First Capital
A Janashakthi Group Company

RESONATING RESILIENCE

FIRST CAPITAL HOLDINGS PLC
ANNUAL REPORT 2021/2022

RESONATING RESILIENCE

The year under review was a time of consolidation and restrategising in order to reap the best results in challenging times. We at First Capital are proud to state that we continued to focus on the implementation of our core strengths, which were vital in managing our performance.

We placed endurance as a priority and the effect it has had on our outlook has been nothing less than extraordinary. Not only were we able to return value to our stakeholders, we were also able to strengthen our inner processes, motivating our people, streamlining our functions and ensuring that our service went above and beyond in maintaining the First Capital way of resonating resilience.

CONTENTS

OUR REPORTING **SUITE**

OUR INTEGRATED REPORT

This is First Capital Holdings PLC's first integrated annual report to stakeholders. It is intended to provide a holistic view of First Capital's ability to create sustainable shared value in the short, medium and long term.

Integrated reports balance the need to communicate effectively through concise, relevant information while providing comprehensive compliance-related disclosures. The Company's integrated report contextualises and connects to information in a collection of reports which provides additional disclosure, satisfy compliance reporting requirements and cater to the diverse needs of our stakeholders.

GOVERNANCE REPORT	AUDITED FINANCIAL STATEMENTS	ENTERPRISE RISK MANAGEMENT REPORT	SUBSIDIARY ANNUAL REPORT
Discusses the group's governance approach and priorities	Sets out the group's audited financial statements for financial year 2021/22 including the independent auditor's report	Sets out the group's approach to enterprise risk management	Our listed subsidiary provides an account to its stakeholders through its own annual report which is available on our website

DISSEMINATION

First Capital's annual report is available in print and PDF format.

INTENDED READERS

Our stakeholders including shareholders, debt funding providers, clients, employees, business partners, regulators and broader society.

We urge our stakeholders to make use of our online reporting under the Investor Relations section at **www.firstcapital.lk.**

INVITATION TO THE AGM

The notice of annual general meeting (AGM) and the form of proxy detailing the resolutions to be tabled make part of this annual report.

The annual report and the invitation to the AGM have been circulated among shareholders through the Colombo Stock Exchange website, www.cse.lk. Printed copies of the annual report are available to shareholders upon request.

HOW TO NAVIGATE OUR REPORTS

The following icons refer readers to information across the reports:

Refers readers to information elsewhere in this report
Refers readers to information in other reports online
For information on forward looking statements, refer to **About Our Report**

OUR INTEGRATED THINKING

Our approach to integrated thinking is dynamic and evolves as we respond to the challenges of the present while preparing our group for the future.

INFORMING OUR THINKING

OUR OPERATING CONTEXT	OUR MATERIAL ISSUES
The current socio-political and economic environment as well as the COVID-19 pandemic are compounding forces impacting financial services and shifting stakeholder expectations of value. With our corporate ideology of PERFORMANCE FIRST, we look at these challenges as factors that deepen our resilience and direct us to re-imagine our relevance to the stakeholders at large in the short, medium and long term. Read more on page 23 to 24	Shaped by the expectations of the stakeholders and prevailing socio-political, economic and sustainability trends, our material issues are those that have the potential to substantially impact our commercial viability, our social relevance and the depth and expansiveness of our stakeholder relationships. Read more on page 25 to 29

EXECUTING OUR STRATEGY

Our strategy

We are accelerating our strategy to become a truly client centric, effective and distinct financial services provider.

Our Corporate Ideology

PERFORMANCE FIRST

Our Vision

To be the leading Investment Bank in Sri Lanka.

Our 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 returns.

Our Strategic Priorities

We have set our strategic priorities to clarify that we aim to deliver our vision of becoming the leading investment bank in Sri Lanka in the long-term.

Read more on page 35

Strategic path

Short-term

Responding to near term needs of agility including our strategies in digitalisation, employees as a strategic asset and client-centricity.

Medium-term

Serving our select market niches as a provider of client centric solutions, enhancing our teams and rapidly expanding our digital footprint in core businesses.

Long-term

Growing in scale, relevance and stabilising our income streams. Becoming Sri Lanka's premier investment bank.

Our transformative identity

What we aspire towards in making strategy a reality and achieving a shift in culture.

Read more on page 36 to 37

OUR INTEGRATED THINKING

MANAGING RISK AND OPPORTUNITIES

Our risk management model

We align the Company's risk appetite to a dynamic operating environment, instilling a risk-aware culture throughout the group and proactively enhance our risk management capabilities.

Read more on page 172 to 184

Directing our conduct

Our Values are the tenets that define us.

Read more on page 19

Our Culture exemplifies doing business the right way.

Read more on page 19

The regulatory and governance perspectives that guide our conduct.

Read more on pages 123 and 130

ORGANISING OUR BUSINESS

Our business model

We secure the capital inputs required to transform, grow, innovate and compete effectively and through our core service offering and competencies deliver the altered capital outputs and outcomes that benefit the stakeholders.

Read more on page 41 to 43

MEASURING OUR PROGRESS

Our value drivers

We track the progress we make in executing the corporate strategy through our value drivers. The following icons relate to value drivers of First Capital's sustainable business model:

FS Financial Sustainability

EF Employee Focus

SF Service Focus

SR Social Relationships

These icons are included to indicate that the particular issue being addressed relates to one of the four value drivers.

Read more on page 38 to 40.

Our internal sustainable development impact areas, priorities and how we measure impact are detailed in the Management Discussion and Analysis on pages 114, 115 and 117.

ALLOCATING OUR RESOURCES

Our resource allocation framework

We have updated the formal decision-making framework we use to allocate resources, to better deal with the volatility, uncertainty, complexity and ambiguity of the environment we operate in. We use scenario planning in resource allocation and adapt these as appropriate.

Read more on page 44 to 45

Our accountability to stakeholders

Our approach to good governance promotes strategic decision-making that reconciles the interests of the group and society in pursuit of sustainable shared value in the short, medium and long term. Our governance framework supports ethical and effective leadership, corporate citizenship and sustainable organisational and societal outcomes.

Read more on page 123 to 130.

OUR VALUE CREATION

FS	SF	EF	SR
Value for our shareholders and debt funding providers Generating financial value and managing our debt within an incisive risk perspective for shareholders and debt funding providers.	**Value for our clients through focused service delivery** Creating value through core service delivery to our clients. Modernising our investment and advisory solutions, digital response and processes.	**Value for our employees** Shaping a skilled, performance and value-driven workforce to meet client needs.	**Value for our society** Acting as a nexus of relationships and doing business focused on the corporate ideology and philosophies including our values; Creating a positive socio-economic and environmental impact.

EMBEDDED SIX CAPITALS

The six capitals defined in the International <IR> Framework are incorporated in our value drivers, which focus and measure strategic delivery and the value we aspire to create for all our stakeholders.

Although the capitals are not referenced individually in how we account for value, they are implicit in the inputs and outcomes of the business model, and in how we are reshaping the group for the future. Several capital inputs can fortify a value driver and result in altered capitals in the outcome and value created therein.

Read more on pages 93 to 117 in the Management Discussion and Analysis where we discuss the six capitals, respective operational and strategic initiatives that are captured under each capital, measures and metrics and linkage to relevant value drivers.

ABOUT OUR REPORT

We report on the progress we have made in the period spanning 1 April 2021 to 31 March 2022 to achieve the strategic objectives. We evaluate our financial and non-financial performance against the strategic value drivers.

The reporting period from 1 April 2021 to 31 March 2022 (FY2021/22) is consistent with our usual annual reporting cycle for financial and sustainability reporting.

OUR REPORTING BOUNDARY

The data in this report, both financial and non-financial, pertains to First Capital Holdings PLC (the Company, First Capital or FCH) and its subsidiaries as the reporting entity, although certain metrics relate to specific categories of activity/ segments only and are indicated as such. The integrated reporting boundary includes all entities over which we have control or significant influence (collectively the group, the First Capital group or FCH group).

The core activities are consolidated and defined as 'investment activities and management of subsidiaries in the annual financial statements. For FY2021/22, this comprises the financial results of the subsidiaries First Capital Limited, First Capital Treasuries PLC, First Capital Markets Limited, First Capital Asset Management Limited, First Capital Equities (Private) Limited and First Capital Trustee Services (Private) Limited.

The reporting boundary includes the strategic narrative in this report and pertains mainly to First Capital's business activities and includes our subsidiaries where they are relevant to the group's business model and strategy, performance and prospects. Where appropriate, the reporting boundary also assesses the risks, opportunities and outcomes that affect our ability to create value, arising from entities and stakeholders, but which are not related to the financial reporting entity by virtue of control or significant influence, but rather by the nature and materiality of the risks, opportunities and outcomes.

REGULATORY BOUNDARY AND KEY FRAMEWORKS

The information contained within this report is in compliance with all applicable laws, regulations, and standards. The preparation of this report has drawn on concepts, principles, and guidelines established in the International Integrated Reporting Framework. This integrated annual report has been prepared in accordance with the GRI Standards: Core option. This integrated annual report adheres to the following frameworks:

FINANCIAL REPORTING	SUSTAINABILITY REPORTING	CORPORATE GOVERNANCE AND RISK MANAGEMENT	FINANCIAL STATEMENTS
Sri Lanka Accounting Standards comprising Sri Lanka Financial Reporting Standards (SLFRSs)	Global Reporting Initiative (GRI)	Listing Rules of the Colombo Stock Exchange	Sri Lanka Auditing Standards (SLAuSs)
Sri Lanka Accounting Standards (LKASs) promulgated by The Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka)	International Integrated Reporting Council's (IIRC) Integrated Reporting Framework	Rules promulgated under the Securities and Exchange Commission of Sri Lanka Act No.19 of 2021 applicable to market intermediaries published in Gazette Extraordinary No. 2271/09 dated 15 March 2022	
Companies Act No. 07 of 2007	"A Preparer's Guide to Integrated Corporate Reporting", published by CA Sri Lanka	Code of Best Practice on Corporate Governance 2017 issued by CA Sri Lanka	
Inland Revenue Act No. 24 of 2017 (as amended)			
Directions issued under the Local Treasury Bill Ordinance (as amended) and Registered Stock and Securities Ordinance (as amended)			

RESTATEMENT OF FINANCIAL STATEMENTS

The presentation and classification of figures for the corresponding period of the previous year have been reclassified/ restated to be comparable with those of the current year where necessary.

PROCESS DISCLOSURES

We apply a combined assurance model to assess and assure aspects of the group's operations, including the internal controls associated with elements of external reporting.

Our approach to the assurance of the annual reports incorporates and optimises all assurance services and risk functions, to enable an effective control environment that supports the integrity of information used in decision-making and reporting. Our Board Audit Committee provides internal assurance to the Board on a quarterly basis on the execution of the combined assurance plan, based on the assessment of the Company's financial, operating, compliance, and risk management controls, a process that is overseen by the Board Audit Committee.

The group auditor, KPMG, Chartered Accountants have provided independent assurance and has expressed an unmodified audit opinion on the group's audited consolidated annual financial statements for the year ended 31 March 2022 included in this report.

In formulating the first integrated annual report, we have endeavoured to deepen how we measure our strategic progress by more clarifying additional metrics. The Company's strategic value drivers have been adopted to reflect how we report our progress and priorities to the Board of Directors, through our Board and Management subcommittees, on an ongoing basis.

MATERIALITY

The material issues are reviewed annually to take into account the changes in our operating environment and evolving stakeholder expectations. The materiality analysis provides insight into the choices made in developing the content shown in the Annual Report. This is illustrated in a materiality matrix that identifies the topics that have had a substantial impact on stakeholders and the Company. Information about the process of determining materiality and the boundaries of the topics are provided in this report.

Read more on the process relating to material for FY2021/22 on page 25.

FORWARD-LOOKING STATEMENTS

The annual report contains certain statements that are 'forward-looking' with respect to certain plans, goals and expectations relating to the future performance, results, strategies and objectives of the First Capital group. These forward looking statements are not statements of fact or guarantees of future performance, results, strategies and objectives, and by their nature, involve risk and uncertainty because they relate to future events and circumstances which are difficult to predict and are beyond the group's control, including but not limited to, domestic and global economic conditions, market related risks such as fluctuations in interest rates and exchange rates, the policies and actions of regulatory authorities (including changes related to capital and solvency requirements), the impact of competition, as well as the impact of changes in domestic and global legislation and regulations.

