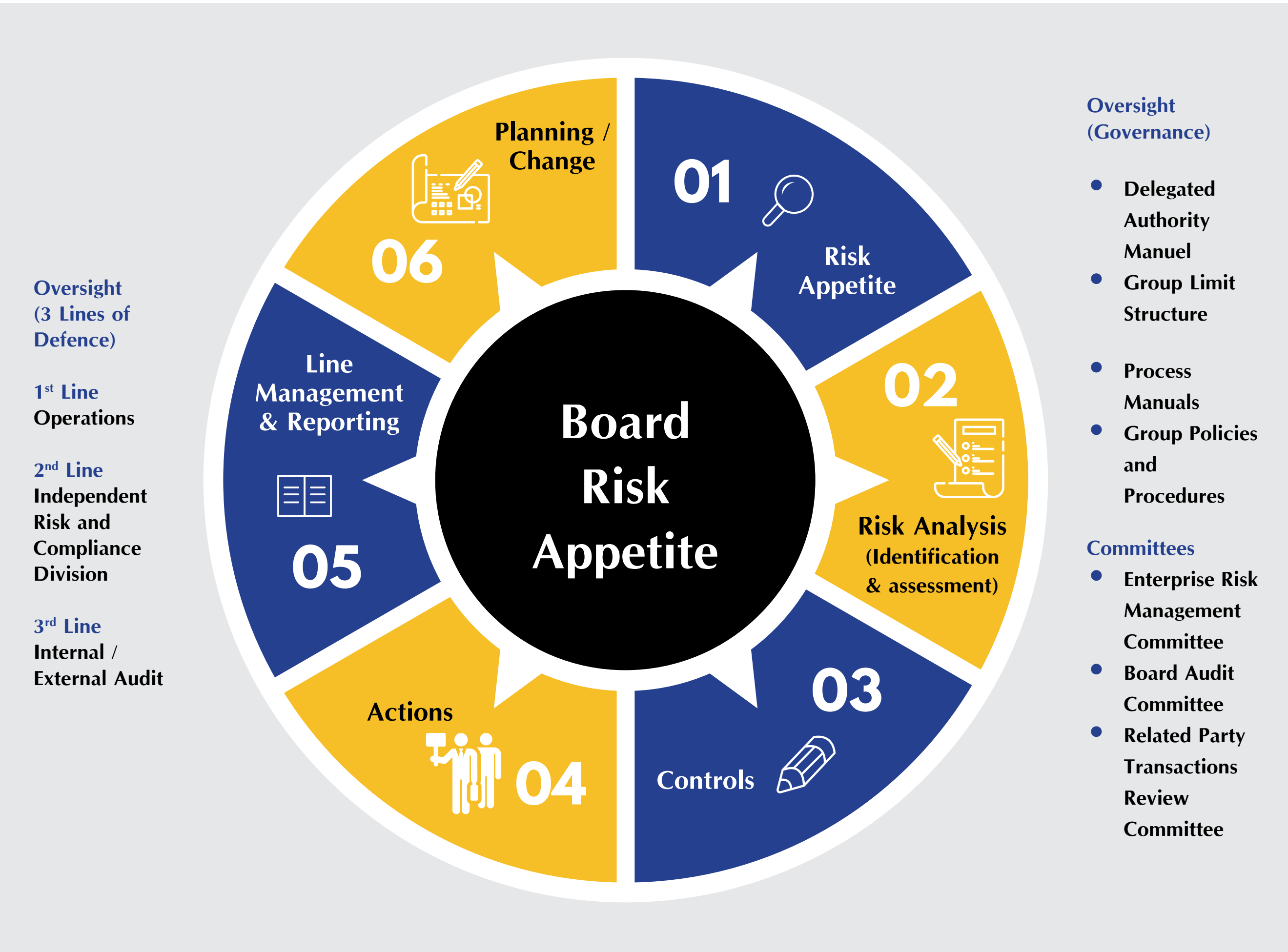
Specialising in fixed income securities, Salinda manages the dealer-trader and strategic investment needs of a diverse client base across the Central, Uva and Sabaragamuwa provinces.

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 independence from the business function.

We also have the advantage of having on board a competent research team to analyse the dynamics of economic, political, and social environment to forecast the scenario impacting our investments and to mitigate the risks encounter 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;



System and Control Infrastructure

Communication, Education, Training and Guidance

FIRST LINE

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

Front office and back office staff members engaged in business operations perform their tasks in accordance with the regulatory compliances, approved internal policies, procedures, and controls. They contribute invaluable 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 defence is made of Enterprise Risk Management Committee (ERMC) and Independent Risk and Compliance division, responsible for effective management and to ensure that risks undertaken are within the level of defined risk appetite. ERMC is a Board subcommittee chaired by an independent non-executive director, that ensure principal and emergent risks as well as events and outcomes which may significantly impact profitability and reputation are identified, assessed and responded to through appropriate controls whilst apprising the Board in this regard.

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

One of the salient features of 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 Committee whilst directing investment strategy of the Group, conduct asset and liability management and liquidity management to provide a risk-oversight role. This monitoring responsibility is in terms of determining limits and the controls applicable on predominantly market risks that come under its general mandate.

THIRD LINE

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

TYPES OF RISK FACED BY THE COMPANY

Trading Market Risk

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

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

Asset	Market Value as at 31 March 2019 (Rs. '000)
Government Securities	29,533,426
Quoted Debentures	1,745,160
Quoted Shares	250,643
Unit Trusts	456,208
Total	31,985,437

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

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

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

LIQUIDITY RISK

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

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

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

OPERATIONAL RISK

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

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

Risk 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/tabled to the Enterprise Risk Management Committee.

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

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

REGULATORY AND COMPLIANCE RISK

Risk due to non-compliance of regulatory requirements. These risks are 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 division's 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 concern with proposed remedial action for their concurrences.

REPUTATIONAL RISK

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

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

An embedded system of shared values that include integrity, accountability and a performance driven culture is in effect. The whistle blower policy is in operation 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 safe guard 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.

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

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

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

STRATEGIC RISK

Risk that the results are significantly different from the strategy and business plan as a result of changes in the business environment and 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 carry out periodical review of collateral valuations.
- Detailed credit appraisals are carried out as part of the lending/investment process.
- Sector-wise concentration limits on borrowings and counterparty credit limits are in place and reviewed periodically. Credit limits are set based on the counterparty credit rating, maturity baskets and instruments. Limits are reviewed on a weekly basis with exceptions being reported and approved. Credit ratings are periodically updated to enable identification of revisions and potential impact on credit quality.

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

Risk Management *Contd.*

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.

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

FINANCIAL REPORTS

FINANCIAL CALENDAR 2018/19

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

Reports	Date of Release
1st Quarter 2018/19 Interim Financial Report (Unaudited)	13 August 2018
2nd Quarter 2018/19 Interim Financial Report (Unaudited)	14 November 2018
3rd Quarter 2018/19 Interim Financial Report (Unaudited)	15 February 2019
4th Quarter 2018/19 Interim Financial Report (Unaudited)	31 May 2019

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 2019 which were approved by the Directors on 2 August 2019.

REVIEW OF OPERATIONS

The Group reported profit after tax of Rs. 8 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 9 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 49 of the Annual Report.

LEGAL STATUS

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

FINANCIAL RESULTS

The Group's net profit after tax for financial year 2018/19 was Rs. 8Mn compared with net profit after tax of Rs. 1.97Bn in year 2017/18.

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

	2018/19 Rs.'000	2017/18 Rs.'000
Revenue	**4,171,474**	**4,186,064**
Profit before tax	88,383	1,152,108
Profit after tax	**7,548**	**1,965,723**
Total comprehensive income (TCI)	**(20,007)**	**1,875,436**
Attribution		
Equity holders of the parent	(25,227)	1,781,547
Non-Controlling interest	5,220	93,889
Total	**(20,007)**	**1,875,436**

The financial statements of the Company are set out in pages 44 to 107 of the Annual Report.

BOARD OF DIRECTORS

Directorate

The Directors of the Company as at 31 March 2019 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 (appointed as a Director with effect from 21 December 2018)
9. Mr. Ramesh Schaffter (appointed as a Director with effect from 21 December 2018)

The profiles of the Directors are given in pages 12 to 16 of the Annual Report.

INTEREST IN SHARES

Directors/Chief Executive Officer and their shareholdings as at 31 March 2019 were as follows:

	No. of Shares 31.03.2019	No. of Shares 31.03.2018
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	Nil
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 14 to 16.

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 2018/19.

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 34 to 38 of the Annual Report.

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

DIVIDEND

The Board of Directors did not declare dividend for the year 2018/19.

SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted in the preparation of the financial statements is given on pages 49 to 68. 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 15 - Revenue from Contracts with Customers and SLFRS 9 - Financial Instruments as explained in Note 3 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

Annual Report of the Board of Directors *Contd.*

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 2018/19 have been presented in the Statement of Changes in Equity on pages 46 to 47of 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 2019 was Rs. 227.5Mn consisting of 101,250,000 ordinary shares.

SHARE INFORMATION AND SUBSTANTIAL SHAREHOLDERS

As at 31 March 2019, there were 5,675 registered shareholders. Share information and the twenty largest shareholders as at 31 March 2019 are listed in pages 108 to 109 of the Annual Report.

Information relating to market value of a share and information on share trading is stated under Shareholder and Investor information in pages 108 to 109 of the Annual Report.

CORPORATE DONATIONS

During the year under review, the Group made charitable donations of Rs. 0.1Mn.

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 41 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 27th Annual General Meeting of the Company will be held on 4 September 2019. The Notice convening the Meeting and the Agenda are given on page 119 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

2 August 2019
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 2019, 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 2019 and
- The financial performance of the Company and the Group for the financial year ended 31 March 2019

The financial statements of the Company and the Group for the year ended 31 March 2019 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 41 to 43 of this Annual Report.

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

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

(Sgd.)
K H L Corporate Services Limited
Secretaries

2 August 2019
Colombo

Corporate Governance

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

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

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

BOARD COMPOSITION AND INDEPENDENCE

The Board comprises of five Non-Executive Independent Directors, 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 16).

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 2018/19 (Attended/ Eligible to Attend)
Mr. Nishan Fernando	3/4
Mr. Dinesh Schaffter	4/4
Mr. Dilshan Wirasekara	4/4
Mr. Eardley Perera	4/4
Ms. Minette Perera	4/4
Mr. Chandana de Silva	3/4
Dr. Nishan de Mel	2/4
Mr. Prakash Schaffter	1/1
Mr. Ramesh Schaffter	0/1

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 specific documentation necessary, in advance of such meetings.

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

APPOINTMENT AND RE-ELECTION OF DIRECTORS

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

BOARD COMMITTEES (STATUTORY)

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

AUDIT COMMITTEE

The Report of the Audit Committee is presented on page 39 and the duties of the Committee are included therein.

RELATED PARTY TRANSACTIONS REVIEW COMMITTEE

The Report of the Related Party Transaction Review Committee is presented on page 40 and the duties of the Committee are included therein.

REMUNERATION COMMITTEE

Composition of the Committee, mandate of the Committee and other details are shown on Page 37.

SHAREHOLDERS RELATIONS

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

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

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

INTERNAL AUDIT AND CONTROL

The Board is responsible for the Company's internal control and its effectiveness. Internal control is established with emphasis placed on safeguarding assets, making available accurate and timely information and imposing great discipline on decision making. It covers all controls, including financial, operational and compliance control and risk management. It is important to state, that any system can ensure only reasonable and not absolute assurance that errors and irregularities are prevented or detected within a reasonable time.

The Internal Audit function of the company has been outsourced to M/s. 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,

Corporate Governance *Contd.*

Regulations of the Securities and Exchange Commission of Sri Lanka and the Colombo Stock Exchange. The Company Secretaries keep the Board informed of relevant new regulations and requirements.

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

	CSE Rule	Status of Compliance	Details/Reference
7.10.1 Non-Executive Director (NED)			
a./b./c.	At least 2 members or one third of the Board, whichever is higher should be NEDs as at the conclusion of immediately preceding AGM. Any change to this ratio should be rectified within 90 days.	Complied	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 page 14 to 16
c.	A brief resume of each Director with information on his/her area of expertise should be included in the annual report.	Complied	
d.	Upon appointment to the Board, a brief resume of the new director should be provided to the exchange for dissemination to the public.	Complied	

	CSE Rule	Status of Compliance	Details/Reference
7.10.5 Remuneration Committee			
a. 1	Remuneration committee should comprise at least 2 independent NEDs or more than 2 NDEs majority of whom shall be independent.	Complied	The Remuneration Committee consists of two Independent Non-Executive Directors namely, Mr. Eardley Perera and Mr. Chandana de Silva. Mr. Eardley Perera functions as the Chairman of the committee. The committee is mandated with ensuring accountability, transparency and fairness in reward structures that recognised the relationship between performance and reward. The committee functions with delegated authority from the Board and is responsible for setting the Company's remuneration policy and ensuring its continued ability to attract and retain high caliber candidates. The Company bases remuneration on both individual and company performance whilst paying due regard to staff retention. The committee recommends increment levels and determines the remuneration payable to the executive directors. The aggregate remuneration paid to the Directors is given in the Note 12 to the financial statements.
a. 2	One NED shall be appointed as chairman of the committee by the Board of Directors.	Complied	
b.	Remuneration committee shall recommend the remuneration of the CEO and Executive Directors to the Board.	Complied	
c.	The Annual Report should include the names of the Remuneration committee members, a statement of remuneration policy and the aggregate remuneration paid to Executive and Non-Executive Directors.	Complied	
7.10.6 Audit Committee			
a. 1	Audit Committee should comprise at least 2 independent NEDs or more than 2 NEDs majority of whom shall be independent.	Complied	Audit Committee Report on page 39.
a. 2	One NED shall be appointed as chairman of the committee by the Board of Directors.	Complied	
a. 3	Chief Executive Officer and the Chief Financial Officer shall attend the Audit Committee meetings.	Complied	
a. 4	The chairman of the Audit Committee or one member should be a member of a recognised professional accounting body.	Complied	

Corporate Governance *Contd.*

	CSE Rule	Status of Compliance	Details/Reference
B Functions of the Audit Committee			
b.1	Overseeing the preparation, presentation of the financial statements and adequacy of disclosures in accordance with SLFRS/LKAS.	Complied	Audit Committee Report on page 39.
b. 2	Overseeing the compliance with financial reporting requirements and information requirements as per laws and regulations.	Complied	
b. 3	Overseeing the processes to ensure internal controls and risk management functions are adequate to meet the requirements of Sri Lanka Auditing Standards.	Complied	
b. 4	Assessing the independence and performance of the external auditors.	Complied	
b. 5	Making recommends to the Board pertaining to appointment or reappointment or removal of external auditors and to approve their remuneration and terms of engagement.	Complied	
C	The annual report should include the names of the audit committee members, the basis for the determination of the independence of the external auditors and a report of the Audit Committee setting out the manner of compliance with the above requirements during the specified period.	Complied	

Audit Committee Report

COMPOSITION

The Audit Committee consists of 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
Dr. Nishan de Mel – Independent Non-Executive Director (resigned with effect from 15 February 2019)
Mr. Ramesh Schaffter
Non-Independent Non-Executive Director *(appointed with effect from 25 April 2019)*

Brief profiles of the members of the Board appointed Audit Committee are given on Pages 12 to 16 of the Annual Report.

MEETINGS

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

The attendance of the Members for the Audit Committee meetings during year 2018/19 is as follows.

Name of Director	Attendance in 2018/19 (Attended/ Eligible to Attend)
Ms. Minette Perera	6/6
Mr. Nishan Fernando	6/6
Dr. Nishan de Mel	4/5

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 2018/19 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 2020, subject to the approval of the shareholders at the Annual General Meeting.

(Sgd.)
Minette Perera (Ms.)
Chairperson - Audit Committee

2 August 2019
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:

Mr. 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 16 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 five 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 2018/19 is as follows.

Name of Director	Attendance in 2018/19 (Attended/ Eligible to Attend)
Ms. Minette Perera	5/5
Mr. Nishan Fernando	5/5
Mr. Dinesh Schaffter	5/5

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 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 30 to 32 of the Annual Report.

(Sgd.)
Minette Perera
Chairperson - Related Party Transactions Review Committee

2 August 2019
Colombo

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 2019, 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 44 to 107.

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 2019, 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 3.13 and explanatory Note 15,16,17,18 and 26 to the financial statements.

Risk Description

The Group's investment portfolio comprises of 96% of the total assets (by value) as at 31 March 2019.

This is considered to be the key driver of the Group's capital and revenue performance. The investments measured at fair value comprises of 78% 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 is in particular required for instruments where observable market prices or market parameters are not available. For such instruments, the fair value is determined through the use of valuation techniques or models applied by the Group.

The Group has adopted SLFRS 9 – "Financial Instruments" with changes on the classification and measurement framework and the introduction of more complex expected credit loss (ECL) model involves significant management judgement.

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

Our audit procedures included:

- Testing the key controls over identification, measurement and management of valuation risk as well as evaluating the methodologies and input parameters used by the Group in determining fair values.
- Evaluating the accuracy of the transition adjustment on the adoption of SLFRS 9 and for a sample of financial instruments, verifying the accuracy on the classification and re-measurement adjustments.

Independent Auditor's Report *Contd.*

KPMG

- 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 with the assistance of our technical consultants.
- Comparing observable inputs against independent sources and externally available market data and re-performing 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 3.12.3 and explanatory Note 23 to the financial statements.

Risk Description

The Group has recognized deferred tax asset of Rs. 862 Mn as at 31 March 2019 in respect of the future deductible temporary differences and undisputed accumulated tax losses which 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 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.