The First Capital group undertakes no obligation to update publicly or to release any revisions to these forward-looking statements to reflect events or circumstances after the date of publication of this report or to reflect the occurrence of unanticipated events.

STATEMENT OF THE BOARD OF FIRST CAPITAL HOLDINGS PLC

The Board acknowledges its responsibility to ensure the integrity of the integrated report. The Board Audit Committee reviewed and recommended this report to the Board of Directors for approval.

The Board considers the preparation and presentation of this report as being materially in accordance with the International <IR> Framework. The Board is therefore of the opinion that the report addresses material information on the group's ability to create value over the short, medium and long term.

The Board reviewed this report and approved the content included. It delegated the final review and approval of the report for publication to the Director/Chief Executive Officer.

On behalf of the Board,

(Sgd.)	(Sgd.)
Nishan Fernando	**Dilshan Wirasekara**
Chairman	*Director/CEO*

15 August 2022

FEEDBACK AND QUERIES

As part of our commitment to continual improvement, we pay close attention to the feedback we receive from the stakeholders and readers of First Capital's integrated annual report. This feedback will help us make improvements to the way we report in the future and is therefore highly valued. We welcome your comments and input. Please direct your feedback regarding this report to:

Mangala Jayashantha
Chief Financial Officer

First Capital Holdings PLC
02, Deal Place
Colombo 00300
Email : finance@firstcapital.lk

CORPORATE OVERVIEW

WHO WE **ARE**

First Capital Holdings PLC (First Capital) is a performance focused, client centric, digitally enabled integrated financial services group with a compelling competitive advantage.

Since the inception of our fixed income business in 1982, we have expanded through a combination of organic growth and strategic acquisitions. We are now a Janashakthi group company offering diversified core services to a local and global client base.

We provide investment and advisory solutions in Government Securities, Corporate Finance and Advisory, Asset Management and Stock Brokering, driving the financial wellbeing of our clients and the economy.

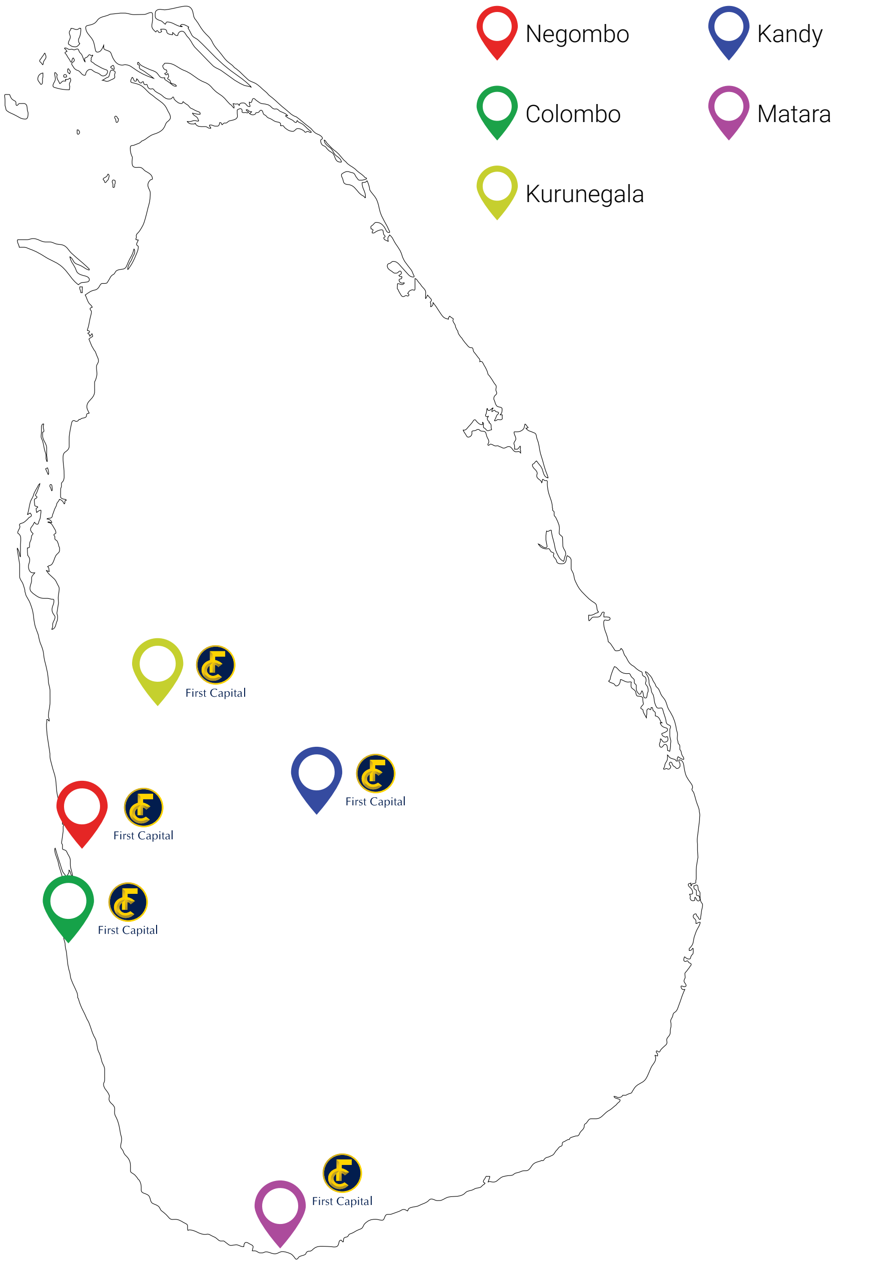
First Capital's on-the-ground presence and relationships in Sri Lanka position us well to satisfy our client needs in a fast-changing environment.

We are listed on the Diri Savi Board of Colombo Stock Exchange. Our shares trade under the ticker CFVF.N0000:CSE and reflected a market capitalisation of Rs. 3.14 Bn as at 31 March 2022.

The Company's capital strength and disciplined approach to risk management is reflected in a credit rating of [SL]A with Stable outlook by ICRA Lanka Limited.

We approach our 40th year in business and face the post-pandemic world with our client needs foremost in mind. We hold that the ways of yesterday are not enough for progress. Now, more than ever, our determination to be singular is critical for future success. Our renewed vigour is seen in the way our teams have come together to overcome unforeseen challenges since the advent of the COVID-19 pandemic and the prevailing macro-environment.

The stakeholder response is strengthened by the belief that our brand, guided by our corporate ideology PERFORMANCE FIRST is a strategic asset. The Company's strategic direction is guided by a commitment to attain the full breadth and depth of our capabilities to drive sustainable value for stakeholders.



On-the-ground presence in Colombo and four commercially progressive regional centres in Sri Lanka.

OUR JOURNEY

We harness almost 40 years of expertise to offer comprehensive solutions that meet client needs. First Capital Treasuries PLC (FCT) was founded as a money broker in 1982 and later became a pioneering primary dealer in the local market.

With the Company's roots firmly established in the fixed income space early on, we now have an array of integrated investment and advisory solutions to serve our clients with. Reflective of both organic and inorganic growth over the years, our capabilities and core service offering comprising Government Securities, Corporate Finance and Advisory, Asset Management and Stock Brokering has evolved to what it is today.

The value proposition is strengthened in part by the diversity of our offering, liquid and robust balance sheet and the resilience of our clients.

We are now well positioned for long-term growth.

EMERGENCE AS INTEGRATED INVESTMENT AND ADVISORY SOLUTIONS PROVIDER

1982

Roots
The oldest entity of the Group, First Capital Treasuries PLC was incorporated as a money brokering company.

1992-98

Incorporated
First Capital Holdings PLC's predecessor incorporated as CF Venture Fund Limited (CFVF) listed on the Colombo Stock Exchange in 1994. Begins investment management in 1998 in addition to venture capital business.

2020

Recognition
Ranked on Business Today Top 30 corporates, demonstrating business prowess.

Enhanced risk discipline
Corporate credit rating upgraded to [SL]A from [SL]A-.

2021

Apex performance
Exceeds Profit before Tax of Rs. 2 Bn in FY2020/21.

First Capital Treasuries PLC, the Government Securities business lists on the Colombo Stock Exchange – Diri Savi Board.

Certified as a Great Place to Work® reflecting nurturing work culture.

Brand value of Rs.1.0 Bn.

2022

Brand Strength
Ranked on the LMD 100 and recognised an most valuable consumer brand - Investment Banking by Brand Finance.

Broader Markets
Digital response initiatives with renewed focus on retail.

2006/07

Growth
Acquisition of First Capital Limited by CFVF.
Unification under 20+ year brand vintage with name change to First Capital Holdings PLC.
Initiates comprehensive service offering through investee companies.

2010

New Services
Unit Trust management services initiated under the Asset management unit.

2013

New Services
Initiated stock brokering through strategic acquisition of established brokering house.

2014

Differentiated Market Position
Traction through several highly visible pioneering, industry leading transactions including term repos and micro-securitisations.

2015

Expanded offering
Expanded operational footprint through core offering of Government Securities, Corporate Finance and Advisory, Asset Management and Stock Brokering. Marked strategic position and differentiation from peers.

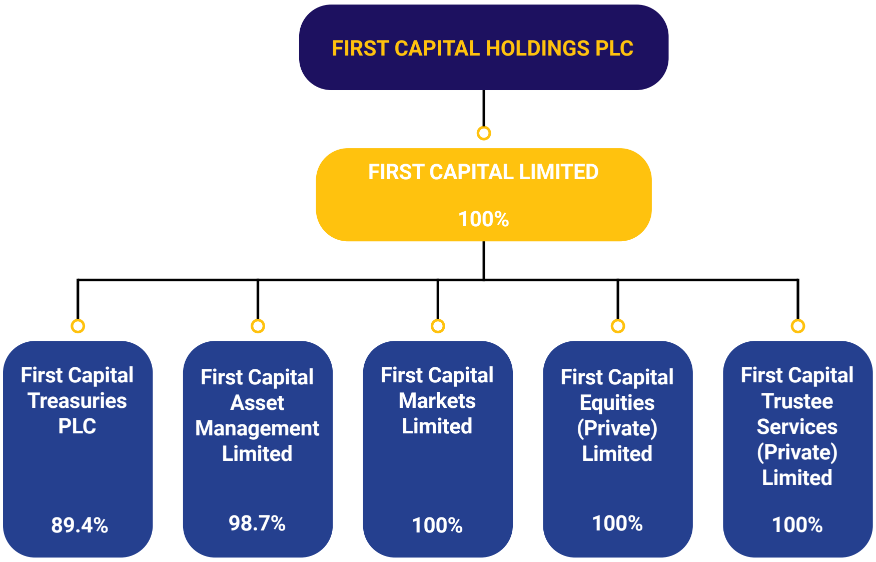
2018

Acquisition
The Company is acquired by Janashakthi Limited.

GROUP **STRUCTURE**

The First Capital portfolio constitutes of six operating subsidiaries. Our subsidiary governance philosophy aims to exert influence through mainly non-executive representation on subsidiary Boards. Active streamlining of subsidiary Board composition to ensure a majority independent non-executive representation fosters autonomy at subsidiary level. Managerial, strategic and financial support is provided to set in place a conducive environment in providing business as one unified entity, as opposed to day-to-day management of business. Subsidiaries are required to align with group level policies in relation to governance, risk management, financial management, legal, compliance, values, information management and sustainability.

While First Capital's business units operate independently, they are strongly interlinked through the sharing of a common brand, management team, systems and group treasury functions. Business units are licenced[1] to operate in 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 operating structure reflects the following salient features:

- Group companies are separate legal entities; These collectively provide fee-based and fund-based services;
- First Capital Holdings PLC is the parent and holding company of group entities and is listed on the Colombo Stock Exchange;
- First Capital Limited is an operating subsidiary providing subsidiary management of entities providing Asset Management, Stock Brokering and Government Securities services; First Capital Limited also provides Corporate Finance and Advisory services[2] ;
- First Capital Treasuries PLC is the provider of our Government Securities business; It is a subsidiary with a strong operational footprint as a non bank-affiliated primary dealer and is also listed on the Colombo Stock Exchange.

Each subsidiary is licensed where required to carry out principal activities as enumerated below:

- First Capital Treasuries PLC is licensed as a primary dealer in government securities by the CBSL;
- First Capital Limited is empowered by its articles of association to provide subsidiary management in addition to advisory services;
- First Capital Asset Management Limited is licensed as an investment manager and a managing company of unit trusts by the SEC;
- First Capital Markets Limited is engaged in general investments and is in the process of obtaining in principle approval from the SEC, to act as a corporate finance advisor under the newly established regulatory regime for market intermediaries;
- First Capital Equities (Private) Limited is licensed as an equity and debt stockbroker by the SEC;
- First Capital Trustee Services (Private) Limited is empowered by its articles of association to engage in trustee services for corporate debt structuring.

Read more on how each group company links to the service offering on pages 15 - through 18.

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1. *As of the date of publication First Capital Markets Limited is in the process of obtaining in principle approval to be licensed as a Corporate Finance Advisor under rules applicable to market intermediaries published in Gazette Extraordinary No. 2271/09 dated 15 March 2022.*
2. *First Capital Limited conducted Corporate Finance and Advisory business during the reporting period. This business will be conducted by First Capital Markets Limited once licensed by the SEC in the next financial year.*

OUR SERVICE **OFFERING**

Our core service offering is built on well-defined, value-added businesses focused on serving the needs of our clients and the markets we compete in. Spanning four complementary businesses Government Securities, Corporate Finance and Advisory, Asset Management and Stock Brokering our service offering helps diversify and balance income through vacillating market conditions.

	GOVERNMENT SECURITIES	CORPORATE FINANCE AND ADVISORY	ASSET MANAGEMENT	STOCK BROKERING
Business unit(s) providing service	First Capital Treasuries PLC	First Capital Limited; where required, First Capital Trustee Services (Private) Limited provides trustee services for select products	First Capital Asset Management Limited	First Capital Equities (Private) Limited
Strategic targets	Provide best-execution and tactical trading strategies in government debt markets	Provide custom innovative fund raising and corporate advisory solutions	Yield superior risk adjusted returns in assets under management against internal benchmarks	Provide best execution and custom trading strategies depending on client risk profile through the broking arm; enable leveraged trading strategies through provision of stockbroker credit
Client focus	Capture new and broad market comprising yield-seeking retail investors to balance captive institutional investor base	Capture new and broad markets with a balance of government, institutional, corporate and high net worth clients	Capture new and broad markets, particularly in retail; Private wealth management solutions target high net worth individuals	Capture new retail investment through digital means; rebalance the investor mix to provide stability through strong institutional participation
Common strategic goals	➤ Adopting a truly digital approach to service delivery; ➤ Shifting culture progressively by growing skills and depth of teams and demonstrating the corporate ideology of PERFORMANCE FIRST in our work; ➤ Digitalisation of life cycle management from onboarding to continuous and focused management of client relationships; ➤ Streamlining of trade through post-trade processes.			

OUR SERVICE OFFERING

OUR SERVICE OFFERING ENCOMPASSES A RANGE OF INVESTMENT AND ADVISORY SOLUTIONS

GOVERNMENT SECURITIES

What we do

Provide trading strategies enabling clients to participate in the primary and secondary government securities market.

- Innovative rate solutions
- Government securities based investment products
- Secondary market trading in government securities
- Research analysis

ASSET MANAGEMENT

What we do

Offer asset management solutions to a growing retail client base.

- Unit trusts
- Private wealth management
- Discretionary portfolio management
- Personal financial planning
- Lifestyle investment solutions

CORPORATE FINANCE AND ADVISORY

What we do

Offer a range of solutions from advisory, structuring and transactional in capital markets.

- Debt and equity capital raising
- Advisory services
- Mergers and Acquisitions (M&A)
- Valuations
- Restructuring
- Project advisory
- Treasury advisory

STOCK BROKERING

What we do

Provide trading strategies enabling clients to participate in the secondary equity market.

- Stock brokering
- Margin trading
- Research analysis

The diversified core service offering is to be rebalanced to support long-term strategy. We aim to maintain an appropriate balance between income and risk. Our core service offering made up of fund and fee-based activities ensures we aim over the long-term to not be over reliant on any one part of our businesses, to sustain activities and secure a large recurring income base that enables us to navigate the changing cycles.

Our capital intensive businesses:

- Fund based income contributes 70% to unadjusted group direct income*.
- Income constitutes of trading, investment and interest income.

Our capital light businesses:

- Fee based income contributes 30% to unadjusted group direct income*.
- Income comprises fees on advisory and investment management in addition to brokering commissions.

**Unadjusted group direct income is total segmental income of FY2021/22 and is not adjusted for intra group eliminations. The group direct income appearing in note 7 of the financial statements is adjusted for intra group eliminations.*

OUR SEGMENTAL OPERATIONAL FOOTPRINT - CORE BUSINESS POSITIONING

Government Securities

Market positioning
- Dominant primary market auction participation amongst non-bank affiliated primary dealers;
- Accepted bids in T-Bill auctions: Rs. 148.2 Bn;
- Accepted bids in T-Bond auctions: Rs. 33.8 Bn;
- Primary market success in T-Bills and T-Bonds: 5.9% and 3.6% of total accepted bids respectively;
- Capital Adequacy Ratio - Tier I and II (CAR) of 85%, highest amongst non-bank affiliated primary dealers at end of the year;
- Robust risk management of primary dealer unit minimises impact on reserves: CAR buffer is 75% as against statutory requirement of 10%.

Corporate Finance and Advisory

Market positioning
- Total corporate debt mobilised Rs. 5.2 Bn;
- Transactional and placement capabilities demonstrated in taking FCT public.

Asset Management

Market positioning
- AUM of Rs. 41.2Bn;
- First Capital Money Market Fund outperformed peers in the last quarter of the year; During the year it ranked second highest in terms of returns in its asset class;
- First unit trust in Sri Lanka to introduce digital client onboarding;
- Growing traction in digital distribution channels;
- Senior portfolio managers with 15-year expertise in multiple asset classes.

Stock Brokering

Market positioning
- Maintained industry ranking in terms of turnover;
- Market leading fundamental research coverage-53 counters consituting of 52% total market capitalisaion;
- Client risk profile based tailored trading strategies;
- Clients have historically reflected resilience through difficult macro-environments;
- Growing traction in digital distribution channels;
- Senior investment advisors with average experience of 15 years.

OUR SERVICE OFFERING

OUR SEGMENTAL OPERATIONAL FOOTPRINT - KEY METRICS

Government Securities

- Segmental net trading income[¤] of Government Securities: Loss of Rs. 432 Mn (net trading income decreased by 115% YoY)
- Segmental contribution to net trading income: negative contribution of 194%
- Operating profit/(loss) of Government Securities: Operating loss of Rs. 890 Mn (decreased by 137% YoY)
- Permanent employee participation[#]: 12%
- Pre-Tax ROE: (21%) COI[^]: 2.47

Corporate Finance and Advisory

- Segmental net trading income[¤] of Corporate Finance and Advisory: Rs. 116 Mn (decreased by 73% YoY)
- Segmental contribution to net trading income: 52%
- Operating profit/(loss) of Corporate Finance and Advisory: Operating loss of Rs.225 Mn (decreased by 174% YoY)
- Permanent employee participation[#] : 12%
- Pre-Tax ROE: (5%) COI[^]: 2.91

Asset Management

- Segmental net trading income[¤] of Asset Management: Rs. 152 Mn (increased by 14% YoY)
- Segmental contribution to net trading income: 68%
- Operating profit/(loss) of Asset Management: Operating profit Rs. 114 Mn (increased by 17% YoY)
- Permanent employee participation[#]: 14%
- Pre-Tax ROE: 72% COI[^]: 0.32

Stock Brokering

- Segmental net trading income[¤] of Stock Brokering: Rs. 387 Mn (increased by 189% YoY)
- Segmental contribution to net trading income:174%
- Operating profit/(loss) of Stock Brokering: Operating profit of Rs. 310 Mn (increased by 188% YoY)
- Permanent employee participation[#]: 23%
- Pre-Tax ROE: 97% COI[^]: 0.43

¤ *Segmental net trading income is direct income less direct expenses of the specific business segment; Segmental contribution is computed by dividing segmental net trading income from all business segments by total net trading income prior to intragroup eliminations;*

Permanent employee participation means a segment's permanent employees as a percentage of the group's total permanent employees.

^ *COI is cost to income ratio calculated for the business segment;*

OUR SINGULARITY

Our Vision

To be the leading investment bank in Sri Lanka.

Our 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

We exist to create sustainable value for all of our stakeholders: our clients, our people and the communities in which we operate.
The five key values that guide our conduct embody this greater purpose:

Ethical and Honest
Collaborative
Respectful
Performance-driven
Transparent

Our Corporate ideology

PERFORMANCE FIRST reflects our work ethic and leads us on an aspirational future-focused strategic growth trajectory.

Our singularity is embodied in our heritage and performance driven culture, supported by a strong risk management discipline, client-centric approach and an ability to be versatile.

Our unique positioning is reflected in our iconic brand, a service offering focused on serving the needs of our clients, effectively competing in markets in which we look to building scale and relevance through an evolving digital platform.

Ours is a culture that values innovative thinking and where our close-knit teams stimulate outstanding performance. We take pride in the strength of our leadership team and we employ empowered, independent thinking, talented people who are committed to achieving the corporate ideology, vision and mission.

STRATEGIC TRAJECTORY

The PERFORMANCE FIRST corporate ideology is, first and foremost, a commitment to drawing on the full breadth and depth of relevant capabilities to meet the needs of our clients.

PERFORMANCE FIRST is also about improving internal operating efficiencies; ensuring that investments in infrastructure and technology support our differentiated service offering across the entire group.

And in our allocation of capital, the strategy demands a disciplined approach to optimising returns, not merely in one business area but for the group as a whole.

OUR COMPETITIVE ADVANTAGE

The key attributes that differentiate us from our peers and protect us from peers are outlined below:

Unified performance driven organisation

We are committed to driving sustainable and inclusive growth. Our prospects for future growth are driven by economic fundamentals and the unique post-pandemic environment providing opportunities to increase our market share in broader markets in which we operate but currently have relatively small market shares. We have a strong culture that stimulates outstanding performance.

Core service strategy

The businesses and income streams are diversified across clients, markets and business sectors. The Company's long-term strategy is to achieve rebalancing of our fee-based and fund-based incomes so that we are not over reliant on any core business. We continue to build a balanced core offering which provides solid recurrent income streams and protection against volatility.

We serve select market niches as a focused provider of tailored structured solutions and post-COVID have embraced digitalisation as a means of capturing broader markets.

Our strategy is underpinned by our strong brand, competent people, fit-for-purpose physical distribution network and evolving digital platforms.

Client centricity

Clients are at the core of our business. We strive to expand the depth and breadth of our relationships by deepening existing and creating new client relationships. Being agile and knowing our clients well are drivers behind our high service levels.

We have depth of leadership in our Board and senior management and insights and expertise are transferred to the teams that design our investment and advisory solutions and serve our clients.

Robust capital and liquidity position

Our strong and liquid balance sheet provides flexibility to manage uncertainty, change, innovation and growth. We are rated [SL]A with Stable outlook by ICRA.

OUR SINGULARITY

Nexus of relationship capital
We have the resources and drive to expand on our own and through partnerships and alliances.

Sustainable business
We contribute to society, macro-economic stability and the environment through our sustainability goals. The brand is a strategic asset that reflects our heritage and prowess. First Capital's strategy is aimed at positioning the group for the long term. We balance operational risk and financial risk whilst creating sustainable value through an incisive risk consciousness. We are aware always that we are creating sustainable value and are focused on the chosen value drivers that manifest such value for our stakeholders.