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

Our audit procedures included:

- Assessing and challenging the Group's approach for evaluating the likelihood of the recoverability of deferred tax assets. This included challenging the key assumptions used by the management in the preparation of future taxable profits forecasts of the Company and its subsidiaries by comparing the most significant inputs used in the forecasts, including future revenue, margins and operating cost growth rates, with the historical performance of the entity, management's forecasts used for other purposes and our knowledge of the business and the industry based on internal and external sources of information.
- Challenging the key assumptions underpinning the Group's financial projections against historical performance and estimates.
- 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.

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, KPMG

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.

KPMG

Chartered Accountants
Colombo

2 August 2019

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 March,	Note	Group 2019 Rs. '000	Group 2018 Rs. '000	Company 2019 Rs. '000	Company 2018 Rs. '000
Income	6	**4,171,474**	4,186,064	**1,216,385**	1,057,384
Direct income	7	**4,148,711**	4,176,223	**1,213,356**	1,057,384
Direct expenses	8	**(3,570,379)**	(2,833,345)	**(1,096,281)**	(964,686)
Net trading income		**578,332**	1,342,878	**117,075**	92,698
Other income	9	**22,763**	9,841	**3,029**	-
Gain/ (loss) on fair valuation of financial assets recognised through profit or loss - measured at fair value	10	**(139,191)**	288,677	**-**	-
		461,904	1,641,396	**120,104**	92,698
Operating expenses					
Personnel expenses		**(242,326)**	(282,134)	**(21,769)**	(30,455)
Premises, equipment and establishment expenses		**(37,631)**	(43,622)	**(7,525)**	(7,836)
Other operating expenses	11	**(120,438)**	(163,532)	**(35,895)**	(21,519)
(Provision)/ reversal for impairment of financial assets at amortised cost		**26,874**	-	**(3,815)**	-
		(373,521)	(489,288)	**(69,004)**	(59,810)
Operating profit		**88,383**	1,152,108	**51,100**	32,888
Share of profit/ (loss) from equity accounted investee (net of tax)		**-**	-	**(29,565)**	1,811,724
Profit before taxation	12	**88,383**	1,152,108	**21,535**	1,844,612
Income tax (expenses)/ reversal	13	**(80,835)**	813,615	**(19,333)**	27,211
Profit for the year		**7,548**	1,965,723	**2,202**	1,871,823
Other comprehensive income					
Items that will never be reclassified to profit or loss					
Actuarial loss on defined benefit plans		**(3,784)**	(325)	**-**	-
Gain/ (loss) on financial assets fair value through other comprehensive income		**(24,831)**	(90,053)	**208**	-
Tax effect on other comprehensive income		**1,060**	91	**-**	-
Share of other comprehensive income from equity accounted investee (net of tax)		**-**	-	**(27,637)**	(90,276)
Items that are or may be reclassified to profit or loss		**-**	-	**-**	-
Other comprehensive income		**(27,555)**	(90,287)	**(27,429)**	(90,276)
Total comprehensive income for the year		**(20,007)**	1,875,436	**(25,227)**	1,781,547
Profit attributable to:					
Equity holders of the parent		**2,202**	1,871,823	**2,202**	1,871,823
Non - controlling interests		**5,346**	93,900	**-**	-
		7,548	1,965,723	**2,202**	1,871,823
Total comprehensive income attributable to:					
Equity holders of the parent		**(25,227)**	1,781,547	**(25,227)**	1,781,547
Non - controlling interests		**5,220**	93,889	**-**	-
		(20,007)	1,875,436	**(25,227)**	1,781,547
Basic Earnings per Share (Rs.)	14	**0.02**	18.49	**0.02**	18.49

Figures in brackets indicate deductions.

The notes disclosed on pages 49 to 107 form an integral part of these Consolidated Financial Statements.

Consolidated Statement of Financial Position

As at,	Note	Group 31.03.2019 Rs. '000	Group 31.03.2018 Rs. '000	Company 31.03.2019 Rs. '000	Company 31.03.2018 Rs. '000
ASSETS					
Cash at banks and in hand		**55,317**	319,663	**21,344**	8,490
Derivative financial instruments	15	**3,454**	47,868	**-**	-
Financial assets recognised through profit or loss - measured at fair value	16	**31,985,437**	26,519,838	**-**	-
Financial assets - fair value through other comprehensive income	17	**217,920**	242,750	**1,208**	1,000
Financial assets at amortised cost	18	**7,557,832**	6,069,028	**7,974,257**	7,418,696
Group balances receivable	29	**514**	442	**121**	-
Trade and other receivables	19	**246,661**	811,035	**6,878**	2,967
Non - current assets held for sale	20	**42,416**	42,416	**-**	-
Taxes receivable	21	**178,845**	70,118	**58,585**	-
Investment in subsidiary	22	**-**	-	**3,212,043**	3,294,772
Deferred tax asset	23	**862,024**	929,892	**16,573**	34,539
Property, plant and equipment	24	**37,050**	19,990	**20,864**	3,005
Intangible assets	25	**118,000**	118,973	**4,997**	6,221
Total Assets		**41,305,470**	35,192,013	**11,316,870**	10,769,690
LIABILITIES					
Bank overdrafts		**971,036**	294,402	**830,539**	290,941
Derivative financial instruments	26	**2,878**	21,659	**-**	-
Securities sold under re-purchase agreements	27	**29,204,828**	23,412,237	**-**	-
Short term borrowings	28	**6,566,174**	6,013,598	**6,566,174**	5,999,239
Group balances payable	29	**1,198**	728	**629**	10,962
Trade and other payables	30	**237,524**	786,984	**26,905**	226,802
Taxes payable	21	**348**	4,291	**-**	2,782
Long term borrowings	31	**251,833**	352,368	**251,833**	352,368
Retirement benefit obligations	32	**31,856**	27,992	**-**	-
Borrowings on debentures	33	**216,205**	407,178	**-**	191,607
Total Liabilities		**37,483,880**	31,321,437	**7,676,080**	7,074,701
EQUITY					
Stated capital	34	**227,500**	227,500	**227,500**	227,500
Risk reserve	35	**1,021,248**	1,012,200	**1,021,248**	1,012,200
Retained earnings		**2,506,870**	2,545,342	**2,506,870**	2,545,342
Fair valation reserve	36	**(114,828)**	(90,053)	**(114,828)**	(90,053)
Equity attributable to the equity holders of the parent		**3,640,790**	3,694,989	**3,640,790**	3,694,989
Non - controlling interests		**180,800**	175,587	**-**	-
Total Equity		**3,821,590**	3,870,576	**3,640,790**	3,694,989
Total Equity and Liabilities		**41,305,470**	35,192,013	**11,316,870**	10,769,690
Net assets per share (Rs.)		**35.96**	36.49	**35.96**	36.49

Figures in brackets indicate deductions.
The notes disclosed on pages 49 to 107 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

2 August 2019
Colombo

Consolidated Statement of Changes in Equity

For the year ended 31 March 2019	Attributable to equity holders of parent					Non-controlling Interest	Total Equity
	Stated Capital Rs. '000	Risk Reserve Rs. '000	Retained Earnings Rs. '000	Fair Valuation Reserve Rs. '000	Total Rs. '000	Rs. '000	Rs. '000
Group							
Balance as at 1 April 2017	**227,500**	**854,456**	**1,036,415**	**-**	**2,118,371**	**95,242**	**2,213,613**
Total comprehensive income for the year							
Profit for the year	-	-	1,871,823	-	1,871,823	93,900	1,965,723
Other comprehensive income for the year	-	-	(223)	(90,053)	(90,276)	(11)	(90,287)
Total comprehensive income	**-**	**-**	**1,871,600**	**(90,053)**	**1,781,547**	**93,889**	**1,875,436**
Transactions with equity holders							
Distribution to equity holders							
Dividend paid - Interim 2017/18 (Note 37)	-	-	(202,500)	-	(202,500)	-	(202,500)
Dividend paid to shareholders with NCI*	-	-	-	-	-	(11,115)	(11,115)
Total distribution to equity holders	**-**	**-**	**(202,500)**	**-**	**(202,500)**	**(11,115)**	**(213,615)**
Changes in ownership interest							
Adjustment due to acquisition	-	-	(2,429)	-	(2,429)	(2,429)	(4,858)
Total changes in ownership interest	-	-	(2,429)	-	(2,429)	(2,429)	(4,858)
Total transactions with equity holders	**-**	**-**	**(204,929)**	**-**	**(204,929)**	**(13,544)**	**(218,473)**
Transfers to risk reserve	-	157,744	(157,744)	-	-	-	-
Balance as at 31 March 2018	**227,500**	**1,012,200**	**2,545,342**	**(90,053)**	**3,694,989**	**175,587**	**3,870,576**
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 of adoption of SLFRS 9 (net of tax) (Note 5)	-	-	(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 for the year	-	-	(2,654)	(24,775)	(27,429)	(126)	(27,555)
Total comprehensive income	**-**	**-**	**(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**

* *Non-controlling interest*

Figures in brackets indicate deductions.
The notes disclosed on pages 49 to 107 form an integral part of these Consolidated Financial Statements.

Statement of Changes in Equity

For the year ended 31 March 2019	Stated Capital Rs. '000	Risk Reserve Rs. '000	Retained Earnings Rs. '000	Fair Valuation Reserve Rs. '000	Total Equity Rs. '000
Company					
Balance as at 1 April 2017	**227,500**	**854,456**	**1,036,415**	**-**	**2,118,371**
Total comprehensive income for the year					
Profit for the year	-	-	1,871,823	-	1,871,823
Other comprehensive income for the year	-	-	(223)	(90,053)	(90,276)
Total comprehensive income	**-**	**-**	**1,871,600**	**(90,053)**	**1,781,547**
Transactions with equity holders					
Distribution to equity holders					
Dividend paid - Interim 2017/18 (Note 37)	-	-	(202,500)	-	(202,500)
Total distribution to equity holders	**-**	**-**	**(202,500)**	**-**	**(202,500)**
Changes in ownership interest					
Adjustment due to acquisition	-	-	(2,429)	-	(2,429)
Total changes in ownership interest	**-**	**-**	**(2,429)**	**-**	**(2,429)**
Total transactions with equity holders	**-**	**-**	**(204,929)**	**-**	**(204,929)**
Transfers to risk reserve	-	157,744	(157,744)	-	-
Balance as at 31 March 2018	**227,500**	**1,012,200**	**2,545,342**	**(90,053)**	**3,694,989**
Balance as at 1 April 2018	**227,500**	**1,012,200**	**2,545,342**	**(90,053)**	**3,694,989**
Impact of adoption of SLFRS 9 (net of tax) (Note 5)	-	-	(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 income for the year	-	-	(2,654)	(24,775)	(27,429)
Total comprehensive income	**-**	**-**	**(452)**	**(24,775)**	**(25,227)**
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**

Figures in brackets indicate deductions.
The notes disclosed on pages 49 to 107 form an integral part of these Consolidated Financial Statements.

Consolidated Statement of Cash Flows

For the year ended 31 March	Group		Company	
	2019	2018	2019	2018
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Cash flows from operating activities				
Interest receipts and gains realised	**4,065,400**	4,076,631	**1,162,394**	831,312
Interest payments and other direct cost	**(3,346,076)**	(2,361,855)	**(1,097,408)**	(957,884)
Other receipts	**11,616**	9,841	**-**	-
Cash payments to employees and suppliers	**(369,744)**	(469,638)	**(58,656)**	(58,651)
Operating profit/ (loss) before changes in operating assets and liabilities	**361,196**	1,254,979	**6,330**	(185,223)
Increase in financial assets - fair value through profit or loss	**(5,579,157)**	(2,435,641)	**-**	-
(Increase)/ Decrease in financial assets - at amortised cost	**(1,471,509)**	591,940	**(513,211)**	1,185,690
(Increase)/ Decrease in trade and other receivables	**564,374**	(270,513)	**(3,911)**	(664)
Increase in group balance receivables	**(72)**	(442)	**(121)**	-
Increase/ (Decrease) in trade and other payables	**(346,960)**	225,692	**2,602**	(5,197)
Increase/ (Decrease) in group balances payables	**470**	728	**(10,333)**	(413)
Increase/ (Decrease) in short term borrowings	**549,075**	(766,364)	**561,321**	(1,215,151)
Increase in securities sold under re-purchase agreements	**5,565,682**	1,845,434	**-**	-
Cash flows generated from in operations	**(356,901)**	445,813	**42,677**	(220,958)
Tax paid (Note 21)	**(123,932)**	(26,338)	**(61,394)**	(7,797)
Gratuity paid (Note 32)	**(6,968)**	(1,034)	**-**	-
Net cash flows generated from/ (used in) operating activities	**(487,801)**	418,441	**(18,717)**	(228,755)
Cash flows from investing activities				
Purchase of property, plant, equipment and intangible assets	**(29,241)**	(23,746)	**(23,168)**	(8,830)
Proceeds on sale of property, plant, equipment	**11,321**	-	**3,029**	-
Investment in subsidiaries	**-**	(4,858)	**-**	(4,858)
Dividend receipts	**52,641**	63,740	**12**	210,624
Net cash flows generated from/ (used in) investing activities	**34,721**	35,136	**(20,127)**	196,936
Cash flows from financing activities				
Dividend paid (Note 37)	**(202,500)**	-	**(202,500)**	-
Dividend paid to shareholders with non-controlling interest	**-**	(11,115)	**-**	-
Redemption of listed debentures	**(185,400)**	(129,200)	**(185,400)**	(129,200)
Dividend tax paid	**-**	(18,896)	**-**	-
Repayment of long term borrowings	**(100,000)**	(100,000)	**(100,000)**	(100,000)
Net cash flows from/ (used in) financing activities	**(487,900)**	(259,211)	**(487,900)**	(229,200)
Net cash inflow/ (outflow) for the year	**(940,980)**	194,366	**(526,744)**	(261,019)
Cash and cash equivalents at the beginning of the year	**25,261**	(169,105)	**(282,451)**	(21,432)
Cash and cash equivalents at the end of the year (Note A)	**(915,719)**	25,261	**(809,195)**	(282,451)
Note A				
Cash at banks and in hand	**55,317**	319,663	**21,344**	8,490
Bank overdrafts	**(971,036)**	(294,402)	**(830,539)**	(290,941)
	(915,719)	25,261	**(809,195)**	(282,451)

Figures in brackets indicate deductions.
The notes disclosed on pages 49 to 107 form an integral part of these Consolidated Financial Statements.

Notes to the Financial Statements

1. REPORTING ENTITY

First Capital Holdings PLC ("the Company") is a public limited liability company incorporated and domiciled in Sri Lanka on 23 March 1992. The registered office and place of business of the Company is No. 2, Deal Place, Colombo 03. The shares of the Company have a primary listing on the Colombo Stock Exchange. The staff strength of the Group as at 31 March 2019 is 96 (2018 – 90).

The Consolidated Financial Statements for the year 2018/19 include the Company and its Subsidiaries (together referred to as the "Group" and individually as "Group entities").

The Financial Statements of all companies in the Group have a common financial year which ends on 31 March. The Company's parent entity is Dunamis Capital PLC. The ultimate parent undertaking and controlling party is Janashakthi PLC (with effect from 10 December 2018) 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 Subsidiary	Principal Activities
First Capital Limited (Note A)	Engages in debt structuring, corporate finance and advisory services and investment in and management of subsidiaries.
First Capital Treasuries PLC	Engages in business operations as a Primary Dealer in Government Securities.
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 broking 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 broking of listed debt securities carried out by First Capital Markets Limited in February 2018. Accordingly, the business of trading and broking of listed debt securities was terminated during year 2018/19 and termination of margin lending operations is in progress. 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.

2.2 Approval of Financial Statements by Directors

The Consolidated Financial Statements for the year ended 31 March 2019 were authorised for issue by the Board of Directors on 2 August 2019.

2.3 Basis of Measurement

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

- Investment in subsidiaries/ associates using equity method of Accounting
- Non – derivative financial instruments held for trading are measured at fair value
- Derivative financial instruments are measured at fair value
- Financial assets - fair value through other comprehensive income are measured at fair value
- Retirement benefit obligations - present value of the defined benefit obligations

2.4 Functional and Presentation Currency

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

2.5 Materiality and offsetting

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

Assets and liabilities are grouped by nature and listed in an order that reflects their relative liquidity and maturity pattern.

Assets and liabilities are offset and the net amount reported in the Statement of Financial Position only where there is:

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

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

2.6 Use of Judgments and Estimates

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

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

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

2.6.1 Going Concern

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

2.6.2 Fair Valuation of Financial Instruments

Where the fair values of financial assets and financial liabilities recorded in the statement of financial position cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of mathematical models. The inputs to these models are derived from observable market data where possible. However, if they are not available, judgment is required to establish fair values. The valuation of financial instruments is described in more detail in Note 44.

2.6.3 Defined Benefit Obligations

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

2.6.4 Useful Life Time of Property, Plant and Equipment

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

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements, and have been applied consistently by Group entities, except for the change in accounting policy as explained below.
Comparative information has where necessary been reclassified to confirm the current year's presentation.

3.1 Changes in Significant Accounting Policies

The Group has applied SLFRS 15 and SLFRS 9 with effect from 1 April 2018.

Due to the transition methods chosen by the Group in applying these standards, comparative information throughout these financial statements has not been restated to reflect the requirements of the new standards.

3.1.1 SLFRS 15 Revenue from Contracts with Customers

SLFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognized. It replaced LKAS 18 Revenue, LKAS 11 Construction Contracts and related interpretations. Under SLFRS 15, revenue is recognised when a customer obtains control of the goods or services. Determining the timing of the transfer of control- at a point in time or over time- requires judgement.

The adoption of SLFRS 15 does not have a significant effect on the Group's Financial Statements.

3.1.2 SLFRS 9 Financial Instruments

SLFRS 9 sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non- financial items. The standard replaces LKAS 39 Financial Instruments: Recognition and Measurement.