PROVEN REACH AND ADVANTAGE

As an established integrated financial services provider we have:

Brand as a strategic asset

Resilient and active client community

Evolving digital assets and processes

Deep local and sector knowledge

Performance oriented teams

On-the-ground presence
5 cities including regional centres

Valued people-our permanent employees **90**

Valued clients
Over 2,900 digitally active clients

Corporate social investment partnerships
Janashakthi Foundation
Habitat for Humanity Sri Lanka

Ongoing modernisation of platforms
Across investment banking value chain : front-office, middle-office and back-office

Credit rating
[SL]A with Stable outlook
Reaffirmed

Iconic Brand
with brand value of Rs. 1.0 Bn

Valued workplace
Accredited as
Great Place to Work®

KEY METRICS AT A GLANCE

FINANCIAL HIGHLIGHTS

Indicator	Group		Company	
	FY2021/22	FY2020/21	FY2021/22	FY2020/21
Profitability and efficiency ratios				
Operating profit margin	**-33.9%**	48.2%	**4.3%**	14.6%
Net profit margin	**-28.7%**	34.7%	**-55.3%**	232.5%
Return on assets (ROA)	**-1.7%**	5.1%	**-3.6%**	16.5%
Return on equity (ROE)	**-14.1%**	47.9%	**-12.3%**	47.9%
Return on capital employed (ROCE)	**2.9%**	12.6%	**5.7%**	6.8%
Cost to Income ratio (times)	**1.37**	0.50	**0.95**	0.85
Productivity ratio (Income/Headcount) (Rs.)	**25 Mn**	64 Mn	**17 Mn**	15 Mn
Equity ratios				
Net asset value per share (Rs.)	**40.01**	45.14	**40.01**	45.14
Earnings per share* (Rs.)	**(1.50)**	4.91	**(1.31)**	4.91
Dividend per share* (Rs.)	**-**	1.25	**-**	1.25
Dividend payout	**N/A**	25.4%	**N/A**	25.4%
Price earnings ratio (times)	**N/A**	2.8	**N/A**	2.8
Price to book ratio (times)	**0.77**	1.2	**0.77**	1.2
Market value per share (Rs.)				
High	**57.00**	64.70	**57.00**	64.70
Low	**30.70**	22.10	**30.70**	22.10
Year-end	**31.00**	54.50	**31.00**	54.50
Dividend yield	**N/A**	9%	**N/A**	9%
Debt ratios and risk measures				
Debt to equity ratio (times)	**8.1**	6.2	**2.8**	1.9
Quick asset ratio (times)	**1.2**	1.3	**1.3**	1.3
Interest cover (times)	**0.6**	2.4	**0.3**	4.0
Equity asset ratio (times)	**0.11**	0.13	**0.26**	0.33
Capital adequacy ratio-core equity Tier I +Tier II (CAR)	**84.9%**	33.2%	**N/A**	N/A
Credit rating	**[SL]A Stable outlook**	[SL]A Stable outlook	**[SL]A Stable outlook**	[SL]A Stable outlook

** Effect of the sub- division of shares has been adjusted retrospectively.*

INFORMING OUR THINKING

OUR OPERATING CONTEXT

The group's prosperity depends on how agile we are in weathering the pandemic and an impending economic crisis. We anticipate, embrace and manage change, with the wellbeing of our clients at the centre of our aspirations for the future.

KEY TRENDS IN RISK AND OPPORTUNITY SPECTRUM	RESPONSE
Policy uncertainty and absence of political consensus Policy uncertainty in both the monetary and fiscal side is a prevalent concern. It continues to undermine our long-term strategy. Political consensus in key reform areas is requisite for a conducive macroeconomic environment.	The group manages this risk by capitalising on timely insights and forecasts provided by the Research division and tactical decision making by Senior Management in managing its impact on specific, unsystematic risks. Flexible budgeting methods are in place to review and update the budgets based on such changes. Under the group's risk governance hierarchy the Board is ultimately responsible for risk management. Specific risks are assigned to designated committees that meet as scheduled or as required, for mitigatory action. This systemic risk as well as interlinked risks impacted by it are managed within this framework. See pages 180 through 181 under the Risk Management on how we manage specific risks including market risk, strategic risk and interest risk inter-alia.
An economy under multi-factor stress Sri Lanka recorded a 3.7% real GDP growth in 2021. A muted recovery from the COVID-19 pandemic was not surprising as Sri Lanka's economy struggles with macroeconomic challenges arising from a change in the sovereign debt rating, the country's high and unsustainable debt, low foreign reserves and imminent inflationary pressures.	We have a strong balance sheet that is managed conservatively and are rated [SL]A with Stable outlook by ICRA. Our core businesses are diversified to provide resilience and to support clients in times of economic uncertainty. We undertake regular stress tests to understand how the business performs and what actions to take in a variety of scenarios. We strategically enhance our focus on the key sources of competitive advantage including our client focus, and technology leadership. See page 172 through 184 under Risk Management on how we manage risks. Also see Operating Context appearing on page 23 through 24 for economic and market commentaries.
Increased competition in the digital space Existing and new competitors are using advancement in technologies and will leverage digital trends to meet evolving customer preferences.	We invest in client-centric innovation that brings together technology and service delivery to meet client needs. We modernise our platforms and processes including client life cycle management to gain advantage. We have allocated substantial resources to create technological capacity to invest for the future. See page 23 through 24 under Operating Context for trends that impact our business. Also see page 102 through 106 under Intellectual Capital for our IT roadmap.
Workforce requirements are changing Competition and search for specialised talent is increasing in the face of scarcity in skilled human resources. Automation and digitisation are changing the capabilities and skillsets required. Our teams need to progressively adopt our work ethic and performance focus and embrace the Brand identity in order to align with long term strategy. In tandem we need to provide a workplace that is inclusive and nurturing. In the prevailing environment of power cuts and fuel shortage the normal course of business as well as human capital is under stress.	We are re-skilling and supporting our teams to be ready for the future of work. To retain and attract skilled talent we are continuing to invest in our value proposition as an employer. The Company's succession plan has pointed out that mentoring and leadership building is necessary to strengthen the future executive management tier. We offer flexible work arrangements to enable efficient participation and are mindful of pressures that our staff may face. As an employer, we offer competitive benefits and foster a diverse and inclusive workforce. See page 107 through 113 under Human Capital for our people and workplace responses. See page 172 through 184 under Risk Management on how we manage related risks.

OUR OPERATING CONTEXT

KEY TRENDS IN RISK AND OPPORTUNITY SPECTRUM	RESPONSE
Importance of cyber-security Cyber-security and data privacy are progressively more important due to the digitalisation of information, processes and transactions, and the higher level of sophistication of cyber threats.	We continue to invest in cyber security and data management. We have secure electronic document and record management systems and systems that are protected. We collaborate with a range of governmental and industry bodies and the vendor community to strengthen system-level resilience and to reduce the impact of cyber-crime. See page 172 and 184 under the Risk Management. Also see page 102 through 106 under Intellectual Capital on related initiatives.
Regulation driving change The industry is undergoing a period of heightened regulatory change, with a focus on non-financial risk. Both SEC and CBSL have introduced new rules and regulations that impact our core businesses.	We are engaging with regulators proactively and in an open and transparent way. We have been actively engaged in representing our views during the rules consultations and general consultations by the SEC, in relation to market intermediary rules which impact compliance risk in our core businesses. We have since reviewed and refined our compliance risk management framework and processes in line with ISO 31000 : 2018. In view of the changes in the regulatory space introduced by the CBSL, The Company's strong capital base facilitates compliance with increased capital requirements with minimal impact. The Group executed a memorandum of understanding with the Department of Registration of Persons to facilitate the digital client identification processes. See page 86 through 87 under Operating Context for key regulatory changes. See page 172 through 184 under Risk Management for key regulatory changes and risk mitigation. See page 114 through 116 under Social Capital for our interactions with regulators.
Climate action is growing in importance Climate change presents both risks and opportunities for our clients and our business, and is of concern to many in the community.	This matter is of concern of the Management of the Company, taking an active interest in initiating analysis to understand the risks and opportunities of climate change, implementing strategic responses, and building internal capabilities to support environmentally conscious operations. See Our Material Issues on page 26 for our priority issues. See page 117 under Natural Capital for our responses, impact areas, priorities and measures.

Read more in the Management Discussion and Analysis on pages 83 through 117.
See Our Material Issues on page 25 to 29 for how risks are prioritised.

OUR MATERIAL **ISSUES**

We consider an issue to be material if it has the potential to substantially impact our commercial viability, our social relevance and the quality of our relationships with the stakeholders. First Capital's material issues are influenced by the expectations of our stakeholders and the socio-economic and environmental context in which we operate and therefore encompass the global and local trends and opportunities facing the business.

The continuing pandemic and a strained economic front both locally and globally have been primary concerns in the materiality process. Adaptive initiatives taken by the group enables the stakeholders in mitigating the risks exposed.

HOW WE DETERMINE OUR MATERIAL ISSUES

Our material issues are those that matter most to the stakeholders and have an impact on our ability to create value in the short, medium and long term.

We view the materiality determination process as a business tool that facilitates integrated thinking. We undertake an annual review of our material issues to take into account the changes in the operating environment and evolving stakeholder expectations. Our material issues continue to evolve in response to changes in the operating environment and stakeholder expectations, although the broad themes tend to be relatively stable.

Together with our material issues process, we undertake an annual process to identify the risks that are expected to have a material impact on the group in the short, medium and long term – key prevalent and emerging risks. The list is then refined and those which require additional focus are elevated and referred to as enterprise risks. These directly inform our material issues. The material issues are, however, broader in their scope in that they take into account the expectations and priorities of a diverse set of stakeholders.

Identify
We identify matters that have an impact on the execution of our strategy and value creation.

Assess
We assess identified matters that have high impact on the execution of our strategy and value creation to stakeholders in terms of risks embedded and opportunities created.

Prioritise
We then prioritise the matters considering the impact to the stakeholders and the group.

Integrate and Execute
Prioritised matters are then integrated into strategy formulation; KPIs are determined and linked to employee performance.

OUR MATERIAL ISSUES

IDENTIFICATION OF MATERIAL ISSUES

We identified the topics that have the most impact on the value creation process through a multi-step model. The first step of the process was a PESTEL analysis of potential material issues categorised under the stakeholder group on which they have the most impact, and is shown in the following table.

	POLITICAL	ECONOMICAL	SOCIAL	TECHNOLOGICAL	ENVIRONMENTAL	LEGAL
Material Topics	Political and policy uncertainty 1	Weak GDP growth 3	Fuel shortage and power cuts 8	Import restrictions related to IT equipment 13	Environmental threats 17	Enhancement of minimum capital requirements 18
	Changes to tax policy 2	Debt restructuring 4	Cultural change WFH / Digital access 9	Desire for product and process innovations 14		New SEC Act and new compliance requirements 19
		Rising inflation and interest rates 5	Influence of social media 10	Digitalisation of processes 15		Compliance requirements for digitalised client on boarding 20
		Currency depreciation 6	Challenges related to staff retention and recruitments 11	Cyber security threats 16		
		Lack of liquidity in the system 7	Sustainable development goals 12			

ASSESSMENT OF MATERIAL ISSUES

The categorisation of the above matters, risks or opportunity embedded in the same, how those affect different stakeholders and the way the group managed such matters and risks is illustrated below:

Engaging our Stakeholders in the Determination of Material Issues

Our stakeholders are those individuals, groups and organisations that materially affect or could be materially affected by our business activities, products and services, and associated performance.

Our stakeholders provide us with the resources and relationships we need to achieve the corporate strategy and vision; influence the operating environment and confer legitimacy on our business activities.

Our business activities directly and indirectly impact the stakeholders' own wellbeing and success.

We are committed to building constructive partnerships with the stakeholders, optimising the positive impacts of our business activities on them. We engage with our stakeholders on a range of diverse issues and strive to respond to their concerns in an appropriate and timely manner.

Proactive engagement with the stakeholders provides us with insights that help inform our material issues, shape our business strategy and operations and minimise reputational risk.

Under our stakeholder engagement model different teams within the group regularly meet respective stakeholders on matters of mutual interest. Material stakeholder engagements are reported to the group, and material issues and concerns are incorporated into the group's annual assessment of material issues.

See pages 32 and 33 for our stakeholder engagement matrix.

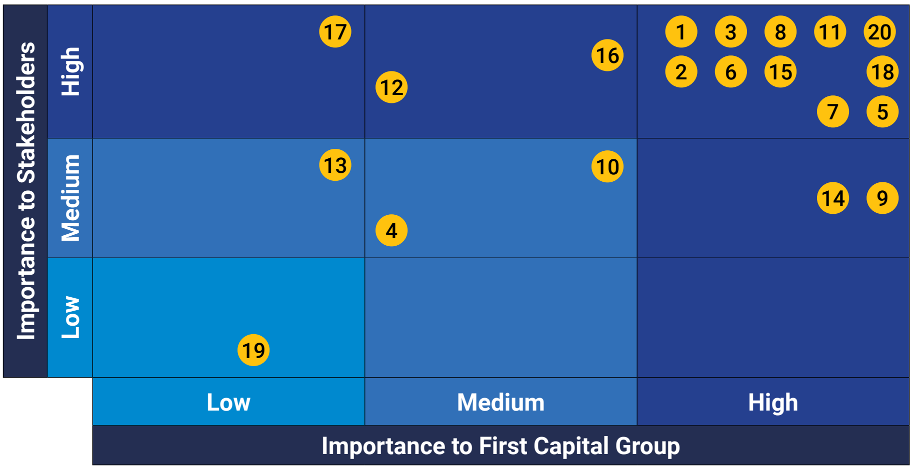
OUR MATERIAL ISSUES

ASSESSMENT OF MATERIAL ISSUES (CONTD.)

STAKEHOLDERS	POLITICAL	ECONOMICAL	SOCIAL	TECHNOLOGICAL	ENVIRONMENTAL	LEGAL/ REGULATORY
Investors, analysts and rating agencies		4 Debt restructuring 5 Rising inflation and interest rates	8 Fuel shortage and power cuts	16 Cyber security threats	17 Environmental threats	18 Enhancement of minimum capital requirements 19 New SEC Act and new compliance requirements
Clients	2 Changes to tax policy	6 Currency depreciation		14 Desire for product and process innovations		20 Compliance requirements for digitalised client onboarding
Employees			9 Cultural change/ WFH 11 Challenges related to staff retention and recruitments	15 Digitalisation of processes		
Government and regulators	1 Political and policy uncertainty					
Society and Environment		3 Weak GDP growth	10 Influence of social media 12 Sustainable development goals			
Business partners		7 Lack of liquidity in the system				
Suppliers/ service providers including vendors				13 Import restrictions related to IT equipment		

PRIORITISATION OF MATERIAL ISSUES

In prioritising issues, stakeholder inclusiveness, sustainability context and completeness of the potential issues were considered as the guiding principles. A priority list of 20 material issues was identified, grouped by value driver and prioritised according to potential impact on the group and importance to stakeholders.



INTEGRATION AND EXECUTION OF MATERIAL ISSUES

The Group manages its material issues through the strategic planning process. The material issues which are ranked as high priority to the stakeholders as well as the group are addressed in the strategic planning process and are discussed as key action points.

Each material issue is assigned to the divisional heads and resources are allocated based on the severity of material matters. The key performance indicators of each divisional head and their team is decided based on the allocated tasks. These action points are reviewed periodically through sub-committee meetings and at the board level to ensure progress.

The Board of Directors is duly informed of the material priorities and is approved before execution.

Any deviation on the material priorities and the progress towards achievement is duly informed to the Board via Management Committee meetings.

The Enterprise Risk Management Committee monitors the material issues which carry a significant level of uncertainty and create an environment of ambiguity.

Internal and external audits are carried out periodically to ensure adherence to the internal controls and procedures and ensure the smooth flow of operations supporting the achievement of material priorities.

Observations on internal and external audits are properly communicated to the Board of Directors and the relevant sub-committees for corrective action where necessary.

ALIGNING MATERIAL ISSUES WITH G4 **REQUIREMENTS**

VALUE DRIVER AND VALUE CREATION IMPERATIVE	OPERATING CONTEXT : KEY TRENDS IN RISK AND OPPORTUNITY SPECTRUM	MATERIAL ISSUES	GRI TOPIC AND INDEX NUMBER	CAPITAL ENGAGEMENT	ENTERPRISE RISK
FS **Financial Sustainability** Generating financial value and managing our debt within an incisive risk perspective for our shareholders and debt funding providers.	Policy uncertainty and absence of political consensus* An economy under multi-sector stress* Regulation driving change*	E Political and policy uncertainty*	102-15, 201-1, 207-1, 207-2, 207-3	Financial capital	Political and policy risk** Macro-economic risk** Strategic risk Interest rate risk Market risk Liquidity risk Credit risk Concentration risk Regulatory risk
		H Debt restructuring*	102-15, 201-1		
		E Changes to tax policy*	207-1, 207-2, 207-3		
		E Rising inflation and interest rates*	102-15, 201-1		
		E Lack of liquidity in the system*	102-15, 201-1		
		E Enhancement of minimum capital requirements*	102-40, 102-42, 102-43, 102-44, 201-1		
SF **Service Focus** Creating value through core service delivery to our clients. Modernising our investment and advisory solutions, digital response and processes.	Increased competition in digital space Importance of cyber security	E Currency depreciation*	102-15, 201-1	Social capital Human capital Intellectual capital Manufactured capital	Strategic risk Reputational risk Regulatory risk Operational risk Cyber security risk Business continuity risk
		E Desire for product and process innovations	102-40, 102-42, 102-43, 102-44, 203-1		
		H Cyber security threats	102-15, 203-1		
		E Compliance requirements for digitalised client onboarding	102-40, 102-42, 102-43, 102-44, 203-1		
EF **Employee Focus** Shaping a skilled, performance and value-driven workforce to meet client needs.	Changing workforce requirements	E Cultural change/ WFH	102-40, 102-42, 102-43, 102-44, 401-1, 401-2, 401-3	Human capital Intellectual capital	Strategic risk Reputational risk Operational risk Business continuity risk
		E Challenges related to staff retention and recruitments	102-40, 102-42, 102-43, 102-44, 201-3, 404-1,404-2		
		E Digitalisation of processes	102-40, 102-42, 102-43, 102-44, 203-1		

VALUE DRIVER AND VALUE CREATION IMPERATIVE	OPERATING CONTEXT : KEY TRENDS IN RISK AND OPPORTUNITY SPECTRUM	MATERIAL ISSUES	GRI TOPIC AND INDEX NUMBER	CAPITAL ENGAGEMENT	ENTERPRISE RISK
SR **Social Relationships** Acting as a nexus of relationships and doing business focused on our corporate ideology and philosophies including our values; Creating a positive socio-economic and environmental impact.	Climate action is growing in importance	**E** Fuel shortage and power cuts	102-40, 102-42, 102-43, 102-44	Social capital Intellectual capital Manufactured capital Natural capital	Strategic risk Regulatory risk Reputational risk Operational risk Cyber security risk Business continuity risk
		H Influence of social media	102-40, 102-42, 102-43, 102-44, 203-1		
		H Sustainable development goals	102-40, 102-42, 102-43, 102-44, 201-1, 204-1, 302-1, 302-4, 413-1		
		E Weak GDP growth*	201-1		
		F Import restrictions related to IT equipment	102-15, 204-1		
		F Environmental threats	102-15, 302-1, 302-4, 413-1		
		F New SEC Act and compliance requirements*	102-40, 102-42, 102-43, 102-44, 201-1		

Legend: Priority to institution: **E: Extremely high**, **H: High**, **F: Fundamental**
** These material issues /trends have pervasive impact which may not be limited to one value driver*
*** We consider these risks as pervasive as they are systematic risks*

OUR STAKEHOLDER ENGAGEMENT **MATRIX**

We create long-term value for stakeholders through our responsive interactions. We also engage on the issues that are material to each group and respond appropriately through our strategy.

In our stakeholder matrix we have set out the modes of interaction for each stakeholder group.

STAKEHOLDER	EXPECTATIONS	MODE OF ENGAGEMENT	FREQUENCY
Clients	To improve client financial wellbeing through transformed service delivery.	➤ Face to face meetings with deal teams or client facing relationship managers ➤ Social media platforms ➤ Online access to portfolio ➤ Customer Relationship Management and Digital unit ➤ Client life cycle management platforms	➤ As required ➤ Continuous, real time ➤ Continuous, real time ➤ Continuous, real time ➤ Daily
Employees	To offer a unique selling proposition as an inclusive and nurturing workplace.	➤ Satisfaction survey ➤ Mentorship and talent development initiatives ➤ Grievance and complaints process	➤ Yearly ➤ Continuous ➤ Promptly, as required
Government and regulators	To contribute to sectoral growth and make statutory contributions. To interact with the Government and regulators of our industry to ensure compliant service delivery and conduct. To apply regulatory, governance and market practice benchmarks in our operations. To participate in industry development initiatives and to provide active insights in regulatory consultations.	➤ Tax payment related processes and portals ➤ Compliance officer led compliance risk management process ➤ Finance team led meetings ➤ Rules consultation with regulators ➤ Representation through our Stock Brokering arm on the mutualised stock exchange ➤ Representation through Primary Dealer and Unit Trust Associations	➤ Quarterly/annually ➤ Continual with independent assurance provided semi-annually ➤ As required ➤ Proactively, as required ➤ Quarterly representation at Board meetings of the stock exchange; and ➤ As required for industry consultation ➤ Proactively, as required
Investors, analysts and rating agencies	To provide transparent reporting. To invest in institutional growth and accelerate strategy. To disseminate information on the Company and its operations to the market in a timely, comprehensive and effective manner.	➤ AGM and other shareholder specific meetings ➤ Research conferences ➤ Live stream/ online access of virtual research content ➤ Presentation of our annual report on the reporting website www.cse.lk ➤ Meetings with analysts and credit rating agencies as engaged by the parties ➤ Media publications and events	➤ AGM, annually ➤ Other meetings, as required under Articles of Association and the Companies Act No.7 of 2007 ➤ As scheduled or required ➤ Real time at the time of access being provided ➤ Annually ➤ Upon publication, continually accessible, until archived ➤ As scheduled or required ➤ As scheduled or required

STAKEHOLDER	EXPECTATIONS	MODE OF ENGAGEMENT	FREQUENCY
Society at large We actively contribute to society through our corporate social investment (CSI)	To provide positive community engagement and impact in our operations. To adopt a community conscious, ethical and meaningful perspective in aligning our corporate social investments.	➤ Voluntary activities by the team and collaboratively with our CSI partners Janashakthi Foundation and Habitat for Humanity Sri Lanka ➤ Sponsorships ➤ Industry associations	➤ Proactively, as required ➤ As agreed contractually/ as scheduled ➤ Proactively, as required
Business partners	To gain synergies through collaborative deal making and ultimately creating mutually inclusive value.	➤ Peer engagements for mutually beneficial deal execution through combined pitches; and collaborative origination and placement for successful execution of transactions	➤ During select transaction execution processes, as contractually agreed
Suppliers/ Service providers including vendors	To enable fair and equitable procurement and evaluation. To provide effective contract management.	➤ Procurement processes ➤ Face to face or virtual meetings	➤ As required ➤ As required
Environment	To responsibly operate our business, considering the environment as a leading and inextricable concern. To minimise negative impact on the environment through concerted efforts.	➤ Interactions with our Board to consider analyses, impact and strategy ➤ Energy efficiency analysis	➤ Monthly, quarterly or as required ➤ Continually

OUR VALUE STORY

OUR STRATEGY

We will provide consistently exceptional client experiences in all our markets. We will ensure our people feel deeply connected with our corporate ideology and vision and are empowered and recognised.

Technology has changed the way we live and work, and services are no different. The expectations the stakeholders have of us are changing radically and quickly, and the corporate strategy needs to respond to these expectations.

We are strengthening our digital capabilities and integrating our business to transform client experiences and to drive operational efficiency in a radically different world.

Our Corporate Ideology	Our Vision is what we aspire to be	Our Mission is
Our corporate ideology is to create value for all our stakeholders by delivering on our promise of PERFORMANCE FIRST.	To be the leading Investment Bank in Sri Lanka.	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 returns.

IN EXECUTING OUR GROUP STRATEGY OUR KEY FOCUS AREAS FOR 2021/22 WERE:

FS
Leverage diversified core service offering to opportunistically navigate challenging operating conditions

SF
Client Centricity
Delivering personalised and exceptional client experiences

SF
Going Digital
Leveraging digitalisation to drive engagement and efficiencies

EF
Strategic advancement of our teams
Developing and progressing our team to build an indispensable strategic asset that reflects our ideologies and identity

SF
Integration
co-creating integrated, platform based solutions in selected client networks

SR
Responsible, impactful interactions with the society and the environment

Read more on page 38 through 40 on how we measure strategic progress and how these areas link to value drivers.

WE HAVE UPDATED OUR STRATEGIC PRIORITIES TO ALIGN TO OUR ACCELERATED STRATEGY, CLARIFYING WHAT WE NEED TO DO TO DELIVER VALUE.

- Transform client experience
- Execute with excellence
- Grow as a team
- Drive sustainable growth and value

OUR STRATEGY

Our strategic value drivers are being embedded within the group, track our performance in delivering value to all our stakeholders. We continue to develop the associated metrics, ensuring they are simple, understandable and credible.