SLFRS 9 contains three principle classification categories for financial assets: measured at amortised cost, fair value through other comprehensive income (FVTOCI) and fair value through profit or loss (FVTPL). The classification of financial asset under SLFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. SLFRS 9 eliminates the previous LKAS 39 categories of held for trading, held to maturity, loans and receivables and available for sale. Under SLFRS 9, derivatives embedded in contracts where the host is a financial asset in the scope of the standard are never separated. Instead, the hybrid financial instrument as a whole is assessed for classification.

The adoption of SLFRS 9 has not had a significant effect on the Group's accounting policies related to financial liabilities and derivative financial instruments.

The impact of transition to SLFRS 9 on the opening balances is disclosed in Note 5 to the financial statements.

3.1.2.1 Classification and measurement of financial assets and financial liabilities

The original measurement categories under LKAS 39 and the new measurement categories under SLFRS 9 for each class of the financial assets and financial liabilities of the Group as at 1 April 2018 are disclosed in Note 5 to the financial statements.

The effect of adopting SLFRS 9 on the carrying amounts of financial assets as at 1 April 2018 relates solely to the new impairment requirements.

3.1.2.2 Impairment of financial assets

SLFRS 9 replaces the 'incurred loss' model in LKAS 39 with an 'expected credit loss' (ECL) model. The new impairment model applies to financial assets measured at amortised cost. Under SLFRS 9, credit losses are recognised earlier than under LKAS 39.

For assets in the scope of the SLFRS 9 impairment model, impairment losses are generally expected to increase and become more volatile.

3.2 Basis of Consolidation

3.2.1 General

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

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

3.2.2 Business Combinations

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

The Group measures goodwill at the acquisition date as:

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

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

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

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

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

3.2.3 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.

3.2.4 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/ available-for-sale investments and therefore already at fair value and as a result, no remeasurement in the statement of financial position arises in practice, but because the investment is treated as sold there is reclassification to profit or loss of the fair valuation reserve.

3.2.5 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.

3.2.6 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 49.

3.2.7 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.

3.2.8 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.

3.2.9 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.

3.2.10 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.

3.2.11 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.

3.2.12 Unconsolidated Structured Entities

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

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

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

3.3 Foreign Currency

3.3.1 Foreign Currency Transactions

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

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

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

Non-monetary items that are measured based on historical cost in a foreign currency are translated using the spot exchange rate at the date of the transaction.

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

3.4 Interest Income and expense

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

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

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

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

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

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

3.5 Gain/ (Loss) on Sale of Financial Investments measured at Fair Value though 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.

3.6 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.

3.7 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 income.

3.8 Interest Rate Swap Income

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

3.9 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.

3.10 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.

3.11 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.

3.12 Taxation

3.12.1 Income Tax

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

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

3.12.2 Current Tax

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

Provision for taxation is based on the profit for the year adjusted for taxation purposes in accordance with the provisions of the Inland Revenue Act, No. 24 of 2017 and the amendments thereto.

3.12.3 Deferred Tax

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

Deferred tax is not recognised for:

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

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

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

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

3.12.4 Other Tax Exposures

3.12.4.1 Withholding Tax on Dividends (WHT)

Dividend distributed out of taxable profit of the Subsidiaries is subject to a deduction of 14% at source and is not available for set off against the tax liability of the Company. Thus, the withholding tax deducted at source is added to the tax expense of the subsidiaries in the Consolidated Financial Statements as a consolidation adjustment.

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

3.12.4.2 Value Added Tax on Financial Services (FSVAT)

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

3.12.4.3 Value Added Tax (VAT)

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

3.12.4.4 Economic Service Charge (ESC)

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

3.12.4.5 Nation Building Tax (NBT)

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

3.13 Financial Assets and Financial Liabilities

(I) Policy applicable from 1 April 2018

3.13.1 Recognition and initial measurement of Financial Assets

Financial assets are initially recognised when the Group becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) is initially measured at fair value plus, for an item not at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

3.13.2 Classification and subsequent measurement of Financial Assets

On initial recognition, a financial asset is classified as measured at: amortised cost; fair value through other comprehensive income (FVTOCI) - debt investment; fair value through other comprehensive income (FVTOCI) - equity investment; or fair value through profit or loss (FVTPL).

Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A debt investment is measured at FVTOCI if it meets both of the following conditions and is not designated as at FVTPL:

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

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by-investment basis.

All financial assets not classified as measured at amortised cost or FVTOCI as described above are measured at FVTPL. This includes all derivative financial assets. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVTOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets - Business model assessment

The Group makes an assessment of the objective of the business model in which a financial 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. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows 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 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 of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, consistent with the Group's continuing recognition of the assets.

Financial assets that are held for trading or are managed and whose performance is evaluated on a fair value basis are measured at FVTPL.

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.

SUBSEQUENT MEASUREMENT

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.

3.13.3 Recognition and initial measurement of Financial Liabilities

Debt securities issued are initially recognised when they are originated. All other financial liabilities are initially recognised when the Group becomes a party to the contractual provisions of the instrument.

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

3.13.4 Classification and Subsequent Measurement of Financial Liabilities

On initial recognition, the 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

The subsequent measurement of financial liabilities depends on their classification.

(i) 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 EIR. Subsequent to initial recognition these financial liabilities are measured at amortised cost using the effective interest method. Securities sold under repurchase agreements are classified as financial liabilities measured at amortised cost.

The EIR amortisation is included in 'Interest expense' in the Statement of profit or Loss. Gains and losses too are recognised in the Statement of Profit or Loss when the liabilities are derecognised as well as through the EIR amortisation process.

(ii) 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.

(II) Policy applicable before 1 April 2018

3.13.5 Recognition and Initial Measurement

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

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

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

3.13.6 Classification and Subsequent Measurement

Financial Assets

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

- at fair value through profit or loss (either as held for trading or designated at fair value through profit or loss)
- loans and receivables
- held to maturity financial assets
- available-for-sale financial assets

Financial Liabilities

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

3.13.6.1 Financial Assets and Financial Liabilities at Fair Value through Profit or Loss

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

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

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

3.13.6.2 Loans and Receivables

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

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

3.13.6.3 Held-to-Maturity Financial Assets (HTM)

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

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

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

3.12.6.4 Available-for -Sale Financial Assets (AFS)

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

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

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

3.13.6.5 Financial Liabilities Measured at Amortised Cost

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

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

3.13.7 Derecognition

3.13.7.1 Financial Assets

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

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

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

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

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

3.13.7.2 Financial Liabilities

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

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

3.13.8 Reclassification

(I) Policy applicable from 1 April 2018

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.

(II) Policy applicable before 1 April 2018

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

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

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

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

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

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

3.13.9 Offsetting

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

Income and expenses are presented on a net basis only when permitted under LKASs/SLFRSs, or for gains and losses arising from a group of similar transactions such as in the Group's trading activity.

3.13.10 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.

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

The best evidence of the fair value of a financial instrument at initial recognition is normally the transaction price – i.e. the fair value of the consideration given or received. If the Group determines that the fair value at initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique that uses only data from observable markets, then the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value at initial recognition and the transaction price. Subsequently, that difference is recognized 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.

3.13.12 Identification and Measurement of Impairment

(I) Impairment Policy: applicable from 1 April 2018

Financial instruments and contract assets

Loss allowances for trade receivables is always measured at an amount equal to lifetime ECLs.

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

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

The Group considers a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or
- the financial asset is more than 90 days past due.

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

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

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

Measurement of ECLs

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

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

Credit-impaired financial assets

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

Notes to the Financial Statements *Contd.*

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 tor a security because of financial difficulties.

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.

Write-off

The gross carrying amount of a financial asset is written off when the Group has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. For individual customers, the Group has a policy of writing off the gross carrying amount when the financial asset is 180 days past due based on historical experience of recoveries of similar assets. For corporate customers, the Group individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The Group expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures to recovery of amounts due.

(II) Impairment Policy: applicable before 1 April 2018

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

Objective evidence that financial assets are impaired includes:

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

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

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

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

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

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

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

of derecognition to the reporting date using the original effective interest rate of the existing financial asset.

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

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

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

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

3.14 Cash and cash equivalents
Cash and cash equivalents comprise cash in hand, balances with banks that are subject to an insignificant risk of changes in their value. Balances with banks represent current accounts, which are on demand basis. Cash and cash equivalents are carried at amortised cost in the Statement of Financial Position.

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

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

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

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

3.17 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.

3.17.1 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.

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

3.17.3 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 property, plant and equipment have been revised with effect from 1 April 2018 and necessary adjustments to Consolidated Financial Statements have been made prospectively.

Notes to the Financial Statements *Contd.*

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

Asset Type	Life Time (Years)	
	From 1 April 2018 onwards	Before 1 April 2018
Computer Equipment	5 – 6	3 – 6
Fixtures & Fittings	5	3 – 5
Furniture	5	3 – 5
Office Equipment	5	3 – 5
Motor Vehicles	5	3

As a result of change in estimated useful lives of property, plant and equipment, decrease in Group's depreciation expenses for year 2018/19 is Rs. 6.94Mn (Company - Rs. 3.49Mn).

3.17.4 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.

3.18 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.

3.19 Intangible assets

3.19.1 Goodwill

Goodwill that arises on the acquisition of subsidiaries is presented with intangible assets. For the measurement of goodwill at initial recognition see Note 3.2.7. Subsequent to initial recognition, goodwill is measured at cost less accumulated impairment losses.

3.19.2 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 has been revised with effect from 1 April 2018 and necessary adjustments to the Consolidated Financial Statements have been made prospectively.

The revised estimated useful life of software is as follows:

Asset Type	Life Time (Years)	
	From 1 April 2018 onwards	Before 1 April 2018
Software	5 – 6	3 – 6

As a result of change in estimated useful lives of intangible assets, decrease in Group's amortaisation expenses for year 2018/19 is Rs. 1.71Mn (Company - Rs. 0.87Mn).

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

3.19.3 Business License

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

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

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

3.20 Impairment of Non-Financial Assets
At each reporting date, the Group reviews the carrying amounts of its non-financial assets (other than investment properties and deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

Goodwill is tested annually for impairment.

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

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

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

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

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

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

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

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

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

3.22 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.

3.23 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.

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

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

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

3.26 Employee Benefits
3.26.1 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.

3.26.1 (a) Employees' Provident Fund
The company and employee contribute 12% - 15% and 8% - 10% respectively on the salary of each employee to an approved Provident Fund.

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

3.26.2 Defined Benefit Plans
A defined benefit plan is a post-employment benefit plan other than a defined contribution plan.

Notes to the Financial Statements *Contd.*

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 recognized 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.

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

3.27 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.

3.28 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.

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

All material and important events that occurred after the reporting date have been considered and appropriate disclosures are made in Note 42 to the Financial Statements.

3.30 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 STANDARD ISSUED BUT NOT EFFECTIVE AS AT REPORTING DATE

The Institute of Chartered Accountants of Sri Lanka has issued the following new Sri Lanka Accounting Standard which will become applicable for financial periods beginning on or after 1 January 2019. Accordingly, this Standard has not been applied in preparing these Consolidated Financial Statements.

4.1 Sri Lanka Accounting Standard 16 "Leases"
SLFRS 16 requires lessees to recognize all leases on their Consolidated Statement of Financial Position as lease liabilities, with the corresponding right of-use assets. The profit or loss recognition pattern for recognised leases will be similar to existing finance lease accounting, with interest and depreciation expense recognised separately in Profit or Loss. SLFRS 16 is effective for annual periods beginning on or after 1 January 2019.

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

5. TRANSITION DISCLOSURE

5.1 The following table reconciles the carrying amounts of group's financial assets and liabilities as per LKAS 39 to the carrying amounts as per SLFRS 9 on transition to SLFRS 9 on 1 April 2018.

Group	Note	Classification under LKAS 39 Category	Classification under LKAS 39 Rs.'000	Re-measurement ECL Rs.'000	Classification under SLFRS 9 Rs.'000	Classification under SLFRS 9 Category
Financial Assets						
Derivative financial instruments	i	HFT	47,868	-	47,868	FVTPL
Investment in government securities	i	HFT	24,187,440	-	24,187,440	FVTPL
Investment in debentures	i	HFT	1,607,063	-	1,607,063	FVTPL
Investment in units	i	HFT	402,130	-	402,130	FVTPL
Investment in quoted shares	i	HFT	323,205	-	323,205	FVTPL
Investment in unquoted shares	ii	AFS	242,750	-	242,750	FVTOCI
Investment in corporate debt securities	iii	L&R	63,229	(122)	63,107	AC
Investment in re-sale agreements	iii	L&R	1,794,007	(4,203)	1,789,804	AC
Investment in fixed deposits	iii	L&R	7,753	(1)	7,752	AC
Short term lendings	iii	L&R	3,064,674	(33,859)	3,030,815	AC
Long term lendings	iii	L&R	1,139,365	(2,064)	1,137,301	AC
Trade receivables	iii	L&R	532,734	-	532,734	AC
Related party receivable	iii	L&R	442	-	442	AC
Cash at banks and in hand	iii	L&R	319,663	-	319,663	AC
Total financial assets			**33,732,323**	**(40,249)**	**33,692,074**	
Financial Liabilities						
Bank overdrafts	iv	AC	294,402	-	294,402	AC
Derivative financial instruments	i	HFT	21,659	-	21,659	FVTPL
Securities sold under re-purchase agreements	iv	AC	23,412,237	-	23,412,237	AC
Short term borrowings	iv	AC	6,013,598	-	6,013,598	AC
Trade payables	iv	AC	341,090	-	341,090	AC
Long term borrowings	iv	AC	352,368	-	352,368	AC
Borrowings on debentures	iv	AC	407,178	-	407,178	AC
Related party payable	iv	AC	728	-	728	
Total Financial Liabilities			**30,843,260**	**-**	**30,843,260**	

L&R - *Loans and receivables*
HFT - *Held for trading*
AFS - *Available for sale*
AC - *Amortised cost*
FVTPL - *Fair value through profit or loss*
FVTOCI - *Fair value through other comprehensive income*
ECL - *Expected Credit Loss*

i) Financial assets - fair value through profit or loss

Under LKAS 39, trading investments (Inclusive of derivative financial instruments) were classified as financial assets - held for trading and measured at fair value through profit or loss. These assets are classified as financial assets measured at fair value through profit or loss under SLFRS 9. There was no impact on opening retained earnings as at 1 April 2018 on transition to SLFRS 9.

ii) Financial assets - fair value through other comprehensive income

Under LKAS 39, unquoted share investments were classified as financial assets - available for sale and measured at fair value through other comprehensive income. These assets are classified as financial assets measured at fair value through other comprehensive income under SLFRS 9. There was no impact on opening retained earnings as at 1 April 2018 on transition to SLFRS 9.

iii) Financial assets at amortised cost

Under LKAS 39, corporate debt securities, long term lending, short term lending, investment under resale agreements, investment in fixed deposits, trade receivables, related party receivables and cash at banks and in hand were classified as loans and receivables and measured at amortised cost. These assets are classified as financial assets measured at amortised under SLFRS 9. As per SLFRS 9, financial assets measured at amortised cost are subject to expected credit loss. Therefore Group has recognised expected credit losses of Rs. 40.249Mn for financial assets at amortised cost as at 1 April 2018 on transition to SLFRS 9.

iv) Financial liabilities

Under LKAS 39, bank overdrafts, derivative financial instruments, securities sold under re-purchase agreements, short term borrowings,trade payables, long term borrowings, borrowings on debentures and related party payable were classified as financial liabilities and measured at amortised cost. These liabilities are classified as financial liabilities measured at amortised cost under SLFRS 9. There was no impact on opening retained earnings as at 1 April 2018 on transition to SLFRS 9.

5.1.1 The following table summarises the impact of transition to SLFRS 9 on the opening balance of the Retained Earnings, Non Controlling interests of equity.

Group	Retained earnings Rs.'000	Non Controlling interests Rs.'000	Total Equity Rs.'000
Closing balance as at 31st March 2018 based on LKAS 39	2,545,342	175,587	3,870,576
Recognition of Impairment allowance on expected credit loss	(40,239)	(10)	(40,249)
Deferred Tax in relation to Expected Credit Losses	11,267	3	11,270
Opening balance under SLFRS 9 as at 1 April 2018	2,516,370	175,580	3,841,597

5.1.2 The following table reconciles to the closing impairment allowance for financial assets under LKAS 39 to the opening ECL allowance determined under SLFRS 9 as at 1 April 2018.

Group	Rs.'000
Closing Impairment Provision as at 31 March 2018 based on LKAS 39	258,868
Recognition of Expected Credit Losses under SLFRS 9 for Financial Assets at Amortised Cost	40,249
Opening Impairment Provision under SLFRS 9 as at 1 April 2018	299,117

5.2 The following table reconciles the carrying amounts of company's financial assets and liabilities as per LKAS 39 to the carrying amounts as per SLFRS 9 on transition to SLFRS 9 on 1 April 2018.

Company	Note	Classification under LKAS 39 Category	Classification under LKAS 39 Rs.'000	Re-measurement ECL Rs.'000	Classification under SLFRS 9 Rs.'000	Classification under SLFRS 9 Category
Financial Assets						
Investment in unquoted shares	i	AFS	1,000	-	1,000	FVTOCI
Investment in fixed deposits	ii	L&R	5,363	(1)	5,362	AC
Short term lendings	ii	L&R	7,413,333	(4,784)	7,408,549	AC
Cash at banks and in hand	ii	L&R	8,490	-	8,490	AC
Total financial assets			**7,428,186**	**(4,785)**	**7,423,401**	
Financial Liabilities						
Bank overdrafts	iii	AC	290,941	-	290,941	AC
Short term borrowings	iii	AC	5,999,239	-	5,999,239	AC
Long term borrowings	iii	AC	352,368	-	352,368	AC
Borrowings on debentures	iii	AC	191,607	-	191,607	AC
Related party payable	iii	AC	10,962	-	10,962	AC
Total Financial Liabilities			**6,845,117**	**-**	**6,845,117**	

L&R - *Loans and receivables*
AFS - *Available for sale*
AC - *Amortised cost*
FVTOCI - *Fair value through other comprehensive income*
ECL - *Expected Credit Loss*

i) Financial assets - fair value through other comprehensive income
Under LKAS 39, unquoted share investments were classified as financial assets - available for sale and measured at fair value through other comprehensive income These assets are classified as financial assets measured at fair value through other comprehensive income under SLFRS 9. There was no impact on opening retained earnings as at 1 April 2018 on transition to SLFRS 9.

ii) Financial assets at amortised cost
Under LKAS 39, Long term lending, short term lending, investment in fixed deposits and Cash at banks in hand were classified as loans and receivables and measured at amortised cost. These assets are classified as financial assets measured at amortised under SLFRS 9. As per SLFRS 9, financial assets measured at amortised cost are subject to expected credit loss. Therefore the Company has recognised expected credit losses of Rs. 4.785 Mn for financial assets at amortised cost as at 1 April 2018 on transition to SLFRS 9.

iii) Financial liabilities
Under LKAS 39, Bank overdrafts, Short term borrowings, Long term borrowings, Borrowings on debentures and Related party payable were classified as financial liabilities and measured at amortised cost. These liabilities are classified as financial liabilities measured at amortised cost under SLFRS 9. There was no impact on opening retained earnings as at 1st April 2018 on transition to SLFRS 9.

Notes to the Financial Statements *Contd.*

5.2.1 The following table summarises the impact of transition to SLFRS 9 on the opening balance of the Retained Earnings and Total Equity.

Company	**Retained earnings Rs.'000**	**Total Equity Rs.'000**
Closing balance as at 31 March 2018 based on LKAS 39	2,545,342	3,694,989
Recognition of Impairment allowance on expected credit loss	(4,785)	(4,785)
Deferred Tax in relation to Expected Credit Losses	1,340	1,340
Share of loss from equity accounted investee (net of tax)	(25,527)	(25,527)
Opening balance under SLFRS 9 as at 1 April 2018	2,516,370	3,666,017

5.2.2 The following table reconciles to the closing impairment allowance for financial assets under LKAS 39 to the opening ECL allowance determined under SLFRS 9 as at 1 April 2018.

Company	**Rs.'000**
Closing Impairment Provision as at 31 March 2018 based on LKAS 39	5,000
Recognition of Expected Credit Losses under SLFRS 9 for Financial Assets at Amortised Cost	4,785
Opening Impairment Provision under SLFRS 9 as at 1 April 2018	9,785

For the Year ended 31 March,	Group 2019 Rs. '000	Group 2018 Rs. '000	Company 2019 Rs. '000	Company 2018 Rs. '000
6 INCOME				
Direct income (Note 7)	**4,148,711**	4,176,223	**1,213,356**	1,057,384
Other income (Note 9)	**22,763**	9,841	**3,029**	-
	4,171,474	4,186,064	**1,216,385**	1,057,384

7 DIRECT INCOME				
Interest income on financial assets recognised through profit or loss - measured at fair value	**2,811,526**	2,145,679	**-**	-
Interest income on financial assets at amortised cost	**1,173,997**	1,169,973	**1,201,805**	1,054,389
Margin trading income	**12,440**	43,527	**-**	-
Gain/ (loss) on sale of financial assets recognised through profit or loss - measured at fair value	**(41,455)**	572,252	**-**	-
Fee and commission income	**104,353**	122,611	**11,539**	2,971
Broking income	**32,861**	58,441	**-**	-
Dividend income	**54,989**	63,740	**12**	24
	4,148,711	4,176,223	**1,213,356**	1,057,384

7.1. Timing of Income Recognition				
Income generated at a point in time	**150,748**	817,044	**11,551**	2,995
Income generated over the period	**3,997,963**	3,359,179	**1,201,805**	1,054,389
	4,148,711	4,176,223	**1,213,356**	1,057,384

8 DIRECT EXPENSES				
Interest expenses on re-purchase agreements	**2,444,024**	1,811,505	**-**	-
Interest expenses on corporate debt securities	**1,053,341**	924,236	**1,063,169**	915,269
Brokerage cost	**16,978**	20,121	**1,342**	762
Interest expenses on listed debentures	**45,417**	64,290	**24,726**	43,812
Other direct expenses	**10,619**	13,193	**7,044**	4,843
	3,570,379	2,833,345	**1,096,281**	964,686

9 OTHER INCOME				
Gain on disposal of property, plant and equipment	**11,147**	-	**3,029**	-
Miscellaneous income	**11,616**	9,841	**-**	-
	22,763	9,841	**3,029**	-

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

Government securities	**65,951**	176,384	**-**	-
Listed debentures	**14,905**	57,038	**-**	-
Listed shares	**(63,129)**	46,672	**-**	-
Unit trusts	**(15,626)**	4,218	**-**	-
Derivative financial instruments - Government securities	**(141,292)**	4,365	**-**	
	(139,191)	288,677	**-**	-

Gain/ (loss) on fair valuation of financial investments for 2018/19 has been accounted for in accordance with the SLFRS 9 (2017/18 - LKAS 39).

Notes to the Financial Statements *Contd.*

For the Year ended 31 March,	Group 2019 Rs. '000	Group 2018 Rs. '000	Company 2019 Rs. '000	Company 2018 Rs. '000
11 OTHER OPERATING EXPENSES				
Professional services expenses	**15,998**	28,061	**8,411**	6,643
Sales promotion expenses	**17,046**	26,699	**6,400**	3,553
Value added tax/ Nation building tax on financial services	**18,688**	69,293	**12,899**	8,079
Communication and information technology expenses	**25,293**	22,964	**1,638**	2,054
Traveling expenses	**10,725**	4,866	**5,839**	368
Fund Transfer chargers/ Bank chargers	**14,830**	10,789	**708**	822
Provision for economic service charge	**10,624**	-	**-**	-
Miscellaneous expenses	**7,234**	860	**-**	-
	120,438	163,532	**35,895**	21,519

12 PROFIT BEFORE TAX

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

	Group 2019 Rs. '000	Group 2018 Rs. '000	Company 2019 Rs. '000	Company 2018 Rs. '000
Directors' emoluments	**23,525**	51,500	**4,229**	7,809
Auditor's remuneration - Audit services	**1,997**	1,800	**385**	360
- Other services	**-**	300	**-**	100
Salaries	**157,399**	139,165	**15,096**	14,641
Depreciation of property, plant and equipment (Note 24)	**10,410**	8,083	**5,229**	751
Amortisation of intangible assets (Note 25)	**2,570**	3,809	**1,304**	408
Employer's contribution to defined contribution plans	**24,818**	22,124	**2,423**	2,348
Retirement benefit cost (Note 32)	**7,048**	6,005	**-**	-
Legal fees	**1,324**	5,551	**173**	194
Donations	**105**	1,250	**-**	-
Impairment provision of trade and other receivables	**1,140**	343	**-**	-
Provision/ (reversal) for impairment of financial assets at amortised cost	**(26,874)**	-	**3,814**	-

13 TAXATION

The Company and its subsidiaries are liable for income tax at the rate of 28% on its taxable profits for the year 2018/19. Whereas the Company and its subsidiaries were liable for income tax at the rate of 28% on its taxable profits for the year 2017/18 except for interest income arising in First Capital Treasuries PLC which was tax free and management fee income relating to Unit Trust operations in First Capital Asset Management Limited which was liable for income tax at the rate of 10%.

For the year ended 31 March,	Group 2019 Rs. '000	Group 2018 Rs. '000	Company 2019 Rs. '000	Company 2018 Rs. '000
13.1 Income tax expenses				
Recognised in Profit or Loss				
Current tax expenses (Note 13.2)	**(453)**	(61,244)	**-**	(7,311)
(Under)/ over provision for taxes	**(185)**	657	**(27)**	(17)
Deferred tax assets recognised during the year (Note 23)	**-**	901,606	**-**	34,539
Deferred tax expense (Note 23)	**(80,197)**	(8,508)	**(19,306)**	-
Taxes on dividend	**-**	(18,896)	**-**	-
	(80,835)	813,615	**(19,333)**	27,211
13.2 Recognised in Other Comprehensive Income				
Deferred tax assets recognised during the year (Note 23)	**1,060**	91	**-**	-
	(79,775)	813,706	**(19,333)**	27,211
Reconciliation of accounting profit to income tax				
Profit before taxation	**88,383**	1,152,108	**21,535**	1,844,612
Less : Income from other sources	**(18,998)**	(136,401)	**-**	(1,825,511)
Less : Exempted income	**(188,265)**	(215,962)	**(3,041)**	-
Add : Disallowable expenses	**382,118**	367,919	**53,739**	23,693
Less : Allowable expenses	**(27,664)**	(18,567)	**(2,877)**	(2,623)
Adjusted profit for the year	**235,574**	1,149,097	**69,356**	40,171
Add : Income from other sources	**18,998**	14,992	**-**	-
Total statutory income	**254,572**	1,164,089	**69,356**	40,171
Exclusion of primary dealing's income (Section 32)	**-**	(823,406)	**-**	-
Tax loss claimed during the year	**(252,953)**	(119,080)	**(69,356)**	(14,060)
Taxable Income	**1,619**	221,603	**-**	26,111
Income Tax Expense				
Tax at 10% on unit trust management income	**-**	(443)	**-**	-
Tax at 28% on other income	**(453)**	(60,801)	**-**	(7,311)
	(453)	(61,244)	**-**	(7,311)
13.3 Accumulated Tax Losses				
Balance at the beginning of the year	**11,826,680**	10,802,657	**125,084**	139,111
Loss incurred during the year	**148,568**	1,142,992	**-**	-
Loss utilised during the year	**(252,953)**	(119,080)	**(69,356)**	(14,060)
Adjustment with respect of previous year	**449**	111	**(52)**	33
Balance at the end of the year	**11,722,744**	11,826,680	**55,676**	125,084

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 2019	Group 2018	Company 2019	Company 2018
Profit attributable to equity holders of the parent (Rs. '000)	**2,202**	1,871,823	**2,202**	1,871,823
Weighted average number of ordinary shares in issue	**101,250,000**	101,250,000	**101,250,000**	101,250,000
Earnings per share (Rs.)	**0.02**	18.49	**0.02**	18.49

Notes to the Financial Statements *Contd.*

As at,	Group 31.03.2019 Rs. '000	Group 31.03.2018 Rs. '000	Company 31.03.2019 Rs. '000	Company 31.03.2018 Rs. '000
15 DERIVATIVE FINANCIAL INSTRUMENTS				
Forward purchase contracts	**3,454**	46,162	**-**	-
Forward sales contracts	**-**	1,706	**-**	-
	3,454	47,868	**-**	-
16 FINANCIAL ASSETS RECOGNISED THROUGH PROFIT OR LOSS -MEASURED AT FAIR VALUE				
Quoted shares (Note 16.1)	**250,643**	323,205	**-**	-
Government securities (Note 16.2)	**29,533,426**	24,187,440	**-**	-
Debentures (Note 16.3)	**1,745,160**	1,607,063	**-**	-
Unit trusts (Note 16.4)	**456,208**	402,130	**-**	-
	31,985,437	26,519,838	**-**	-

16.1 Quoted shares - Group As at,	No. of shares 31.03.2019	No. of shares 31.03.2018	Market values 31.03.2019 Rs. '000	Market values 31.03.2018 Rs. '000	Cost 31.03.2019 Rs. '000	Cost 31.03.2018 Rs. '000
Citizens Development Business Finance PLC	**570,247**	570,247	**43,966**	48,414	**44,707**	44,707
Janashakthi Insurance Company PLC	**2,151,477**	2,151,477	**57,229**	57,660	**61,971**	61,971
John Keells Holdings PLC	**139,527**	210,000	**21,766**	33,516	**22,601**	34,017
Lanka Walltile PLC	**398,816**	398,816	**23,929**	39,243	**51,027**	51,027
National Development Bank PLC	**428,341**	304,625	**40,350**	40,546	**55,026**	42,016
Orient Finance PLC	**2,138,299**	2,860,041	**27,798**	54,055	**32,671**	43,699
Peoples Leasing and Finance PLC	**1,700,000**	1,700,000	**22,780**	26,860	**29,409**	29,409
Royal Ceramics Lanka PLC	**217,375**	217,375	**12,825**	22,911	**24,998**	24,998
Total			**250,643**	323,205	**322,410**	331,844

As at,	Market values 31.03.2019 Rs. '000	Market values 31.03.2018 Rs. '000	Face values 31.03.2019 Rs. '000	Face values 31.03.2018 Rs. '000
16.2 Government securities - Group				
Treasury bills	**650,483**	11,110,370	**707,703**	12,006,394
Treasury bonds	**28,882,943**	13,077,070	**28,028,580**	12,687,847
	29,533,426	24,187,440	**28,736,283**	24,694,241

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 Market Values 31.03.2019 Rs. '000	Group Market Values 31.03.2018 Rs. '000	Group Face Values 31.03.2019 Rs. '000	Group Face Values 31.03.2018 Rs. '000
Treasury bills	**536,528**	10,418,478	**592,262**	11,369,774
Treasury bonds	**26,325,379**	11,596,764	**26,251,228**	11,450,632
	26,861,907	22,015,242	**26,843,490**	22,820,406

As at,	Group 31.03.2019 Rs. '000	Group 31.03.2018 Rs. '000	Company 31.03.2019 Rs. '000	Company 31.03.2018 Rs. '000
16.3 Debentures				
Quoted debentures				
Citizen Development Bank PLC	**1,661**	107,313	**-**	-
Commercial Leasing & Finance PLC	**197,360**	207,833	**-**	-
Dunamis Capital PLC	**181,833**	589,927	**-**	-
Hatton National Bank PLC	**-**	4,848	**-**	-
Hayleys PLC	**2,072**	2,035	**-**	-
Janashakthi PLC	**515,294**	479,047	**-**	-
Lanka Orix Finance PLC	**681,218**	168	**-**	-
Lanka Orix Leasing Company PLC	**134,395**	132,011	**-**	-
Richard Pieris & Company PLC	**3,928**	3,929	**-**	-
Senkadagala Finance PLC	**-**	10,167	**-**	-
Siyapatha Finance PLC	**27,399**	27,253	**-**	-
Unquoted debentures				
Softlogic Finance PLC	**-**	42,532	**-**	-
	1,745,160	1,607,063	**-**	-

16.3.(a) Securities pledged as collateral - Group

Quoted debentures classified as financial assets recognised through profit or loss - measured at fair value amounting to Rs. 1,745 Mn (Market value), have been pledged as collateral for re-purchase agreements and margin facility entered into by the Group (31 March 2018 - Rs. 977.2 Mn).

As at,	Group 31.03.2019 Rs. '000	Group 31.03.2018 Rs. '000	Company 31.03.2019 Rs. '000	Company 31.03.2018 Rs. '000
16.4 Unit Trusts				
First Capital Equity Fund	**30,034**	37,319	**-**	-
First Capital Fixed Income Fund	**-**	10,684	**-**	-
First Capital Gilt -Edged Fund	**-**	9,098	**-**	-
First Capital Money Market Fund	**71,980**	27,104	**-**	-
First Capital Wealth Fund	**352,874**	316,715	**-**	-
JB Vantage Short Term Gilt Fund	**1,320**	1,210	**-**	-
	456,208	402,130	**-**	-
17 FINANCIAL ASSETS - FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME				
Investment in Bartleet Transcapital Limited - Equity investments (Note 17.1)	**1,208**	1,000	**1,208**	1,000
Investment in Lanka Financial Services Bureau Limited - Equity investments (Note 17.2)	**-**	1,000	**-**	-
Investment in Kanrich Finance Limited (Note 17.3)	**216,712**	240,750	**-**	-
	217,920	242,750	**1,208**	1,000

Notes to the Financial Statements *Contd.*

As at,	Group 31.03.2019 Rs. '000	Group 31.03.2018 Rs. '000	Company 31.03.2019 Rs. '000	Company 31.03.2018 Rs. '000
17.1 Investment in Bartleet Transcapital Limited				
Balance at the beginning of the year	**1,000**	1,000	**1,000**	1,000
Gain on fair valuation	**208**	-	**208**	-
Balance at the end of the year	**1,208**	1,000	**1,208**	1,000
17.2 Investment in Lanka Financial Service Bureau Limited				
Balance at the beginning of the year	**1,000**	1,000	**-**	-
Loss on fair valuation	**(1,000)**	-	**-**	-
Balance at the end of the year	**-**	1,000	**-**	-
17.3 Investment in Kanrich Finance Limited				
Balance at the beginning of the year	**240,750**	330,803	**-**	-
Loss on fair valuation	**(24,038)**	(90,053)	**-**	-
Balance at the end of the year	**216,712**	240,750	**-**	-

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.

As at,	Group 31.03.2019 Rs. '000	Group 31.03.2018 Rs. '000	Company 31.03.2019 Rs. '000	Company 31.03.2018 Rs. '000
18 FINANCIAL ASSETS AT AMORTISED COST				
Corporate debt securities (Note 18.1)	**2,367,186**	63,229	**-**	-
Investments under re-sale agreements (Note 18.2)	**2,110,458**	1,794,007	**-**	-
Investments in fixed deposits (Note 18.3)	**122,078**	7,753	**11,568**	5,363
Short term lending (Note 18.4)	**2,459,812**	3,064,674	**7,962,689**	7,413,333
Long term lending (Note 18.5)	**428,486**	1,139,365	**-**	-
Staff loan	**69,812**	-	**-**	-
	7,557,832	6,069,028	**7,974,257**	7,418,696
18.1 Corporate debt securities				
Investment in commercial papers	**2,350,802**	-	**-**	-
Investment in securitised papers	**16,428**	63,229	**-**	-
Less : Provision for impairment (Note 18.1.1)	**(44)**	-	**-**	-
	2,367,186	63,229	**-**	-
18.1.1 Movement in provision for expected credit loss on corporate debt securities				
Balance as at the beginning of the year (as per LKAS 39)	**-**	-	**-**	-
Impact of adopting of SLFRS 9	**(122)**	-	**-**	-
Balance as at the beginning of the year (as per SLFRS 9)	**(122)**	-	**-**	-
(Charge) /reversal for the year	**78**	-	**-**	-
Balance as at the end of the year (Note 18.1.1.a)	**(44)**	-	**-**	-

18.1.1.a This represents "Stage 1" and "Stage 2" amounting to Rs. 2,392 and Rs. 42,043 respectively in accordance with SLFRS 9.