FS Financial Sustainability

We will deliver superior value to the shareholders and bondholders - our fund providers

SF Service Focus

We will provide consistent exceptional client experiences in our service offering

EF Employee Focus

We will ensure our teams feel deeply connected with the corporate ideology and vision and are empowered and recognised

SR Social Relationships

We will create value for the society through effective engagement and invest in positive community impact

ON OUR TRANSFORMATIVE PATH WE WILL OVER THE LONG TERM BECOME:

Truly client-centric

Providing relevant and innovative services, solutions that our clients and employees need to achieve mutual growth and prosperity

Truly digital

Serving clients digitally in broad markets, straight through processing embracing open innovation

Truly visionary

Build our core businesses and rebalance the service offering for resilience and sustainability; Achieve our vision

SHORT TERM HORIZON: RECOVER AND RESPOND TO PERVASIVE CHANGE

Facilitate foundation for growth coming out of the crisis

Continue to support our clients and economies to recover from the crisis

Anticipate and adapt to operating conditions

Accelerate client-centric digital adoption

Reshape operations, infrastructure and human capital to become more client-centric and performance oriented

Manage the transformation and repositioning of the group and its resources

MEDIUM TERM HORIZON: TRANSITION AND TRANSFORMATION

Transform client centricity

Deliver optimal solutions and engage clients at an exceptional standard

Capture and sustain new client networks

Reimagined culture and work place

Equip our people advanced capabilities

Top 10 ranking in the financial sector as a Great Place to Work®

Embed our teams inextricably within the 'Brand as a strategic asset' perspective

Transformed operational efficiency

Automation in the entire value chain to the extent possible given the level of prevailing straight through processing in the industry

Efficient, stable, robust, secure processing

Graduate remaining processes to the cloud

Optimise planning, resource allocation and cost management

LONG TERM HORIZON: SRI LANKA'S LEADING INVESTMENT BANK

OUR STRATEGIC OUTCOMES

Value drivers measure strategic progress and allow us to focus on the value we aspire to create for all the stakeholders. Each value driver represents a pillar of the group's approach to delivering sustainable returns to its stakeholders. We have narrated below, the way we measure our strategic outcomes under the value drivers of Financial Sustainability, Service Focus, Employee Focus and Stakeholder Centricity.

As this is the Company's first year in reporting under an integrated reporting setting, we will continue to improve the coverage, depth and consistency of the metrics we use to measure our strategic progress against the defined targets for the medium term. FY2021/22 is the first year of enacting our strategic plan.

✗ **Not achieved** ✓ **achieved**

VALUE DRIVER	MEASURE	METRIC	PROGRESS	FY2021/22	FY2020/21	MEDIUM TERM TARGETS/ BENCHMARKS
FS	Profitability and shareholder value	ROE	✗	-14.1%	47.9%	Medium term targets are held as tentative due to the uncertainty created under current operating context.
		Dividend per share	✗	Dividend is not recommended	Rs. 1.25	
	Efficiency	Cost to income ratio	✗	1.37	0.50	Contained at less than benchmark of 0.50
SF	Client experience	Client base (Total)	✓	5,202	2,797	Continual improvement to meet internal targets.
	Digital financial inclusion	Digital client base (Stock Brokering)	✓	2,356	242	
	Digitalisation and process enhancement in value chain	Front office solutions assigned which were implemented or post-user acceptance testing within projected time frames	✓	Completed across businesses and newly introduced Customer Relationship and Digital division	N/A	Adoption of front office digitalised solutions/ enhancements across core businesses; Enable digital transactions real time.

VALUE DRIVER	MEASURE	METRIC	PROGRESS	FY2021/22	FY2020/21	MEDIUM TERM TARGETS/ BENCHMARKS
SF	Digitalisation and process enhancement in value chain	Middle office solutions assigned which were implemented or post-user acceptance testing within projected time frames	✓	Completed assigned regulatory requirements	N/A	Adoption of digitalised solutions across middle office processes of validation, confirmation, affirmation and risk management.
		Back office solutions assigned which were implemented or post-user acceptance testing within projected time frames	✓	Industry wide testing for settlement risk solutions completed. Digital authorisation adopted.	N/A	Adoption of digitalised solutions across Back office processes.
	Risk and capital strength	Credit rating status	✓	Reaffirmed	Upgraded	Enhance credit rating.
		CAR buffer * *Surplus CAR maintained above the statutory minimum of 10%	✓	>70%	>20%	Minimise impact to reserves by meeting internal targets set for CAR buffer.
	Core business proliferation	Primary auction-take up market share – T/Bills	✓	5.89%	4.47%	Improve market share in line with internal targets set.
		Primary auction-take up market share – T/ Bonds	✗	3.57%	8.03%	
		Total AUM	✗	Rs. 41.2 Bn	Rs. 45.2 Bn	
		Industry ranking of secondary market trading on the CSE	✓	15	15	
		Advisory deal flow	✗	Rs. 5.2 Bn	Rs. 22.2 Bn	

OUR STRATEGIC OUTCOMES

VALUE DRIVER	MEASURE	METRIC	PROGRESS	FY2021/22	FY2020/21	MEDIUM TERM TARGETS/ BENCHMARKS
EF	Training and development	Training hours	✓	2,503	1,245	Continually improve to internal targets.
		Training spend	✓	Rs. 8 Mn	Rs. 1 Mn	
	Retention	Employee turnover	✓	10.0%	10.0%	
	Inclusion	Women in management positions	✗	29.6%	27.3%	
	Unique selling proposition as a superior workplace	Great Place to Work® sub-index scores within the Trust index®	✓	Outperformance of sector by sub-indices of the Trust index®;	N/A	Rank within the top 10 as Great Place to Work® in the industry.
SR	Reach achieved in research dissemination	Research conferences led attended by >500	✓	4	2	Hosting of 8 Research conferences/ webinars per annum.
		Digital reach of research programmes and streams on social media by views	✓	1,200	600	2,500 digital reach.
	Positive social economic and environmental impact	CSI spend on sustainable development	✓	Rs. 7.8 Mn	Rs. 9.8 Mn	Continue to positively impact communities in line with targeted and approved sustainability goals.
		Reduction in electricity cost	✓	15%	7%	Continually decrease in line with internal targets.

OUR BUSINESS **MODEL**

- Our sustainable business strategy is structured around four value drivers. These value drivers feed into our business model, which ultimately drives our strategy.
- The business model demarcates which capitals are used as inputs. It also depicts altered capital outcomes.
- Our strategic value drivers measure our strategic progress and allow us to focus on the value we aspire to create for all stakeholders.
- We will continue to improve the depth and consistency of the metrics we use to measure value as we progress.
- We brought our reporting in line with the six capitals of the Integrated Reporting Framework (<IR>) through a deeper analysis of the six capitals under the Management Discussion and Analysis on page 93 to 117.

OUR BUSINESS MODEL

Inputs | **Value Drivers** | **Core Offering and Capabilities**

Inputs

Financial Sustainability

- Shareholder's Equity
- Long and short term funding
- Client assets
- Portfolios
- Investments and acquisitions
- Economic conditions
- Interest and exchange rate fluctuations
- Regulatory environs
- Increased competition

Service Focus

- Core service offering
- Clients
- Client trends and client needs
- Innovations
- First Capital brand
- Deal teams and relationship managers
- New technology
- Controls and monitoring
- Risk management and conduct
- Systems and processes

Employee Focus

- Employees
- Work ethic, culture and values
- Core skills and execution expertise
- Experience
- Succession planning
- Market insight
- Training and development

Social Relationships

- Regulators
- Government
- Environmental considerations
- Strategic/business partners
- Suppliers/service providers and vendors
- CSI partners
- Credit rating agencies
- Analysts
- Media
- Requests for donations
- Requests for sponsorship
- Stakeholder engagement

Core Offering and Capabilities

First Capital
A Janashakthi Group Company

Processes
Deal making, trading, investment
Client life cycle management
Internal controls
Information technology
Supplier/ service provider /vendor management
Building management system analytics

Service Offering
Fixed income
Corporate Finance and Advisory
Asset Management
Stock Brokering

Group Responsibility and Support
Governance
Strategy
Financial management
Risk management
Legal and compliance
Branding
Sustainability

Corporate ideology and philosophies

Corporate ideology
PERFORMANCE FIRST

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.

Values
Ethical and Honest | Collaborative | Performance Driven | Respectful | Transparent

These icons, as used above, show the relationship between the six capitals and First Capital's value drivers.

Financial Capital | Human Capital | Intellectual Capital | Natural Capital

Outcomes	Outputs We Created	How We Shared Value
➤ Profitability through enhanced recurrent revenue and cost discipline ➤ Shareholder dividends ➤ Debt management ➤ Improved fund allocation and management ➤ Capital strength and liquidity ➤ Market value addition ➤ Economic value addition ➤ Economic growth ➤ Investment in core activities ➤ Divestiture of non-core assets	ROE : -14.1% AUM: Rs. 41.2 Bn Net asset value: Rs. 4.5 Bn Market capitalisation: Rs. 3.1 Bn	Dividend paid : Not declared Interest paid to debt funders: Rs. 293.9 Mn
➤ Enhanced client centricity ➤ Expansion and diversification of client base ➤ Service and market diversification ➤ Competitive products and services ➤ Enhanced service delivery ➤ Referrals ➤ Brand and reputation determination ➤ Leading technology and digital response ➤ Improved operational efficiencies ➤ Focused risk management and conduct	Active clients: over 5,200 Digital clients: over 2,900 Brand value : Rs. 1.0 Bn	Interest paid to clients on fixed income investments: Rs.1,566.9 Mn Flexible, time efficient onboarding and client lifecycle management Tech transformation across the value chain
➤ Execution expertise and core skills retention ➤ Employee satisfaction ➤ Employee development ➤ Unified corporate culture ➤ Employee wellness ➤ Diversity ➤ Leadership accountability	Number of employees: 90 Training spend: Rs. 8.0 Mn	Employee remuneration and benefits: Rs. 414.4 Mn Zero pay cuts Employee skills development WFH and flexible work arrangements
➤ Strengthened as a stakeholder nexus ➤ Regulatory licence to operate ➤ Reduced environmental footprint ➤ Supply chain management ➤ Long-term strategic partnerships ➤ Community consciousness ➤ Community upliftment	Strategic/business partnerships CSI partners : Janashakthi Foundation Habitat for Humanity Sri Lanka	Income and other taxes paid to Government: Rs. 128.4 Mn Corporate social investment: Rs. 7.8 Mn Reduction in electricity costs: 15% Reduction in printing costs: 49%

Manufactured Capital   Social Capital

ALLOCATING OUR **RESOURCES**

SALIENT POINTS ON ALLOCATING OF RESOURCES

- Based on detailed planning and scenario-based thinking at Board, sub committee and executive management levels across the First Capital group;
- Scenario planning allows flexible budgeting;
- Facilitating purposeful and accelerated resource allocation to higher growth opportunities and infrastructure needs;
- Protecting our extant competitive advantage and market position;
- Continuing to transform our cost base;
- Lifting our growth trajectory and driving capital efficiency;
- Seeking to create value for all stakeholders.

1. STRATEGY AND SUPPORTING BUSINESS MODEL

Significant investment in transformational initiatives across the group is needed to accelerate the delivery of our strategy.

2. TARGET GROWTH OPPORTUNITIES

We will focus on developing digital and innovation capabilities and invest our capital in higher growth opportunities and markets.

3. DECISION-MAKING FRAMEWORK

We have revised our decision-making framework to align to corporate strategy. Resources are finite and allocation is subject to filters and availability.

4. TARGETS AND METRICS

We continue to refine and track metrics that measure and are aligned to strategy. Targets set for each metric must be realistic, achievable and time-bound. They are linked to performance measurement and reward incentives to ensure balanced outcomes across value drivers and strategic outcomes expected.

5. RISK APPETITE

We regularly review and amend our risk appetite across the core business segments and markets.

6. FORECASTS

First Capital's approach to resource allocation is agile, timely and focused on making decisions that have the most impact on sustainable value. We use scenario planning as the basis for decision-making and flexible budgeting. We dynamically adjust our resource allocation, targets and forecasts for each of our strategic value drivers as circumstances evolve.

MANAGING VALUE OUTCOMES

Scenario Planning – Ready for Change
With uncertainty and instability compounded by the dual impact of COVID-19 and economic fundamentals under stress, the group has adopted a process of scenario thinking and planning. We are informed by leading in-house and external research in this process.

The relevance of the group's strategic focus areas is tested against the selected scenarios. The strategy is adjusted to ensure it remains effective and our resource allocation is optimal. The Board is part of this process and takes into consideration the clear-present while proactively reviewing our planning against potentialities.

As an outcome of the scenario based / flexible budgeting process, the group identifies the following areas requiring deliberate attention and resource allocation.