As at,	Group 31.03.2019 Rs. '000	Group 31.03.2018 Rs. '000	Company 31.03.2019 Rs. '000	Company 31.03.2018 Rs. '000
18.2 Investments under re-sale agreements				
Government securities (Note 18.2.a)	**2,058,725**	848,364	**-**	-
Corporate debt securities (Note 18.2.b)	**51,733**	945,643	**-**	-
	2,110,458	1,794,007	**-**	-

18.2.a This represents fair value of collateral accepted by the Group amounting to Rs. 2,311.68 Mn as at 31 March 2019 (Company - Nil) and the Group entitled to repledge the same for borrowings (repos). Fair value of collateral amounting to Rs. 1,940.06 Mn has been repledged for the borrowings (repos) as at 31 March 2019 and the Group is required to return the said collateral to the respective counterparties with the settlement of outstanding (reverse repos).

18.2.b Group's Investments under re-sale agreements are entirely collateralised by Borrowings on Repos against Corporate Debts (Company - Nil).

18.3 Investments in fixed deposits

As at,	Group 31.03.2019 Rs. '000	Group 31.03.2018 Rs. '000	Company 31.03.2019 Rs. '000	Company 31.03.2018 Rs. '000
Fixed deposits (Note 18.3.1)	**127,096**	12,753	**16,570**	10,363
Less : Provision for impairment (Note 18.3.2)	**(5,018)**	(5,000)	**(5,002)**	(5,000)
	122,078	7,753	**11,568**	5,363

18.3.1 Group investments in fixed deposits amounting to Rs. 26.5 Mn (Company - Rs. 16.6 Mn) have been pledged as collateral for banking facilities (As at 31 March 2018 - Group Rs. 7 Mn, Company - Rs. 5 Mn).

18.3.2 Movement in provision for expected credit loss on fixed deposits				
Balance as at the beginning of the year (as per LKAS 39)	**(5,000)**	(5,000)	**(5,000)**	(5,000)
Impact of adopting of SLFRS 9	**-**	-	**(1)**	-
Balance as at the beginning of the year (as per SLFRS 9)	**(5,000)**	-	**(5,001)**	-
Charge /(reversal) for the year	**(18)**	-	**(1)**	-
Balance as at the end of the year (Note 18.3.2.a)	**(5,018)**	(5,000)	**(5,002)**	(5,000)

18.3.2.a Group's investment in fixed deposits represents "Stage1" and "Stage 3" in accordance with SLFRS 9 amounting to Rs. 17,883 (Company - Rs. 1,759) and Rs. 5,000,000 (Company - Rs. 5,000,000) respectively.

As at,	Group 31.03.2019 Rs. '000	Group 31.03.2018 Rs. '000	Company 31.03.2019 Rs. '000	Company 31.03.2018 Rs. '000
18.4 Short term lending				
Short term lending (Gross)	**2,507,286**	3,255,034	**7,971,287**	7,413,333
Less : Provision for impairment (Note 18.4.a)	**(47,474)**	(190,360)	**(8,598)**	-
	2,459,812	3,064,674	**7,962,689**	7,413,333

Notes to the Financial Statements *Contd.*

As at,	Group 31.03.2019 Rs. '000	Group 31.03.2018 Rs. '000	Company 31.03.2019 Rs. '000	Company 31.03.2018 Rs. '000
18.4.1 Movement in provision for expected credit loss on short term lending				
Balance as at the beginning of the year (as per LKAS 39)	**(190,360)**	(190,360)	**-**	-
Impact of adopting of SLFRS 9	**(33,859)**	-	**(4,784)**	-
Balance as at the beginning of the year (as per SLFRS 9)	**(224,219**	-	**(4,784)**	-
(Charge) /reversal for the year	**21,429**	-	**(3,814)**	-
Write off during the year	**155,316**	-	**-**	-
Balance as at the end of the year (Note 18.4.1.a)	**(47,474)**	(190,360)	**(8,598)**	-

18.4.1.a Group

This represents "Stage 2" and Stage 3" amounting to Rs. 3,623,499 and Rs. 43,851,000 in accordance with SLFRS 9 respectively.

Company

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

As at,	Group 31.03.2019 Rs. '000	Group 31.03.2018 Rs. '000	Company 31.03.2019 Rs. '000	Company 31.03.2018 Rs. '000
18.5 Long term lending				
Long term lending (Gross)	**429,368**	1,139,365	**-**	-
Less : Provision for impairment (Note 18.5.a)	**(882)**	-	**-**	-
	428,486	1,139,365	**-**	-
18.5.1 Movement in provision for expected credit loss on long term lending				
Balance as at the beginning of the year (as per LKAS 39)	**-**	-	**-**	-
Impact of adopting of SLFRS 9	**(2,064)**	-	**-**	-
Balance as at the beginning of the year (as per SLFRS 9)	**(2,064)**	-	**-**	-
(Charge) /reversal for the year	**1,182**	-	**-**	-
Balance as at the end of the year (Note 18.5.1.a)	**(882)**	-	**-**	-

18.5.1.a This represents "Stage 1" and "Stage 3" amounting to Rs. 563,571 and Rs. 318,203 respectively in accordance with SLFRS 9.

As at,	Group 31.03.2019 Rs. '000	Group 31.03.2018 Rs. '000	Company 31.03.2019 Rs. '000	Company 31.03.2018 Rs. '000
19 TRADE AND OTHER RECEIVABLES				
Trade receivables (Note 19.1)	**85,470**	532,734	**-**	-
Other receivable (Note 19.2)	**161,191**	278,301	**6,878**	2,967
	246,661	811,035	**6,878**	2,967
19.1 Trade receivables				
Margin trading debtors (Note 19.1.1)	**1,464**	144,057	**-**	-
Stock broking debtors (Note 19.1.2)	**84,006**	388,677	**-**	-
	85,470	532,734	**-**	-
19.1.1 Margin trading debtors				
Margin trading debtors	**64,972**	207,565	**-**	-
Less : provision for impairment	**(63,508)**	(63,508)	**-**	-
	1,464	144,057	**-**	-

19.1.1.a This represents "Stage 3" in accordance with SLFRS 9.

19.1.2 Stock broking debtors

Stock broking debtors	**84,006**	388,677	**-**	-
Less : provision for impairment	**-**	-	**-**	-
	84,006	388,677	**-**	-

19.2 Other receivable

Rent deposit	**24,257**	30,757	**3,656**	-
Dividend receivable	**-**	3,280	**-**	-
Deposit with CSE	**1,790**	1,790	**-**	-
Advance paid for land and premises (Note 40)	**77,300**	77,300	**-**	-
Fee receivable	**14,663**	16,614	**-**	-
Prepayment	**12,854**	12,535	**3,063**	2,754
Gain on forward purchase contracts	**-**	115,667	**-**	-
Staff advances	**1,002**	1,573	**-**	-
Miscellaneous	**29,325**	18,785	**159**	213
	161,191	278,301	**6,878**	2,967

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	31.03.2019 Rs. '000	31.03.2018 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.

	Group		Company	
As at,	**31.03.2019 Rs. '000**	**31.03.2018 Rs. '000**	**31.03.2019 Rs. '000**	**31.03.2018 Rs. '000**
21 TAXES RECEIVABLE/ PAYABLE				
Tax receivable (Note 21.1)	**178,845**	70,118	**58,585**	-
Tax payable (Note 21.2)	**348**	4,291	**-**	2,782
21.1 Taxes receivables				
Balance at the beginning of the year	**70,118**	104,032	**-**	-
Over/ (under) provision with respect to previous years	**(224)**	15	**-**	-
Provision for the year	**-**	(51,489)	**-**	-
Payment made during the year	**119,575**	17,560	**58,585**	-
Provision for economic service charge	**(10,624)**	-	**-**	-
Balance at the end of the year	**178,845**	70,118	**58,585**	-

Notes to the Financial Statements *Contd.*

As at,	Group 31.03.2019 Rs. '000	Group 31.03.2018 Rs. '000	Company 31.03.2019 Rs. '000	Company 31.03.2018 Rs. '000
21.2 Taxes payables				
Balance at the beginning of the year	**4,291**	3,956	**2,782**	3,251
(Over)/ under provision for the previous year	**(39)**	(642)	**27**	17
Provision for the year	**453**	9,755	**-**	7,311
Payment made during the year	**(4,357)**	(8,778)	**(2,809)**	(7,797)
Balance at the end of the year	**348**	4,291	**-**	2,782

As at,	No. of shares 31.03.2019 Rs. '000	No. of shares 31.03.2018 Rs. '000	Value of shares 31.03.2019 Rs. '000	Value of shares 31.03.2018 Rs. '000
22 INVESTMENT IN SUBSIDIARY - COMPANY				
Investment in subsidiary - Company				
First Capital Limited				
Balance at the beginning of the year	**11,700,005**	11,688,653	**3,294,772**	1,781,495
Imapct of adoption of SLFRS 9	**-**	-	**(25,527)**	-
Adjusted balance at the beginning of the year	**11,700,005**	11,688,653	**3,269,245**	1,781,495
Shares acquired during the year	**-**	11,352	**-**	4,858
Share of profit during the year	**-**	-	**(29,565)**	1,811,724
Share of other comprehensive income during the year	**-**	-	**(27,637)**	(90,276)
Adjustment due to acquisition	**-**	-	**-**	(2,429)
Dividend received	**-**	-	**-**	(210,600)
Balance at the end of the year	**11,700,005**	11,700,005	**3,212,043**	3,294,772
Holding percentage	**100.0%**	100.0%	**100.0%**	100.0%

	Group 31.03.2019 Rs. '000	Group 31.03.2018 Rs. '000	Company 31.03.2019 Rs. '000	Company 31.03.2018 Rs. '000
23 DEFERRED TAX ASSET				
Balance at the beginning of the year	**929,892**	36,703	**34,539**	-
Impact of adoption of SLFRS 9	**11,269**	-	**1,340**	-
Adjusted balance at the beginning of the year	**941,161**	36,703	**35,879**	
Recognised during the year (Note 13)	**1,060**	901,697	**-**	34,539
Reversal during the year (Note 13)	**(80,197)**	(8,508)	**(19,306)**	-
Balance at the end of the year	**862,024**	929,892	**16,573**	34,539

Deferred tax asset is recognised by considering the brought forward tax losses of which, the amount in the opinion of the Directors, will be available to allow the benefit of the loss to be realised in accordance with LKAS 12 and provisions of Inland Revenue Act No. 24 of 2017. The deferred tax asset has been computed on the basis of 28% (tax rate which is applicable for 2018/19).

23.1 The deferred tax is attributable to the following;

As at,	31.03.2019 (Taxable)/ Deductible temporary difference Rs. '000	31.03.2019 Tax effect Rs. '000	31.03.2018 (Taxable)/ Deductible temporary difference Rs. '000	31.03.2018 Tax effect Rs. '000
Group				
On Property, Plant and Equipment	**(11,459)**	**(3,209)**	(6,849)	(1,918)
On Provision for impairment of Financial assets	**7,044**	**1,972**	-	-
On Retirement Benefit Obligations	**31,851**	**8,918**	27,992	7,837
On Accumulated tax losses	**3,051,225**	**854,343**	3,299,902	923,973
	3,078,661	**862,024**	3,321,045	929,892
Company				
On Property, Plant and Equipment	**(5,085)**	**(1,424)**	(1,727)	(484)
On Provision for impairment of Financial assets	**8,601**	**2,408**	-	-
On Accumulated tax losses	**55,676**	**15,589**	125,084	35,023
	59,192	**16,573**	123,357	34,539

Deferred tax asset has not been recognised in respect of the Group's brought forward tax losses as at 31 March 2019 amounting to Rs. 8,671.52Mn (31 March 2018 - Rs. 8,526.78Mn) since it is not probable that future taxable profit will be available against which the Group can use the benefits therein.

Deferred tax asset has been recognised in respect of the Company's full brought forward tax losses as at 31 March 2019 amounting to Rs. 55.68Mn (31 March 2018 - Rs. 125.08Mn) since it is probable that future taxable profit will be available against which the Company can use the benefits therein.

24 PROPERTY, PLANT AND EQUIPMENT - GROUP

	Office Equipment Rs. '000	Furniture Rs. '000	Fixtures and Fittings Rs. '000	Motor Vehicles Rs. '000	Total 2019 Rs. '000	Total 2018 Rs. '000
Cost						
At the beginning of the year	47,858	11,093	29,415	15,955	**104,321**	108,072
Additions	4,127	455	1,162	21,900	**27,644**	15,534
Disposals	(406)	-	(282)	(15,740)	**(16,428)**	(19,285)
At the end of the year	**51,579**	**11,548**	**30,295**	**22,115**	**115,537**	**104,321**
Accumulated depreciation/ Impairment losses						
At the beginning of the year	37,129	8,489	22,758	15,955	**84,331**	93,777
Charge for the year	3,680	653	1,697	4,380	**10,410**	8,083
Disposals	(406)	-	(108)	(15,740)	**(16,254)**	(17,529)
At the end of the year	**40,403**	**9,142**	**24,347**	**4,595**	**78,487**	**84,331**
Net Carrying values						
As at 31 March 2019	**11,176**	**2,406**	**5,948**	**17,520**	**37,050**	
As at 31 March 2018	10,729	2,604	6,657	-		19,990

Notes to the Financial Statements *Contd.*

Based on the assessment of potential impairment carried out by the Group as at 31 March 2019, no provision was required to be made in the Financial Statements (Provision for impairment losses as at 31 March 2018 - Nil).

Group's Property, Plant and Equipment included fully-depreciated assets having a gross amount of Rs. 64.02 Mn as at 31 March 2019 (2017/18 Rs. 60.3 Mn).

There were no capitalised borrowing costs relating to the acquisition of Property, Plant and Equipment during the year (2017/18 - Nil).

There were no restrictions on the title of the Property, Plant and Equipment as at 31 March 2019 (as at 31 March 2018 - Nil).

There were no items of Property, Plant and Equipment pledged as security as at 31 March 2019 (as at 31 March 2018 - Nil).

There were no temporary idle items of Property, Plant and Equipment as at 31 March 2019 (as at 31 March 2018 - Nil).

	Office Equipment Rs. '000	Furniture Rs. '000	Fixtures and Fittings Rs. '000	Motor Vehicles Rs. '000	Total 2019 Rs. '000	Total 2018 Rs. '000
24 PROPERTY, PLANT AND EQUIPMENT - COMPANY						
Cost						
At the beginning of the year	1,780	748	1,461	4,940	**8,929**	6,688
Additions	964	115	109	21,900	**23,088**	2,241
Disposals	-	-	-	(4,940)	**(4,940)**	-
At the end of the year	**2,744**	**863**	**1,570**	**21,900**	**27,077**	**8,929**
Accumulated depreciation/ Impairment losses						
At the beginning of the year	574	197	213	4,940	**5,924**	5,173
Charge for the year	423	140	286	4,380	**5,229**	751
Disposals	-	-	-	(4,940)	**(4,940)**	-
At the end of the year	**997**	**337**	**499**	**4,380**	**6,213**	**5,924**
Net Carrying values						
As at 31 March 2019	**1,747**	**526**	**1,071**	**17,520**	**20,864**	
As at 31 March 2018	1,206	551	1,248	-		3,005

Based on the assessment of potential impairment carried out by the Company as at 31 March 2019, no provision was required to be made in the Financial Statements (Provision for impairment losses as at 31 March 2018 - Nil).

Company's Property, Plant and Equipment did not include fully-depreciated assets as at 31 March 2019 (2017/18 Rs. 4.94Mn).

There were no capitalised borrowing costs relating to the acquisition of Property, Plant and Equipment during the year (2017/18 - Nil).

There were no restrictions on the title of the Property, Plant and Equipment as at 31 March 2019 (as at 31 March 2018 - Nil).

There were no items of Property, Plant and Equipment pledged as security as at 31 March 2019 (as at 31 March 2018 - Nil).

There were no temporary idle items of Property, Plant and Equipment as at 31 March 2019 (as at 31 March 2018 - Nil).

	Software	Business License (Note 25.1)	Goodwill (Note 25.2)	Total 2019	2018
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	
25 INTANGIBLE ASSETS - GROUP					
Gross value					
Balance as at 1 April 2018	37,035	28,800	80,872	**146,707**	138,495
Additions	1,597	-	-	**1,597**	8,212
Balance as at 31 March 2019	**38,632**	**28,800**	**80,872**	**148,304**	**146,707**
Amortisation/ Impairment losses					
Balance as at 1 April 2018	27,734	-	-	**27,734**	23,925
Amortisation	2,570	-	-	**2,570**	3,809
Balance as at 31 March 2019	**30,304**	**-**	**-**	**30,304**	**27,734**
Carrying Values as at 31 March 2019	**8,328**	**28,800**	**80,872**	**118,000**	
Carrying Values as at 31 March 2018	9,301	28,800	80,872		118,973

Note 25.1

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

Note 25.2

Goodwill on acquisition of subsidiary companies

As at,	Gross Goodwill Rs.'000	Impairment provision Rs.'000	Carrying value 31.03.2019 Rs.'000	Carrying value 31.03.2018 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 has conducted an assessment and concluded that there are no indications of impairment of the goodwill as at 31 March 2019.