INCREASED INVESTMENT IN CHANGE TO TRANSFORM THE GROUP

We prioritise the investments we make in digital engagement and transformational strategies. This includes managing the impact of transformational change in our operations and our workforce, as we develop the capabilities and the infrastructure to effectively originate and distribute our core service offering digitally, and grow scale and relevance in our client facing activities and teams.

The Company's infrastructure needs are both technological and property and equipment based, for which we have prioritised allocation of capital. We need to manage the need for returns by our capital providers against the need to retain capital.

CAPITAL ALLOCATION TO RESILIENT SERVICES

We will focus our investment in higher growth and capital efficient activities that add to and diversify our revenue streams, while maintaining our existing advantages and mitigating the impact of competition on our core service offering.

THE VALUE WE **ADDED**

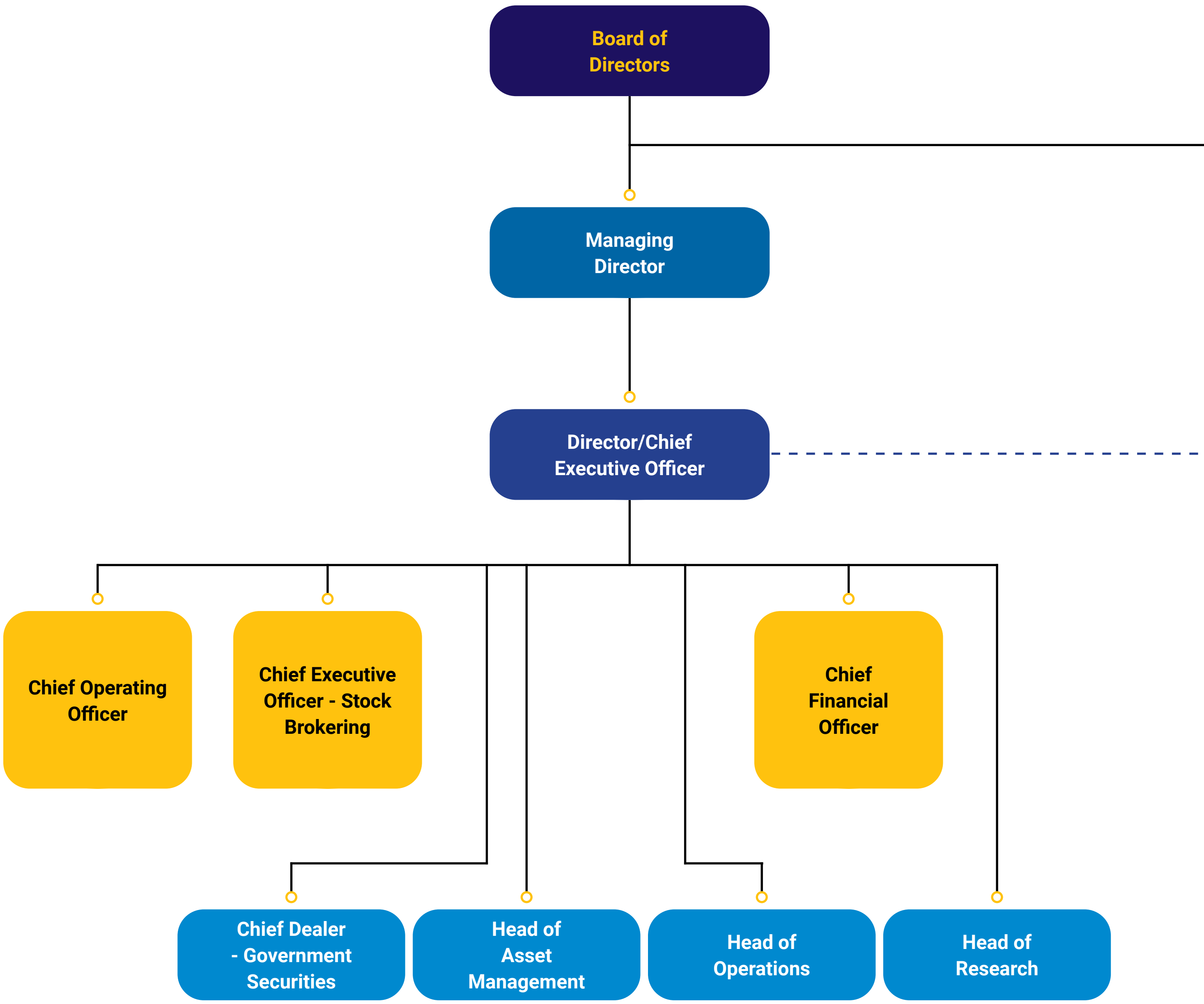
Our commitment to sustainability means creating inclusive value for stakeholders and the community.

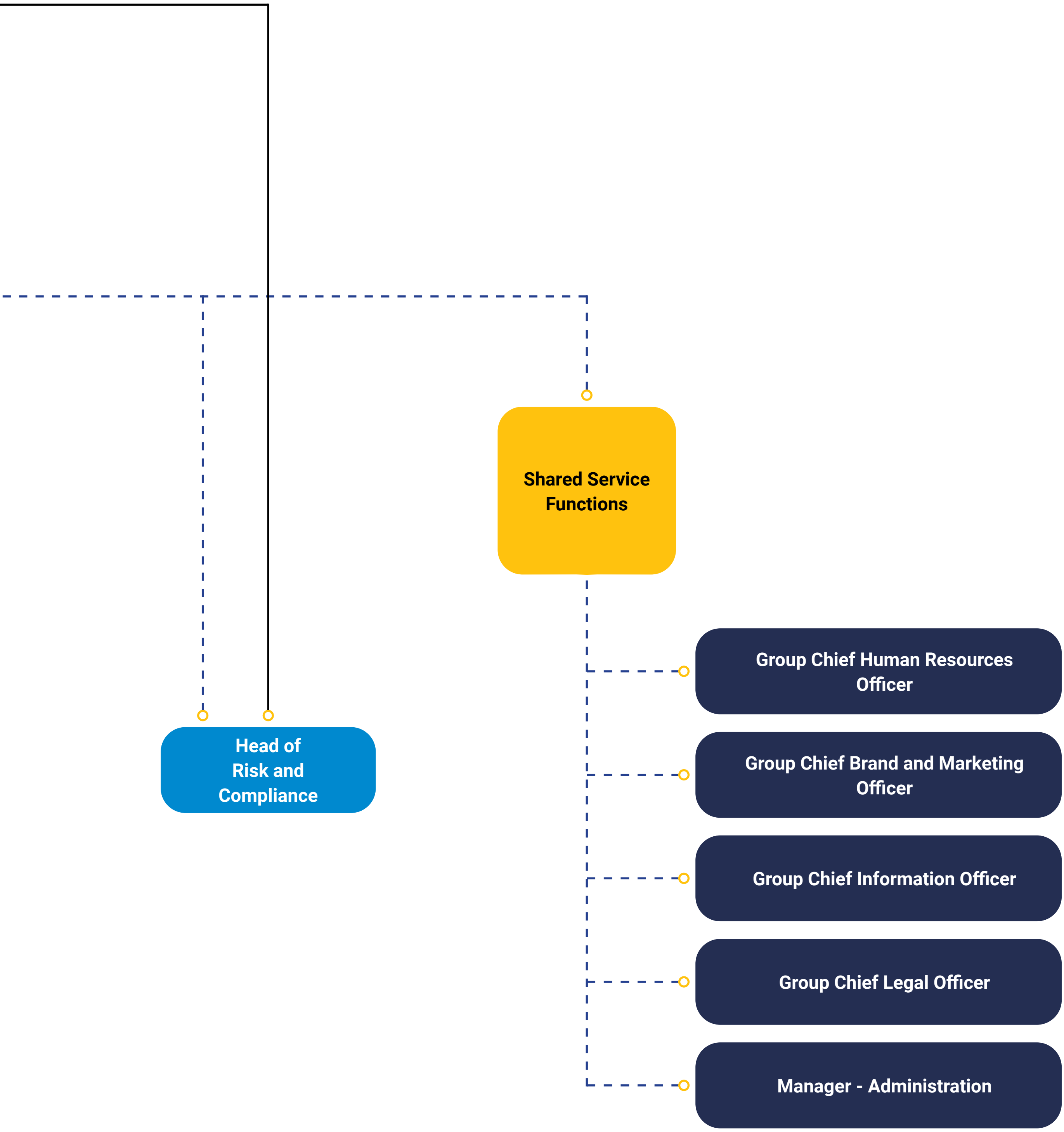
VALUE ADDED STATEMENT

		FY2021/22 Rs. '000	FY2020/21 Rs. '000
	Income generated	**2,273,088**	6,033,353
Distributed as follows:			
FS	**Shareholders**		
	Dividends paid to ordinary shareholders	**-**	(506,250)
SF	**Debt funding providers**	**(293,869)**	(98,692)
	Interest paid on debentures issued		
EF	**Clients**		
	Interest paid on other debt instruments issued	**(1,566,948)**	(1,966,768)
SR	**Employees**		
	Salaries and other benefits	**(414,363)**	(623,864)
	Government		
	Income and other taxes	**(128,430)**	(817,705)
	Corporate social investment	**(7,814)**	(9,755)
	Suppliers/ service providers including vendors	**(231,009)**	(167,732)
	Total distribution	**(2,642,433)**	(4,190,766)
	Retention for future expansion and growth	**(369,345)**	1,842,587

OUR LEADERSHIP

ORGANISATIONAL STRUCTURE




Shared Service Functions
Head of Risk and Compliance
Group Chief Human Resources Officer
Group Chief Brand and Marketing Officer
Group Chief Information Officer
Group Chief Legal Officer
Manager - Administration

BOARD OF DIRECTORS

6 7 8 9

BOARD OF DIRECTORS

1. Nishan Fernando
Independent Non-Executive Chairman

Nishan Fernando is a Fellow Chartered Accountant and a Chartered Global Management Accountant 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 30 years of experience, during which period he has held the position of CFO/ Head of Finance at leading corporates in Sri Lanka. Nishan is a Past President 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 its Consultative Advisory Board. He has also served on the Board of South Asian Federation of Accountants. He is currently serving as the Vice Chair of the Asia Oceanian Standards Setters' Group and is the Chair Elect for 2022-2023.

Nishan has been representing Sri Lanka in the Asia Oceanian Standard Setters' Group for over ten years and was appointed as its Chair in 2020. He had been a Commission Member of the Securities and Exchange Commission of Sri Lanka and 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 has been serving on the Sri Lanka Accounting Standards Committee for over 17 years and chaired it in 2009-2013 during which period Sri Lanka fully converged with IFRS. He has also been chairing the SLFRS Implementation and Interpretation Committee of CA Sri Lanka.

Other Principal Appointments
Managing Director: BDO Consulting (Pvt) Limited

2. Dinesh Schaffter
Managing Director

Dinesh Schaffter currently serves as the Managing Director of First Capital Holdings PLC and its subsidiaries. He has a background in finance, and substantial experience of over 25 years, during which he has executed a range of transactions including M&A, restructuring and business valuations.

With a professional qualification in Management Accounting as an Associate Member of the Chartered Institute of Management Accountants (ACMA) and a Bachelor's Degree in Business Law (LL.B Bus.Law) from UK, and an Executive Master's Degree in Business Administration (MBA) from INSEAD, France, his insights are valuable to the company in developing strategies for expansion, acquisitions and business collaboration. Dinesh was formerly the Managing Director of Kelsey Developments PLC and Dunamis Capital PLC.

Other Principal Appointments
Director: Janashakthi Limited and Janashakthi Insurance 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 26 years, comprising diversified expertise in financial services including, banking, treasury and investment management, capital market strategy and corporate finance advisory services.

Having joined First Capital in 2013, Dilshan steered the Company, a full service investment and advisory services provider in Government Securities, Corporate Finance and Advisory, Asset Management and Stock brokering complemented by an industry-leading Research unit, to establish itself as a significant contributor to the local capital market industry. He spearheaded the formation of key debt structuring deals with internationally based development financial institutions as well the signing of strategic partnerships with foreign institutions focusing on emerging markets such as Sri Lanka.

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

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

Dilshan Wirasekara is an Alumnus of INSEAD having successfully completed his Executive Professional Education at INSEAD Business School, Fontainebleau, France. He is also an Alumnus of the Association for Overseas Technical Cooperation and Sustainable Partnerships, Tokyo, Japan.