	Software	Total 2019	Total 2018
	Rs. '000	Rs. '000	Rs. '000
25 INTANGIBLE ASSETS - COMPANY			
Gross value			
Balance as at 1 April 2018	6,635	**6,635**	47
Additions	80	**80**	6,588
Balance as at 31 March 2019	**6,715**	**6,715**	**6,635**
Amortisation/ Impairment losses			
Balance as at 1 April 2018	414	**414**	6
Amortisation	1,304	**1,304**	408
Balance as at 31 March 2019	**1,718**	**1,718**	**414**
Carrying Values as at 31 March 2019	**4,997**	**4,997**	
Carrying Values as at 31 March 2018	6,221		6,221

As at	Group 31.03.2019	Group 31.03.2018	Company 31.03.2019	Company 31.03.2018
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
26 DERIVATIVE FINANCIAL INSTRUMENTS				
Forward purchase contracts	**2,637**	376	**-**	-
Forward sale contracts	**241**	21,283	**-**	-
	2,878	21,659	**-**	-
27 SECURITIES SOLD UNDER REPURCHASE AGREEMENTS				
Against government securities	**27,464,872**	21,675,488	**-**	-
Against corporate debt instruments	**1,739,956**	1,736,749	**-**	-
	29,204,828	23,412,237	**-**	-
28 SHORT TERM BORROWINGS				
Borrowings on corporate debt securities	**5,192,726**	3,254,752	**5,192,726**	3,240,393
Other short term borrowings	**1,373,448**	2,758,846	**1,373,448**	2,758,846
	6,566,174	6,013,598	**6,566,174**	5,999,239
29 GROUP BALANCES RECEIVABLES/ PAYABLES				
Group balances receivables (Note 29.1)	**514**	442	**121**	-
Group balances payables (Note 29.2)	**1,198**	728	**629**	10,962
29.1 Group balances receivables				
Dunamis Capital PLC	**101**	219	**-**	-
Premier Synthetic Leather Manufacturers (Pvt) Limited	**13**	15	**-**	-
Kelsey Homes (Pvt) Limited	**380**	208	**-**	-
Janashakthi PLC	**15**	-	**-**	-
Nextventures Limited	**5**	-	**-**	-
First Capital Limited	**-**	-	**11**	-
First Capital Equities (Pvt) Limited	**-**	-	**110**	-
	514	442	**121**	-

As at	Group 31.03.2019 Rs. '000	Group 31.03.2018 Rs. '000	Company 31.03.2019 Rs. '000	Company 31.03.2018 Rs. '000
29.2 Group balances payables				
Dunamis Capital PLC	**707**	728	**-**	-
KHL Corporate Services (Pvt) Limited	**491**	-		
First Capital Treasuries PLC	**-**	-	**-**	740
First Capital Limited	**-**	-	**629**	10,222
	1,198	728	**629**	10,962

As at	Group 31.03.2019 Rs. '000	Group 31.03.2018 Rs. '000	Company 31.03.2019 Rs. '000	Company 31.03.2018 Rs. '000
30 TRADE AND OTHER PAYABLES				
Trade payables	**17,294**	341,090	**-**	-
Accrued expenses	**32,612**	41,517	**4,142**	3,821
Advance against non-current assets held for sale	**80,218**	80,218	**-**	-
Provision for statutory liabilities	**78,031**	74,325	**1,089**	-
Dividend payable	**19,597**	219,248	**19,485**	219,202
Other liabilities	**9,772**	30,586	**2,189**	3,779
	237,524	786,984	**26,905**	226,802

31 LONG TERM BORROWINGS - GROUP/ COMPANY

Bank	As at 01.04.2018 Rs. '000	Facility obtained Rs. '000	Repayment Capital Rs. '000	Repayment Interest Rs. '000	Accrued interest Rs. '000	As at 31.03.2019 Rs. '000	Tenure of the Loan	Security offered
Bank of Ceylon	352,368	-	100,000	52,368	51,833	**251,833**	5 Years	- Corporate guarantee of Dunamis Capital PLC and First Capital Limted

	Group 31.03.2019 Rs. '000	Group 31.03.2018 Rs. '000	Company 31.03.2019 Rs. '000	Company 31.03.2018 Rs. '000
32 RETIREMENT BENEFIT OBLIGATIONS				
Balance at the beginning of the year	**27,992**	22,696	**-**	-
Amount recognised in Profit or loss for the year				
Gratuity charge for the year	**4,539**	3,681	**-**	-
Interest charge for the year	**2,509**	2,324	**-**	-
Amount recognised in Other comprehensive income for the year				
Actuarial loss for the year	**3,784**	325	**-**	-
Benefits paid during the year	**(6,968)**	(1,034)	**-**	-
Balance at the end of the year	**31,856**	27,992	**-**	-

Notes to the Financial Statements *Contd.*

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

The principal assumptions used are as follows:	2019	2018
Expected annual average salary increment:	**8.5%**	7.5%
Discount rate / interest Rate:	**11.5%**	11%
Staff turnover factor:	**10%**	7%
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 Rs. '000	2018 Rs. '000
Increase in discount rate by 1%	**(2,039)**	(2,014)
Decrease in discount rate by 1%	**2,207**	2,209
Increase in salary increment by 1%	**2,251**	2,263
Decrease in salary increment by 1%	**(2,111)**	(2,095)

	Group		Company	
As at,	**31.03.2019 Rs. '000**	**31.03.2018 Rs. '000**	**31.03.2019 Rs. '000**	**31.03.2018 Rs. '000**
33 BORROWING ON DEBENTURES				
Balance at the beginning of the year	**407,178**	540,032	**191,607**	324,837
Accrual of interest	**45,454**	63,567	**24,727**	43,098
Sub total	**452,632**	603,599	**216,334**	367,935
Lee: Settlement of interest (Coupon)	**(46,049)**	(63,814)	**(25,956)**	(43,721)
Less: Redemption with interest	**(190,378)**	(132,607)	**(190,378)**	(132,607)
Balance at the end of the year (Note 33.1)	**216,205**	407,178	**-**	191,607
33.1 Debentures issued				
First Capital Holdings PLC	**-**	191,607	-	191,607
First Capital Treasuries PLC	**216,205**	215,571	-	-
	216,205	407,178	-	191,607

Debentures issued by the Company

During the year, the Company redeemed 1,854,000 number of debentures (Rs. 185,400,000) relating to maturity of 5 years. Hence, there are no debentures outstanding as at 31 March 2019.

The debentures had been quoted on the Colombo Stock Exchange.

Type	Tenure	No. of Debentures	Face value 31.03.2019 Rs. '000	Carrying value 31.03.2019 Rs. '000	Carrying value 31.03.2018 Rs. '000	Allotment Date	Maturity Date	Rate of Interest	Frequency on interest
Type C	5 years	1,854,000	-	-	191,607	12-Mar-14	11-Mar-19	14.00% (AER-14.00%)	Annually
			-	-	191,607				

Debentures issued by First Capital Treasuries PLC (Subsidiary)

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

The debentures are quoted on the Colombo Stock Exchange.

	Tenure	No. of Debentures	Face value 31.03.2019 Rs. '000	Carrying value 31.03.2019 Rs. '000	Carrying value 31.03.2018 Rs. '000	Allotment Date	Maturity Date	Rate of Interest	Frequency on interest
	5 year	5,000,000	**500,000**	**511,111**	510,689	5-Feb-15	6-Feb-20	9.50% (AER-9.50%)	Annually
		5,000,000	**500,000**	**511,111**	510,689				

Inter- Company investments in Listed Debentures of First Capital Treasuries PLC amounting to Rs. 295 Mn (Including amortised interest cost) has been eliminated (As at 31/03/2018 - Rs. 295Mn).

As at,	Group 31.03.2019 Rs. '000	Group 31.03.2018 Rs. '000	Company 31.03.2019 Rs. '000	Company 31.03.2018 Rs. '000
34 STATED CAPITAL				
Ordinary shares of 101,250,000	**227,500**	227,500	**227,500**	227,500

	Group 31.03.2019 Rs. '000	Group 31.03.2018 Rs. '000	Company 31.03.2019 Rs. '000	Company 31.03.2018 Rs. '000
35 RISK RESERVE				
Balance at the beginning of the year	**1,012,200**	854,456	**1,012,200**	854,456
Transfers made during the year	**9,048**	157,744	**9,048**	157,744
Balance at the end of the year	**1,021,248**	1,012,200	**1,021,248**	1,012,200

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.

Notes to the Financial Statements *Contd.*

As at,	Group 31.03.2019 Rs. '000	Group 31.03.2018 Rs. '000	Company 31.03.2019 Rs. '000	Company 31.03.2018 Rs. '000
36 FAIR VALUATION RESERVE				
Balance at the beginning of the year	**(90,053)**	-	**(90,053)**	-
Loss on financial assets fair value through other comprehensive income	**(24,775)**	(90,053)	**(24,775)**	(90,053)
Balance at the end of the year	**(114,828)**	(90,053)	**(114,828)**	(90,053)

37 DIVIDEND PAID

The Board of Directors of First Capital Holdings PLC did not declare dividend for 2018/19 (2017/18 - Rs. 2/- per share totalling Rs. 202.5Mn).

38 INVOLVEMENT WITH UNCONSOLIDATED STRUCTURED ENTITIES

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

Name of the Fund	Nature of Business	Date of Incorporation	Managing Company	Investment made by First Capital Limited and First Capital Asset Management Limited (Rs' 000)	Management fee received by First Capital Asset Management Limited (Rs' 000)
First Capital Wealth Fund	The Unit Trust engages in investment in medium term fixed income securities (i.e. Government Securities and Corporate Debt Securities) on behalf of its clients.	18 August 2010	First Capital Asset Management Limited	352,874	6,950
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	71,980	6,782
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	-	271
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	-	3,926
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	30,034	581

Summarised financial performance of the above unit trusts for the year ended 31 March 2019 are as follows.

Name of the Fund	Income Rs. '000	Profit/ (loss) after tax for the year Rs. '000	Total Equity Rs. '000	Net Asset per Unit Rs.
First Capital Wealth Fund	65,896	64,903	635,549	1,148
First Capital Money Market Fund	176,685	166,522	2,178,282	1,533
First Capital Gilt -Edged Fund	4,423	3,739	51,192	1,430
First Capital Fixed Income Fund	83,208	81,664	797,789	1,474
First Capital Equity Fund	2,535	(12,486)	51,449	790

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 de Silva	Dr. Nishan de Mel	Mr. Prakash Schaffter *	Mr. Ramesh Schaffter *
Janashakthi PLC	Ultimate Parent	-	-	-	Director	-	-	-	Director	Director
Dunamis Capital PLC	Parent	-	Director	-	Chairman	-	Director	-	Director	Managing Director
Janashakthi Insurance PLC	Subsidiary of the Ultimate Parent	-	-	-	Director	-	-	-	Chairman	Director
Janashakthi Capital Limited	Subsidiary of the Ultimate Parent	-	-	-	-	-	-	-	-	-
Agrisquad (Private) Limited	Subsidiary of the Ultimate Parent	-	-	-	-	-	-	-	-	-
Orient Finance PLC	Subsidiary of the Ultimate Parent	-	-	-	-	Director	-	-	Director	Director
Orient Capital Limited	Subsidiary of the Ultimate Parent	-	-	-	-	-	-	-	-	-
First Capital Limited	Subsidiary	Chairman	Managing Director	Director	Director	Director	Director	Director	-	-
First Capital Asset Management limited	Subsidiary	Chairman	Managing Director	Director	Director	Director	Director	Director	-	-
First Capital Treasuries PLC	Subsidiary	Chairman	Managing Director	Director	-	Director	Director	Director	-	-
First Capital Markets Limited	Subsidiary	Chairman	Managing Director	Director	Director	Director	Director	Director	-	-

Notes to the Financial Statements *Contd.*

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

KMP - *Key Management Personnel*

* Mr. Prakash Schaffter and Mr. Ramesh Schaffter have been appointed as Directors of First Capital Holdings PLC on 21 December 2018.

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.

39.2 Transactions with Parent and Ultimate Parent Company

Nature of transaction	Group		Company	
	2018/19	2017/18	2018/19	2017/18
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Statement of Profit or Loss and Other Comprehensive Income				
Interest income	209,207	108,226	-	-
Fee income	7,548	7,754	-	-
Brokerage income (Stock broking)	4,606	2,128	-	-
Interest expense	15,252	2,245	3,022	-
Reimbursement of expenses	24,049	20,312	-	-
Corporate Guarantee facility commission expenses	7,044	4,211	7,044	4,211
Statement of Changes in Equity				
Dividend paid	-	158,240	-	158,240
Statement of Financial Position				
Current account payable	707	728	-	-
Current account receivable	116	219	-	-
Short term lending	615,642	394,291	-	-
Investment in commercial papers	188,850	-		
Investment in debentures	697,127	589,927	-	-
Transactions relating to Corporate Guarantees				
Corporate Guarantee received	800,000	1,100,000	800,000	1,100,000

39.3 Transactions with Subsidiaries

Nature of transaction	Group		Company	
	2018/19	2017/18	2018/19	2017/18
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Statement of Profit or Loss and Other Comprehensive Income				
Interest income	-	-	1,170,155	838,419
Fee income	-	-	4,575	-
Interest expense	-	-	72,928	11,693
Dividend receipts	-	-	-	210,600
Corporate Guarantee facility commission expenses	-	-	3,113	-
Statement of Financial Position				
Short term lending	-	-	7,971,287	7,121,453
Long term lending	-	-	-	291,880
Current account payable	-	-	629	10,962
Current account receivable	-	-	121	-
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.*

39.4 Transactions with other related companies

Nature of transaction	Group		Company	
	2018/19 Rs.'000	2017/18 Rs.'000	2018/19 Rs.'000	2017/18 Rs.'000
Statement of Profit or Loss and Other Comprehensive Income				
Interest income	**346,004**	332,826	**-**	-
Fee income	**3,331**	5,841	**-**	-
Gain/ (loss) realised on sale of government securities	**-**	677	**-**	-
Dividend income	**46,030**	48,700		
Interest expense	**163,296**	4,613	**4,060**	10,809
Secretarial fees	**1,509**	1,137	**593**	314
Statement of Changes in Equity				
Units issued by unit trusts	**800,237**	-	**-**	-
Statement of Financial Position				
Investment in debentures	**299,307**	-	**-**	-
Investment in unit trust	**454,895**	400,920	**-**	-
Short term lending	**940,440**	966,706	**-**	-
Long term lending	**93,606**	1,139,365	**-**	-
Securities sold under re-purchase agreements (Against government securities)	**378,447**	902,034	**-**	-
Current account receivable	**398**	223	**-**	-
Current account payable	**491**	-	**-**	-

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;

a. The individual’s domestic partner and children;
b. Children of the individual’s domestic partner; and
c. dependants of the Individual or the individual’s domestic partner

Close Family Members are related parties to the Entity.

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

Nature of transaction	Group 2018/19 Rs.'000	Group 2017/18 Rs.'000	Company 2018/19 Rs.'000	Company 2017/18 Rs.'000
Statement of Profit or Loss and Other Comprehensive Income				
Interest income	**19,504**	7,850	**-**	-
Management fee income (Discretionary fund management)	**1,950**	1,228	**-**	-
Interest expense	**5,951**	1,850	**-**	-
Emoluments paid	**23,525**	51,500	**7,809**	7,809
Statement of Changes in Equity				
Dividend paid by unit trust	**2**	280	**-**	-
Investments made in unit trust	**32,272**	3,289	**-**	-
Statement of Financial Position				
Investments in unit trust	**32,272**	3,490	**-**	-
Lending	**95,743**	114,714	**-**	-
Securities sold under re-purchase agreements (Against government securities)	**1,153**	6,015	**-**	-
Securities sold under re-purchase agreements (Against corporate debt securities)	**53,189**	11,390	**-**	-
Investment in Discretionary fund management	**285,271**	229,964	**-**	-

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 Limited/ Janashakthi PLC	Subsidiary/ Ultimate Parent	Investment in Listed Debentures	515,294	12%	Investment through Initial Public Offering.
First Capital Holdings PLC/ Dunamis Capital PLC	Company/ Intermediary Parent	Corporate Guarantee facility	800,000	19%	Corporate Guarantee facility obtained from intermediary parent at commercial terms.
First Capital Fixed Income Fund/ Janashakthi Insurance PLC	Unit Trust Fund/ Subsidiary of Ultimate Parent	Investment in Unit Trust	800,237	19%	Investments at the prevailing Unit Prices.
First Capital Limited/ Dunamis Capital PLC	Subsidiary/ Intermediary Parent	Short Term Lending	615,642	15%	Short term lending to intermediary parent at commercial terms.
First Capital Limited/ Nextventure Limited	Subsidiary/ Related Party via Key Management Personnel	Lending to Nextventures by First Capital Limited	448,070	11%	Lending made by subsidiary at commercial terms.
First Capital Limited/ Kelsey Homes (Pvt) Ltd	Subsidiary/ Subsidiary of intermediary parent	Short Term Lending	492,370	12%	Short term lending to subsidiary of immediate parent at commercial terms.

Notes to the Financial Statements *Contd.*

Recurrent transactions - Company

Name of the related party	Relationship	Nature of the transaction	Aggregate Value of Related Party Transaction entered during the financial year Rs "000	Aggregate value of Related Party Transactions as a % of Net Revenue/ Income	Terms and conditions of the Related Transactions
First Capital Limited	Subsidiary	Short Term Lending	6,979,903	167%	Short term lending made at commercial terms.
First Capital Treasuries PLC	Subsidiary	Intra-day Liquidity Facility	991,384	24%	Intra-day liquidity facility provided at commercial terms
First Capital Limited	Subsidiary	Corporate Guarantee Facility	1,000,000	24%	Inter -Company Corporate Guarantee facility at commercial terms.
Dunamis Capital PLC	Intermediary Parent	Corporate Guarantee Facility	800,000	19%	Corporate Guarantee facility obtained from intermediary parent at commercial terms.

40 CONTINGENT LIABILITIES

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

Company

(a) First Capital Holdings PLC provided a corporate guarantee on behalf of its subsidiary, First Capital Limited amounting to Rs. 274Mn for its banking facilities.

Group

(b) First Capital Treasuries PLC has appealed against an income tax assessment for 2008/09 amounting to Rs. 101.3Mn to the Court of Appeal. Further, the company has appealed against assessments on income tax (2012/13, 2013/14, 2014/15) and financial VAT (2010/11 and 2012/13) amounting to Rs. 584Mn and Rs. 152.6Mn respectively to the Tax Appeals Commission. The hearing of said appeals has not been concluded yet.

(c) First Capital Treasuries PLC has appealed against letters of intimation on income tax (2015/16 and 2016/17), assessments on financial VAT (2013/14, 2014/15, 2015/16 and 2016/17) and assessment on NBT on financial services (2016/17) amounting to Rs. 218.9Mn, Rs. 205.2Mn and Rs. 7Mn respectively to the Department of Inland Revenue and hearing has not been determined yet.

(d) First Capital Limited has appealed against income tax assessments (2010/11, 2013/14 and 2014/15) amounting to Rs. 217Mn and assessment on financial VAT (2012/13 and 2013/14) amounting to Rs. 57.7Mn to the Tax Appeals Commission. The hearing of said appeals has not been concluded yet. Further, the Company has submitted appeals against assessments on income tax (2015/16 and 2016/17) and financial VAT (and 2014/15) amounting to Rs. 148.4Mn and Rs. 53.7Mn respectively to the Department of Inland Revenue and hearing has not been determined yet.

(e) An appeal has been submitted to the Tax Appeals Commission against income tax assessment - 2012/13 of First Capital Equities (Private) Limited amounting to Rs. 7.2Mn. The hearing of said appeal has not been concluded yet.

The related appeals against the said assessments and determinations have been duly submitted. Based on the tax consultant’s opinion, the Board of Directors of First Capital Holdings PLC is of the view that no liability would arise on the above stated tax matters as they are outside the scope of chargeability of taxes.

There were no 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 2019.

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 2019 is Rs. 4,982Mn (31 March 2018 - Rs. 13,116Mn) and the value of forward sales contracts (Government Securities) as at 31 March 2019 is Rs. 155Mn (31 March 2018 - Rs. 1,592Mn).

42 SUBSEQUENT EVENTS

There have been no material events subsequent to the reporting date which require disclosures/ adjustments in the financial statements other than the following;

- The Board of Directors of First Capital Holdings PLC declared an interim dividend of Rs. 4.00 per share totalling Rs. 405Mn for year 2019/20.
- The Board of Directors of First Capital Treasuries PLC (Subsidiary) declared an interim dividend of Rs. 16.50 per share totalling Rs. 254Mn for year 2019/20.

43 FINANCIAL RISK MANAGEMENT

Overview

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

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

43.1 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.

43.2 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.

Notes to the Financial Statements *Contd.*

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.

43.3 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	55,317	55,317	-	-	-	-	-
Derivative financial instruments	3,454	-	3,454	-	-	-	-
Financial assets recognised through profit or loss - measured at fair value	31,985,437	706,859	34,897	1,995,775	23,030,362	2,085,950	4,131,446
Financial assets - fair value through other comprehensive income	217,920	-	-	-	-	216,712	1,208
Financial assets at amortised cost	7,557,832	-	7,022,627	438,051	97,153	-	-
Other financial assets (Trade receivables - Net)	85,470	1,464	84,006	-	-	-	-
Group balances receivable	514	514	-	-	-	-	-
Total 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**
As at 31 March 2018	33,732,323	866,823	5,669,962	11,308,834	14,350,574	938,603	597,927
Liabilities							
Bank overdrafts	971,036	971,036	-	-	-	-	-
Derivative financial instruments	2,878	-	2,878	-	-	-	-
Securities sold under repurchase agreements	29,204,828	-	25,296,160	3,637,677	267,418	-	3,573
Short term borrowings	6,566,174	-	5,817,834	748,340	-	-	-
Other financial liabilities (Trade payables - Net)	17,294	9,165	8,129	-	-	-	-
Long term borrowings	251,833	-	26,833	75,000	150,000	-	-
Borrowings on debentures	216,205	-	-	216,205	-	-	-
Group balances payable	1,198	1,198	-	-	-	-	-
Total As at 31 March 2019	**37,231,446**	**981,399**	**31,151,834**	**4,677,222**	**417,418**	**-**	**3,573**
As at 31 March 2018	30,843,260	295,130	27,669,756	1,937,753	784,997	152,368	3,256

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	21,344	21,344	-	-	-	-	-
Financial assets - fair value through other comprehensive income	1,208	-	-	-	-	-	1,208
Financial assets at amortised cost	7,974,257	-	7,974,257	-	-	-	-
Group balances receivable	121	121	-	-	-	-	-
Total As at 31 March 2019	**7,996,930**	**21,465**	**7,974,257**	**-**	**-**	**-**	**1,208**
As at 31 March 2018	7,429,192	9,496	6,777,834	640,863	-	-	1,000
Liabilities							
Bank overdrafts	830,539	830,539	-	-	-	-	-
Short term borrowings	6,566,174	-	6,566,174	-	-	-	-
Long term borrowings	251,833	-	26,833	75,000	150,000	-	-
Group balances payable	629	629	-	-	-	-	-
Total As at 31 March 2019	**7,649,175**	**831,168**	**6,593,007**	**75,000**	**150,000**	**-**	**-**
As at 31 March 2018	6,856,079	312,865	5,685,321	605,525	100,000	152,368	-

43.4 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 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**

Notes to the Financial Statements *Contd.*

Group - As at 31 March 2018	Neither Past due Nor Impaired Rs.'000	Past due But Not Impaired Rs.'000	Individually Impaired Rs.'000	Total Rs.'000
Assets				
Cash at banks and in hand	319,663	-	-	319,663
Derivative financial instruments	47,868	-	-	47,868
Financial investments held for trading	26,519,838	-	-	26,519,838
Financial investments available for sale	242,750	-	-	242,750
Loans and receivables	6,069,028	-	190,360	6,259,388
Other financial assets (Trade receivables)	532,734	-	63,508	596,242
Total financial assets	**33,731,881**	**-**	**253,868**	**33,985,749**

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	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**

Company - As at 31 March 2018	Neither Past due Nor Impaired Rs.'000	Past due But Not Impaired Rs.'000	Individually Impaired Rs.'000	Total Rs.'000
Assets				
Cash at banks and in hand	8,490	-	-	8,490
Financial investments available for sale	1,000	-	-	1,000
Loans and receivables	7,418,696	-	5,000	7,423,696
Total financial assets	**7,428,186**	**-**	**5,000**	**7,433,186**

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 2019	Cash at Banks and in Hand Rs.'000	Derivative Financial Instruments Rs.'000	Financial Assets-FVTPL Rs.'000	Financial Assets-amortised cost Rs.'000	Financial Assets-FVTOCI Rs.'000	Other Financial Assets (Trade Receivables -Net) Rs.'000	Total Financial Assets 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**

Group - As at 31 March 2018	Cash at Banks and in Hand Rs.'000	Derivative Financial Instruments Rs.'000	Financial Instruments held for trading Rs.'000	Financial Instruments- Loans and Receivables Rs.'000	Financial Instruments- Available for Sale Rs.'000	Other Financial Assets (Trade Receivables -Net) Rs.'000	Total Financial Assets Rs.'000
Sector Wise Breakdown							
Government	-	-	24,187,440	-	-	-	24,187,440
Corporate	319,663	46,829	2,332,398	4,616,049	242,750	112,612	7,670,301
Others	-	1,039	-	1,452,979	-	420,122	1,874,140
Total	**319,663**	**47,868**	**26,519,838**	**6,069,028**	**242,750**	**532,734**	**33,731,881**

Company - As at 31 March 2019	Cash at Banks and in Hand Rs.'000	Derivative Financial Instruments Rs.'000	Financial Assets- FVTPL Rs.'000	Financial Assets- amortised cost Rs.'000	Financial Assets- FVTOVT Rs.'000	Other Financial Assets (Trade Receivables -Net) Rs.'000	Total Financial Assets 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**

Company - As at 31 March 2018	Cash at Banks and in Hand Rs.'000	Derivative Financial Instruments Rs.'000	Financial Instruments held for trading Rs.'000	Financial Instruments- Loans and Receivables Rs.'000	Financial Instruments- Available for Sale Rs.'000	Other Financial Assets (Trade Receivables -Gross) Rs.'000	Total Financial Assets Rs.'000
Sector Wise Breakdown							
Government	-	-	-	-	-	-	-
Corporate	8,490	-	-	7,418,696	1,000	-	7,428,186
Others	-	-	-	-	-	-	
Total	**8,490**	**-**	**-**	**7,418,696**	**1,000**	**-**	**7,428,186**

43.5 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.

44 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.

44.1 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 31.03.2019**		**As at 31.03.2018**	
	Carrying Amount Rs. '000	**Fair Value Rs. '000**	**Carrying Amount Rs. '000**	**Fair Value Rs. '000**
Financial assets measured at fair value				
Derivative financial instruments	**3,454**	**3,454**	47,868	47,868
Financial assets recognised through profit or loss - measured at fair value	**31,985,437**	**31,985,437**	26,519,838	26,519,838
Financial assets - fair value through other comprehensive income	**217,920**	**217,920**	242,750	242,750
	32,206,811	**32,206,811**	26,810,456	26,810,456
Financial assets not measured at fair value				
Financial assets at amortised cost	**7,557,832**	**7,557,832**	6,069,028	6,069,028
Trade receivables	**85,470**	**85,470**	532,734	532,734
	7,643,302	**7,643,302**	6,601,762	6,601,762
Total financial investments	**39,850,113**	**39,850,113**	33,412,218	33,412,218
Financial liabilities measured at fair value				
Derivative financial instruments	**2,878**	**2,878**	21,659	21,659
	2,878	**2,878**	21,659	21,659
Financial liabilities not measured at fair value				
Securities sold under re-purchase agreements	**29,204,828**	**29,212,991**	23,412,237	23,421,098
Short term borrowings	**6,566,174**	**6,566,174**	6,013,598	6,013,598
Long term borrowings	**251,833**	**251,833**	352,368	352,368
Borrowings on debentures	**216,205**	**211,417**	407,178	403,358
	36,239,040	**36,242,415**	30,185,381	30,190,422
Total financial liabilities	**36,241,918**	**36,245,293**	30,207,040	30,212,081
Financial assets measured at fair value				
Financial assets - fair value through other comprehensive income	**1,208**	**1,208**	1,000	1,000
	1,208	**1,208**	1,000	1,000
Company				
Financial assets not measured at fair value				
Financial assets at amortised cost	**7,974,257**	**7,974,257**	7,418,696	7,418,696
	7,974,257	**7,974,257**	7,418,696	7,418,696
Total financial investments	**7,975,465**	**7,975,465**	7,419,696	7,419,696
Financial liabilities measured at fair value	**-**	**-**	-	-
Financial liabilities not measured at fair value				
Short term borrowings	**6,566,174**	**6,566,174**	5,999,239	5,999,239
Long term borrowings	**251,833**	**251,833**	352,368	352,368
Borrowings on debentures	**-**	**-**	191,607	194,727
	6,818,007	**6,818,007**	6,543,214	6,546,334
Total financial liabilities	**6,818,007**	**6,818,007**	6,543,214	6,546,334

Notes to the Financial Statements *Contd.*

44.2 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 2019	Total Carrying Value Rs.'000	Level 1 Rs.'000	Level 2 Rs.'000	Level 3 Rs.'000	Total Fair Value Rs.'000
Financial assets measured at fair value					
Derivative financial instruments					
Forward purchase contracts	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**	**2,419,288**	**7,643,302**	**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**	**36,242,415**

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

Notes to the Financial Statements *Contd.*

Company - As at 31 March 2019	Total Carrying Value Rs.'000	Level 1 Rs.'000	Level 2 Rs.'000	Level 3 Rs.'000	Total Fair Value Rs.'000
Financial assets measured at fair value					
Financial 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**

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

44.3 Measurement of fair values

44.3.(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	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.	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
Equity Securities (Financial assets - fair value through other comprehensive income)	The fair values are based on price to book value approach.	The estimated fair value would increase/decrease if The discounting factor used by investor company is lower or higher

44.3.(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 Rs.'000	Unit Trust Rs.'000	Equity Securities (Financial assets - FVTOCI) Rs.'000	Total Rs.'000
Balance as at 1 April 2018	1,607,063	402,130	242,751	2,251,944
Purchase	793,476	119,969	-	913,445
Sales	(670,284)	(50,265)	-	(720,549)
Gain/ (loss) on fair valuation of financial investments	14,905	(15,626)	(24,831)	(25,552)
Balance as at 31 March 2019	**1,745,160**	**456,208**	**217,920**	**2,419,288**

44.4. (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
Lanka Orix Leasing Company PLC	417	836	(415)	(829)
Janashakthi PLC	1,467	2,945	(1,456)	(2,902)
Lanka Orix Finance PLC	2,469	4,958	(2,449)	(4,879)
Dunamis Capital PLC	948	1,904	(941)	(1,874)
Citizen Development Bank PLC	15	30	(15)	(29)
Commercial Leasing & Finance PLC	1,104	2,219	(1,093)	(2,175)
Siyapatha Finance PLC	58	116	(58)	(115)
Richard Peries & Company PLC	9	18	(9)	(18)
Hayleys PLC	2	3	(2)	(3)
	6,489	**13,029**	**(6,438)**	**(12,824)**

Notes to the Financial Statements *Contd.*

44.4. (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	(1,758)	(3,516)	1,758	3,516
First Capital Money Market Fund	(3,599)	(7,198)	3,599	7,198
First Capital Equity Fund	(1,502)	(3,003)	1,502	3,003
JB Vantage Short Term Guilt Fund	(7)	(13)	7	13
	(6,866)	**(13,730)**	**6,866**	**13,730**

45 FINANCIAL INSTRUMENTS - ACCOUNTING CLASSIFICATIONS

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**

Group - As at 31 March 2018

	Held for trading	Loans and receivables/ Borrowings at amortised cost	Available for sale	Held to maturity	Total carrying amount	Fair value
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Financial assets measured at fair value						
Financial investments - Held for trading	26,519,838	-	-	-	26,519,838	26,519,838
Derivative Financial Instruments	47,868	-	-	-	47,868	47,868
Financial investments - Available for sale	-	-	242,750	-	242,750	242,750
	26,567,706	**-**	**242,750**	**-**	**26,810,456**	**26,810,456**
Financial assets not measured at fair value						
Cash at banks and in hand	-	319,663	-	-	319,663	319,663
Financial investments - Loans and receivables	-	6,069,028	-	-	6,069,028	6,069,028
Trade receivables	-	532,734	-	-	532,734	532,734
	-	6,921,425	-	-	6,921,425	6,921,425
Total financial assets	**26,567,706**	**6,921,425**	**242,750**	**-**	**33,731,881**	**33,731,881**
Financial liabilities measured at fair value						
Derivative Financial Instruments	21,659	-	-	-	21,659	21,659
	21,659	**-**	**-**	**-**	**21,659**	**21,659**
Financial liabilities not measured at fair value						
Bank overdrafts	-	294,402	-	-	294,402	294,402
Securities sold under re-purchase agreements	-	23,412,237	-	-	23,412,237	23,421,098
Short term borrowings	-	6,013,598	-	-	6,013,598	6,013,598
Long term borrowings	-	352,368	-	-	352,368	352,368
Borrowings on debentures	-	407,178	-	-	407,178	403,358
	-	**30,479,783**	**-**	**-**	**30,479,783**	**30,484,824**
Total Financial Liabilities	**21,659**	**30,479,783**	**-**	**-**	**30,501,442**	**30,506,483**

The above classifications are in accordance with LKAS 39.

Notes to the Financial Statements *Contd.*

Company - As at 31 March 2019

	Financial assets- FVTPL	Financial assets/ liabilities at amortised cost	Financial assets - FVTOCI	Total carrying amount	Fair value
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	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**

Company - As at 31 March 2018

	Held for trading	Loans and receivables/ Borrowings at amortised cost	Available for sale	Held to maturity	Total carrying amount	Fair value
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Financial assets measured at fair value						
Financial investments - Available for sale	-	-	1,000	-	1,000	1,000
	-	**-**	**1,000**	**-**	**1,000**	**1,000**
Financial assets not measured at fair value						
Cash at banks and in hand	-	8,490	-	-	8,490	8,490
Financial investments - Loans and receivables	-	7,418,696	-	-	7,418,696	7,418,696
	-	7,427,186	-	-	7,427,186	7,427,186
Total financial assets	**-**	**7,427,186**	**1,000**	**-**	**7,427,186**	**7,427,186**
Financial liabilities measured at fair value						
Derivative Financial Instruments	**-**	**-**	**-**	**-**	**-**	**-**
Financial liabilities not measured at fair value						
Bank overdrafts	-	290,941	-	-	290,941	290,941
Short term borrowings	-	5,999,239	-	-	5,999,239	5,999,239
Long term borrowing	-	352,368	-	-	352,368	352,368
Borrowings on debentures	-	191,607	-	-	191,607	194,727
	-	**6,834,155**	**-**	**-**	**6,834,155**	**6,837,275**
Total financial liabilities	**-**	**6,834,155**	**-**	**-**	**6,834,155**	**6,837,275**

The above classifications are in accordance with LKAS 39.

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 2019				31 March 2018			
	Shareholders		Holding		Shareholders		Holding	
	Number	%	Number	%	Number	%	Number	%
1-1,000	4,400	77.54	1,487,324	1.47	4,428	76.29	1,506,042	1.49
1,001 - 10,000	1,025	18.06	3,520,553	3.48	1,096	18.89	3,930,854	3.89
10,001 - 100,000	217	3.82	6,313,472	6.24	245	4.22	7,395,503	7.30
100,001 - 1,000,000	29	0.51	6,180,754	6.10	31	0.53	7,238,889	7.15
Over 1,000,000	4	0.07	83,747,897	82.71	4	0.07	81,178,712	80.17
Total	5,675	100.00	101,250,000	100.00	5,804	100.00	101,250,000	100.00

3 Analysis of Shareholders

Category of Shareholders	31 March 2019				31 March 2018			
	Shareholders		Holding		Shareholders		Holding	
	Number	%	Number	%	Number	%	Number	%
Individuals	5,517	97.22	13,065,558	12.90	5,621	96.85	13,228,867	13.07
Institutions	158	2.78	88,184,442	87.10	183	3.15	88,021,133	86.93
Total	5,675	100.00	101,250,000	100.00	5,804	100.00	101,250,000	100.00
Resident	5,654	99.63	100,964,097	99.72	5,781	99.60	100,523,193	99.28
Non-Resident	21	0.37	285,903	0.28	23	0.40	726,807	0.72
Total	5,675	100.00	101,250,000	100.00	5,804	100.00	101,250,000	100.00

4. Public Holding

	31-03-2019	31-03-2018
Number of shares held by the public	17,073,927	22,130,184
Percentage held by the public	16.86%	21.86%
Float adjusted market capitalisation	394,334,325	703,837,350

Number of public shareholders as at 31 March 2019 is 5,667.

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 February 2020.

5 Share Price Movement for the Year

	2018/19 Rs.	2017/18 Rs.
Highest	**33.00**	39.90
Lowest	**20.40**	20.00
Year-end	**23.10**	31.80

6. Information on Share Trading and Market Capitalisation

	2018/19	2017/18
Number of transactions	**4,932**	14,955
Number of shares traded	**7,868,875**	17,091,867
Value of shares traded (Rs.)	**231,684,962**	566,795,025
Market capitalisation (Rs.)	**2,338,875,000**	3,219,750,000

TOP TWENTY SHAREHOLDERS

			No. of Shares as at 31 March 2019	Holding (%)	No. of Shares as at 31 March 2018	Holding (%)
1	1.1	Commercial Bank of Ceylon PLC/Dunamis Capital PLC	**31,600,000**	**31.21**	26,600,000	26.27
	1.2	Seylan Bank PLC/Dunamis Capital PLC	**25,400,000**	**25.09**	25,400,000	25.09
	1.3	Dunamis Capital PLC	**22,119,816**	**21.85**	27,119,816	26.79
2	2.1	Seylan Bank PLC/Janashakthi PLC	**4,628,081**	**4.57**	2,058,896	2.03
	2.2	Commercial Bank of Ceylon PLC/Janashakthi PLC	**300,703**	**0.30**	300,703	0.30
	2.3	Share Reserve Account for Mandatory Offer by Janashakthi PLC	**8,640**	**0.01**	-	-
3		Capital Trust Holdings Ltd	**874,203**	**0.86**	707,446	0.70
4		DFCC Bank PLC/Mr.K. S. D. Senaweera	**426,000**	**0.42**	443,092	0.44
5		Mrs. Vasudevan Saraswathi	**343,895**	**0.34**	-	-
6		Mr. Rajapaksa Vithange Don Piyathilake	**282,210**	**0.28**	152,000	0.15
7		People's Leasing & Finance PLC/Mr. D. M. P. Disanayake	**271,087**	**0.27**	439,138	0.43
8		Mr. Arunasalam Sithampalam	**264,000**	**0.26**	264,000	0.26
9		Mr. Amal Joseph Tissera	**249,010**	**0.25**	-	-
10		Hatton National Bank PLC/Arunasalam Sithampalam	**214,844**	**0.21**	-	-
11		Mr. Nagen Dayaranjan Kurukulasuriya	**208,836**	**0.21**	208,836	0.21
12		Commercial Bank of Ceylon PLC/Mr. U. C. Bandaranayake	**205,000**	**0.20**	205,000	0.20
13		Mr. Wickramatunga Arachchi Pathiranage Don Mahipala Wickramatunga	**205,000**	**0.20**	175,000	0.17
14		Dr. Subashi Nemindi Samarasinghe	**200,616**	**0.20**	200,616	0.20
15		Mr. Dhanusha Senajith Duke De Lanerolle	**200,000**	**0.20**	217,500	0.21
16		Mr. Parami Tillakaratne	**179,158**	**0.18**	-	-
17		Mrs. Eileen Monica Perera	**151,033**	**0.15**	151,033	0.15
18		Mr. Henasi Geeth Balasuriya	**151,000**	**0.15**	-	-
19		Citizens Development Business Finance PLC/ K. D. C. Somalatha and K. Nandasiri	**139,400**	**0.14**	139,400	0.14
20		Seylan Bank PLC/Chamara Nuwan Samarathunga	**137,997**	**0.14**	-	-
			88,760,529	**87.69**	84,782,476	83.74

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 alloted	Face Value Rs. '000	Rate of Interest	Date of Tenure	Maturity
5-Feb-15	Annually	5,000,000*	500,000	9.50% (AER-9.50%)	5 years	6-Feb-20

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

2. OBJECTIVE OF THE ISSUES

First Capital Treasuries PLC

- To enhance the Long Term Funding Base of the Company by way of Tier II capital and increase the capital adequacy.
- To minimise the interest rate risk by issuing Listed Debentures with a fixed interest rate.

3. MARKET VALUE

First Capital Treasuries PLC

Debentures with 5 year maturity have not been traded during the year ended 31 March 2019. Hence, par value is recognised as its market value.

5 year fixed rate (9.50% p.a. payable annually)	31-03-2019	31-03-2018
Highest price	-	-
Lowest price	-	-
Last traded price	-	-

Debenture Interest Yield	As at 31-03-2019	As at 31-03-2018
5 year fixed rate (9.50 % p.a. payable annually)	9.50%	9.50%

Yield of Comparable Government Securities (%)	As at 31-03-2019	As at 31-03-2018
5 Year treasury bond	9.99%	9.75%

4. DEBT RELATED RATIOS

First Capital Treasuries PLC	As at 31-Mar-19	As at 31-Mar-18
Debt/equity ratio (times)	**8.99**	7.09
Quick asset ratio (times)	**1.10**	1.12
Interest cover (times)	**1.06**	1.50

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	2019 Rs. '000	2018 Rs. '000	2017 Rs. '000	2016 Rs. '000	2015 Rs. '000	2014 Rs. '000	2013 Rs. '000	2012 Rs. '000	2011 Rs. '000	2010 Rs. '000
	Based on LKAS/SLFRS - (Note A)							Based on SLAS		
Gross income	**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	2,728,174
Profit/(loss) before tax	**88,383**	1,152,108	245,511	62,060	1,071,123	398,785	517,319	(310,279)	605,172	1,164,349
Taxation	**(80,835)**	813,615	(13,913)	(14,600)	(86,224)	(68,689)	(23,272)	(14,858)	378,303	(482,105)
Profit/(loss) after tax	**7,548**	1,965,723	231,598	47,460	984,899	330,096	494,047	(325,137)	983,475	682,244
Other comprehensive income, net of income tax	**(27,555)**	(90,287)	6,836	2,105	(210,616)	(44,438)	254,098	-	-	-
Total comprehensive income	**(20,007)**	1,875,436	238,434	49,565	774,283	285,658	748,145	(325,137)	-	-

Group Financial Position As at 31 March	2019 Rs. '000	2018 Rs. '000	2017 Rs. '000	2016 Rs. '000	2015 Rs. '000	2014 Rs. '000	2013 Rs. '000	2012 Rs. '000	2011 Rs. '000	2010 Rs. '000
	Based on LKAS/SLFRS - (Note B)							Based on SLAS		
Assets										
Cash at banks and in hand	**55,317**	319,663	55,340	31,066	33,193	38,298	18,304	7,187	6,436	6,748
Derivative financial instruments	**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	**31,985,437**	-	-	-	-	-	-	-	-	-
Financial assets - fair value through other comprehensive income	**217,920**	-	-	-	-	-	-	-	-	-
Financial assets at amortised cost	**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	**-**	-	-	-	-	-	-	-	-	8,334,377
Taxes receivable	**178,845**	70,118	104,032	62,379	65,972	62,549	17,426	-	-	-
Resale agreements	**-**	-	-	-	-	-	-	-	-	1,422,439
Trade and Other Receivables	**246,661**	811,035	540,521	576,353	524,524	755,566	356,608	428,861	877,148	261,589
Investment securities	**-**	-	-	-	-	-	-	-	-	379,259
Investment in venture capital	**-**	-	-	-	6,000	6,000	6000	8,000	8,000	8,000
Investment in equity accounted investees	**-**	-	-	-	408,876	-	-	-	-	203,198
Deferred Tax Asset	**862,024**	929,892	36,703	37,703	40,259	48,173	46,733	49,485	49,625	56,831
Property, plant and equipment	**37,050**	19,990	14,295	16,648	26,357	51,517	30,301	4,353	8,128	10,070
Other assets	**160,930**	161,831	156,986	157,779	160,149	158,251	100,725	141,724	142,623	141,317
Total Assets	**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	10,823,828

Group Financial Position	Based on LKAS/SLFRS - (Note B)							Based on SLAS		
As at 31 March	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Liabilities										
Bank overdrafts	**971,036**	294,402	224,445	207,681	866	7,775	5,338	662	9,578	1,586
Derivative financial instruments	**2,878**	21,659	2,240	20,835	31,359	-	837	-	117	-
Securities sold under re-purchase agreements	**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	9,128,799
Short term borrowings	**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	391,053
Tax payables	**348**	4,291	3,956	331	1,719	-	-	4,120	15,754	453,724
Retirement benefit obligations	**31,856**	27,992	22,696	24,385	19,036	19,040	9,677	7,055	7,483	5,637
Borrowings on debentures	**216,205**	407,178	540,032	730,400	725,776	452,248	-	-	-	-
Long term borrowings	**251,833**	352,368	453,077	-	-	-	-	-	-	-
Other liabilities	**238,722**	787,712	358,793	237,920	286,276	432,032	135,056	159,808	204,539	212,560
Total Liabilities	**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	10,193,359
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	**1,021,248**	1,012,200	854,456	822,022	820,964	648,793	553,704	432,916	432,916	224,287
Retained earnings	**2,506,870**	2,545,342	1,036,415	1,052,693	1,209,178	859,019	842,508	500,572	1,019,616	129,044
Fair valuation reserve	**(114,828)**	(90,053)	-	-	(1,564)	212,473	254,098	-	-	
	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	580,831
Non-controlling interests	**180,800**	175,587	95,242	82,661	81,733	81,218	77,348	54,788	63,869	-
Minority interest	**-**		-	-	-	-	-	-	-	49,638
Total Equity	**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	630,469
Total Equity And Liabilities	**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	10,823,828
Financial Ratios										
Earning/(Loss) per Share - Times	0.02	18.49	2.09	0.46	9.33	3.13	4.57	(3.13)	9.23	6.38
Dividend per Share	-	2.00	2.00	-	4.00	4.00	-	2.00	-	15.00
Divident Payout (%)	-	10.82%	95.69%	-	42.87%	127.80%	-	-	-	235.11%
Return on Equity (%)	0.06%	64.40%	10.05%	2.10%	45.11%	16.57%	31.16%	-21.97%	82.84%	110.74%
Leverage (Times)	9.74	7.87	13.14	8.37	7.61	6.84	6.32	5.09	5.55	15.10

Note A

Trading Results relating to 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 2019, 31 March 2018, 31 March 2017, 31 March 2016, 31 March 2015, 31 March 2014, 31 March 2013, 31 March 2012 and 31 March 2011 have been presented in accordance with the Sri Lanka Accounting Standards (LKASs/ SLFRSs).

Financial Intruments as at 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, 31 March 2012 and 31 March 2011 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 broking and margin trading services offered by the Company in view of secondary market trading in equity products.
- **Corporate Governance:** Process by which corporate entities are governed to promote stakeholder interest. Shareholders exert collective pressure on management to ensure equitable decision making on matters that may affect the value of their holdings and base their response on statutory requirements or on so called "Best Practice".
- **Cost Method:** Cost method is a method of accounting for an investment whereby the investment is recognized at cost. The investor recognizes 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 recognized 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 recognized 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.

- IPO or Initial Public Offering: The first sale of a company's shares to the public, leading to the listing of its shares on the stock market.

- **Joint Control:** Joint control is the contractually agreed sharing of the control over an economic activity and exists only when the strategic financial and operating decisions relating to the activity require the unanimous consent of the parties sharing control.

- **Key Management Personnel:** Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly.

- **Lease:** An agreement whereby the lessor conveys to the lessee in return for a payment or series of payments the right to use an asset for an agreed period of time.

- **Liabilities:** Debt or obligations of a business.

- **Liquidity Risk:** The risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities.

- **Listed:** A company or its financial securities which are admitted for trading on a stock exchange.

- **Loans and Receivables:** Non derivative financial assets with fixed or determinable payments that are not quoted in an active market other than those intends to sell immediately or in the near term and designated as fair value through profit or loss or available for sale on initial recognition.

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

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

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

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

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

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

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

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

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

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

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

- **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 27th Annual General Meeting of First Capital Holdings PLC will be held on Wednesday, 4 September 2019 at the Auditorium of the Institute of Chartered Accountants of Sri Lanka, No. 30A, Malalasekera Mawatha, Colombo 07 at 11.00 a.m. to transact the following businesses.

1. To receive the Report of the Board of Directors and the Audited Financial Statements of the Company for the year ended 31 March 2019 together with the Report of the Auditors thereon.

2. To re-appoint Mr. Eardley Perera as a Director of the Company in terms of Section 211 of the Companies Act, No.7 of 2007, by passing the following resolution;

   "IT IS HEREBY RESOLVED THAT it be declared that the age limit of 70 years referred to in Section 210 of the Companies Act, No.7 of 2007 shall not apply in relation to Mr. Eardley Perera, who is over 70 years of age and that he be re-appointed as a Director of the Company".

3. To re-elect Ms. Minette Perera who retires by rotation in terms of Article 93 of the Articles of Association of the Company and offers herself for re-election.

4. To re-elect Mr. Chandana de Silva 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. Prakash Schaffter who was appointed to the Board on 21 December 2018, in terms of Article 99 of the Articles of Association of the Company.

6. To re-appoint Mr. Ramesh Schaffter who was appointed to the Board on 21 December 2018, in terms of Article 99 of the Articles of Association of the Company.

7. To re-appoint Messrs. KPMG, Chartered Accountants as Auditors of the Company for the ensuing year and authorise the Directors to determine their remuneration.

8. To authorise the Directors to determine and make donations.

By Order of the Board,

(Sgd.)
K H L Corporate Services Limited
Secretaries

At Colombo

9 August 2019

Note:
1. A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote on behalf of him/her.

2. A proxy need not be a member of the Company.

3. A Form of Proxy is enclosed for this purpose.

4. The Completed Form of Proxy must be deposited at the office of the Company Secretaries, K H L Corporate Services Limited, No.15, Walukarama Road, Colombo 03 not less than 48 hours before the time fixed for the meeting.

Notes

Notes *Contd.*

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 27th Annual General Meeting of the Company to be held on Wednesday, 4 September 2019 at the Auditorium of the Institute of Chartered Accountants of Sri Lanka, No.30A, Malalasekera Mawatha, Colombo 07 at 11.00 a.m. and at any adjournment thereof and at every poll which may be taken in consequence thereof.

Please indicate your preference by placing a 'X' in the box of your choice against each Resolution.

		For	Against
1.	Receive the Report of the Board of Directors and the Audited Financial Statements of the Company for the year ended 31 March 2019 together with the report of the Auditors thereon.		
2.	Re-appointment of Mr. Eardley Perera as a Director in terms of Section 211 of the Companies Act No.7 of 2007.		
3.	Re-election of Ms. Minette Perera who retires by rotation in terms of Article 93 of the Articles of Association.		
4.	Re-election of Mr. Chandana de Silva who retires by rotation in terms of Article 93 of the Articles of Association.		
5.	Re-appointment of Mr. Prakash Schaffter who was appointed to the Board on 21 December 2018.		
6.	Re-appointment of Mr. Ramesh Schaffter who was appointed to the Board on 21 December 2018.		
7.	Re-appointment of Messrs. KPMG, Chartered Accountants as Auditors of the Company for the ensuing year.		
8.	Authorising Directors to determine and make donations.		

Signed on this……………..day of …………………………… 2019

Signature/s………………………………

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

Form of Proxy *Contd.*

INSTRUCTIONS FOR THE COMPLETION OF THE FORM OF PROXY

1. Please perfect the Form of Proxy overleaf, after filling in legibly your full name and address, by signing in the space provided and fill in the date of signature and your National Identity Card Number.

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

3. If an Attorney has signed the Form of Proxy, the relevant Power of Attorney should also accompany the completed Form of Proxy for registration, if such Power of Attorney has not already been registered with the Company.

4. If the Shareholder is a company or a corporate body, the Proxy should be executed under its Common Seal in accordance with its Articles of Association or Constitution.

5. If there is any doubt as to how the vote is to be exercised, by reason of the manner in which the Form of Proxy has been completed, no vote will be recorded by the Form of Proxy.

Corporate Information

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
Peoples' Bank
Commercial Bank of Ceylon PLC
Cargills Bank Limited
National Development Bank PLC
Sampath Bank PLC
Nations Trust Bank PLC

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First Capital Holdings PLC

Annual Report