Other Principal Appointments
Chairman: Colombo Stock Exchange

4. Prakash Schaffter
Non-Independent Non-Executive Director (Resigned with effect from 2 September 2021)

Prakash Schaffter is the Deputy Chairman / Chief Executive Officer of Janashakthi Limited, the parent company of First Capital Holdings PLC. He is a graduate of Cambridge University and has over three decades of managerial and financial experience in both Sri Lanka and the United Kingdom.

Over the course of his tenure of leadership as the Executive Chairman of Janashakthi Insurance PLC., he has led Janashakthi through a growth phase that saw Janashakthi become the third largest Non-Life Insurer. He was instrumental in acquiring the Non-Life segment of AIA Insurance Lanka in 2015 and also led the divestment project of Janashakthi's Non-Life segment in 2018.

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

Other Principal Appointments
Deputy Chairman: Janashakthi Limited, Janashakthi Insurance PLC
Director: Kelsey Developments PLC, Orient Finance PLC

5. Ramesh Schaffter
Non-Independent Non-Executive Director

Ramesh Schaffter was appointed as a Non-Independent, Non-Executive Director on 21 December 2018. He serves as Managing Director/Group Chief Executive Officer of Janashakthi Group. 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 served on the Council of the Colombo Theological Seminary, a graduate and postgraduate educational institute, and is the former Chairman of the Incorporated Trustees of the Church of Ceylon.

Other Principal Appointments
Managing Director/ Group Chief Executive Officer: Janashakthi Limited
Director: Serendib Land PLC and Sarvodaya Development Finance PLC
Alternate Director to Prakash Schaffter: Janashakthi Insurance PLC and Kelsey Developments PLC

BOARD OF DIRECTORS

6. Eardley Perera
Independent Non-Executive Director

Eardley Perera is a senior member (Honorary Fellow) and graduate of The Chartered Institute of Marketing, UK, with over 45 years of experience in Management. He has undergone Management training in the UK, Sweden, South Korea, India, Philippines and Singapore. He retired from active executive positions in 2005.

Since 1997 he was a member on the Board of Study of the Postgraduate Institute of Management (PIM), University of Sri Jayewardenepura, until he stepped down in January 2021. He is also on the Advisory Boards of Aquinas University College and the Benedict XVI Catholic Institute of Higher Education. Eardley continues to be actively engaged in Management education and consultancy.

Other Principal Appointments
Chairman: Kelsey Developments PLC
Director: Janashakthi Limited and Sting Consultants (Pvt) 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. She continues to hold Board positions in some Companies of 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 32 years of managerial and financial experience acquired in Sri Lanka and the United Kingdom. In Sri Lanka since 2002, he worked at MAS Holdings in a variety of roles before retiring as Chief Executive Officer of the MAS Investments Division in 2012.

A Fellow of the Institute of Chartered Accountants in England and Wales and in Sri Lanka, he also holds a Bachelor of Science in Mathematics and Management from the University of London, UK.

Chandana currently serves as an independent non-Executive board member and as a Consultant.

Other Principal Appointments
Chairman: Janashakthi Limited
Director: Eureka Technologies (Pvt) Limited, 24/7 Techies (Pvt) Limited and Reap Digital (Pvt) Limited

9. Nishan de Mel

Independent Non-Executive Director

Dr. Nishan de Mel is the Executive Director and Head of Research of Verité Research, a think tank that provides 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.

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 (ICES) and on the Board of the Sri Lanka Foundation Institute, among others.

Internationally, Nishan has held several governing, teaching, and research positions, including as Lecturer in Economics at the University of Oxford, UK. His undergraduate degree in Economics is from Harvard University, USA. He earned his masters and doctoral degrees in Economics at the University of Oxford where he was a Chevening scholar.

Other Principal Appointments

Director : Eureka Technology Partners (Pvt) Limited

MANAGEMENT **TEAM**

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6 7 8 9

MANAGEMENT TEAM

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MANAGEMENT TEAM

20 21 22 23 24

25 26 27 28 29

MANAGEMENT TEAM

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MANAGEMENT TEAM

1. Dinesh Schaffter
Managing Director

Please refer to the Directors' profile on page 52.

2. Dilshan Wirasekara
Director/ Chief Executive Officer

Please refer to the Directors' profile on page 52.

3. Tharusha Ekanayake
Chief Operating Officer

Tharusha Ekanayake brings over 21 years of experience in banking and financial services, specialising in the areas of treasury, foreign exchange, fixed income securities, investment banking, assets and liability management, portfolio management, fund raising activities and risk management in relation to treasury. He has received broad exposure and extensive training in treasury, risk management, investment management, asset and liability management. Tharusha holds a Bachelor of Science Honors, Special Degree in Chemistry from the University of Peradeniya.

4. 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.

Other Principal Appointments
President: Colombo Stockbrokers Association

5. Mangala Jayashantha
Chief Financial Officer

Mangala Jayashantha brings over 20 years of significant expertise in financial management, accounting, auditing, corporate planning and taxation.

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

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

6. Wasanthi Stephen
Group Chief Human Resources Officer

Wasanthi Stephen counts over 22 years of experience within the Human Resource Industry in Sri Lanka. During this period she has gained extensive exposure to talent management, employee relations and handling of industrial disputes, mentoring and counselling employees, strategic HR planning, and learning and development across hospitality, real estate, manufacturing, financial services and insurance industries.

Prior to joining Janashakthi Group, Wasanthi served as Director of Human Resources for Cinnamon Lakeside Hotel, as well as an Assistant Vice President at John Keells Holdings.

Wasanthi is a qualified Attorney-at-Law and has practiced as a Junior Counsel and an Instructing Attorney, as well as worked for Sri Lanka Telecom's legal division prior to commencing her HR career.

She is also an Associate Member of the Chartered Institute of Personnel Management, and a Certified Professional Coach in Transformative Coaching.

7. Harshanee Deshapriya
Group Chief Legal Officer

Harshanee Deshapriya possesses 16 years of work experience including 13 years as a corporate lawyer with an extensive exposure towards capital market regulatory work, corporate affairs, activities and transactions in diversified industries such as manufacturing, real estate, insurance, investment banking and finance. Her professional expertise ranges across various foreign and local investment activities including company takeovers and mergers, corporate finance and advisory services, dealing with foreign hedge funds and exchanges, commercial arbitration 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 Janashakthi Group, she headed the legal division of the Lanka Century Investments PLC Group (presently known as Ambeon Holdings).

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

8. K V Kuganathan
Group Chief Information Officer

K V Kuganathan is a seasoned business, digital and IT strategist with over 23 years of experience, including over nine years serving at C-level positions, with extensive experience in Banking Finance, Insurance and Capital Market sector.

He specialises in building and transforming financial models into dynamic digital businesses with an acute focus on achieving exceptional results.

Kuganathan currently serves as the Group Chief Information Officer at Janashakthi Group across the Insurance, Finance, Investment and Real estate sectors.

Prior to joining Janashakthi, he transformed the National Development Bank PLC as Sri Lanka's leading mobility banking solution providing the market's best customer experience for its loyal customers. Further to this, he initiated and led the e-Banking division at Hatton National Bank PLC.

Kuganathan holds several IT related board positions, including Chairman of British Computer Society for IT Charted Institute Sri Lanka Section and is on the Board of the British Computer Society for IT Chartered Institute UK. He also served as a Non-Executive Director for UPAY Payment Solution Ltd.

Kuganathan graduated with a Distinction in MSc in IT Consultancy as well as a degree in Computing and Information Systems. With many prestigious accolades in recognition of his contribution to the IT industry, since 2011, Kuganathan has judged NBQSA ICT Awards and Asia Pacific ICT Awards. Additionally, Kuganathan shares his enthusiasm for Digital Financial Infusion at many International Conferences, focusing on Channel Optimisation, where he is a renowned public speaker.

9. Manindri Dias Bandaranayake
Group Chief Brand Marketing Officer

Manindri Dias Bandaranayake is a marketing professional with over 16 years of marketing experience. She has been with Janashakthi for over 6 years, currently holding the position of Group Chief Brand Marketing Officer overlooking the marketing strategies across the group companies.

Prior to Janashakthi, she completed a successful 9-year stint in brand building at Unilever Sri Lanka. She joined Unilever Sri Lanka as a Management Trainee in 2005 and spent over 7 years in Food Categories/brands (beverages & savoury), and handled the flagship brand Sunlight. Manindri followed a Master of Business Administration from the University of Wales, and a Bachelor of Science in Microbiology from the Bangalore University. She is also a Member of the Chartered Institute of Marketing UK (MCIM) and a Fellow member of the Chartered Institute of Management Accountants UK (FCMA, CGMA). She was recognised by Women in Management at the "Top 50 Professional and Career Woman Awards" - 2021.

10. Dimantha Mathew
Head of Research

Dimantha Mathew has over 15 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.

11. Kapila Perera
AGM – Risk & Compliance

Kapila Perera counts over 14 years of experience in Risk and Compliance, Operations and Finance. He has significant exposure in risk management, compliance, AML/CFT compliance, financial and credit analysis and business operations related to handling scrip and scripless securities.

Kapila assumed his current position as Assistant General Manager - Risk and Compliance in July 2020. He holds a Master of Business Administration from the University of Colombo and obtained his Bachelor's (Special) Degree in Commerce from the University of Sri Jayewardenepura. Kapila is an Associate Member of the Sri Lanka Institute of Credit Management (SLICM) and also a Member of the Institute of Chartered Professional Managers of Sri Lanka. He has successfully completed the Diploma in Treasury and Risk Management conducted by the Institute of Bankers Sri Lanka.

MANAGEMENT TEAM

12. Kavin Karunamoorthy
AGM – Asset Management

Kavin Karunamoorthy has over 18 years of experience in Treasury and Investment banking. He has significant exposure in fixed income dealing, foreign exchange, asset and liability management, corporate finance and fund management. He has also received extensive training both locally and internationally in the areas of treasury, investment management and asset and liability management.

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

13. Anjelo Simmons
Chief Dealer

Anjelo Simmons possesses 14 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 a Manager and Senior Manager in 2015 and 2018 respectively. Presently, he performs duties in the AGM category.

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

14. Sujani Kumarage
AGM – Operations

Sujani Kumarage counts over 23 years of experience in business processing relating to fixed income securities and treasury operations.

She provides oversight for processing of government and corporate debt securities, money market operations and SWIFT securities/payments and Settlements. Sujani manages centralised operations of First Capital Group and maintains expansive relationships with banks and Primary Dealers.

She holds a Diploma in Treasury and Risk Management conducted by the Institute of Bankers of Sri Lanka, certificate for Treasury & Foreign Exchange Operations conducted by the Central Bank of Sri Lanka and currently she is reading for her MBA at the University of Suffolk.

15. Anushi Ranawaka
Senior Manager - Treasury Sales

Anushi Ranawaka has over 15 years of experience in numerous key areas relating to the fixed income securities market in Sri Lanka. She has gathered wide knowledge and proficiency in managing the investment needs of sophisticated corporates, institutional investors and high net-worth individuals.

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

16. Dhilip Joseph
Deputy Chief Financial Officer

Dhilip Joseph counts varied experience spanning over 14 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.

17. 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.

18. Harsha Perera
Senior Manager – Operations

Harsha Perera possesses over 20 years of experience in 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. Presently, Harsha managers treasury operations and oversees SWIFT Securities Payments and Settlements and centralised operations of First Capital Group companies 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).

19. Anushka Dissanayake
Senior Manager – Treasuries

Anushka Dissanayake has over 12 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 four 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 (CIMA) UK.

20. Rangajeewa Abeywickrama
Head of Group IT Operations

Rangajeewa Abeywickrama counts over 19 years of experience in the fields of IT Security, Cloud and Virtualisation, SWIFT Support Service, Core Application and ERP Development Project Management, IT Infrastructure, Data Center Management, Disaster Recovery Planning and Risk Management and Virtual Office with Private Cloud Development.

Rangajeewa joined the First Capital Group in 2008 as a IT Administrator. He was promoted as a Assistant Manager, Manager, and Senior Manager in 2013,2017 and 2020. In 2021 he was promoted to the current position as the Head of IT of the Group, heading the Information Technology Department of the Group and reporting directly to the Director/ Chief Executive Officer.

He started his career as Technical Support Engineer at MicroNet Information Systems (Pvt) Ltd in 2002. He had also worked at HS Cargo and Hayleys Advantis.

Rangajeewa holds a Master of Business Administration from the University of Bedfordshire, UK. He 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.

21. Salinda Samarakoon
Senior Manager - Kandy Branch

Salinda Samarakoon counts over 17 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.

22. Nisansala Munasinghe
Head of Marketing - Branding and Marketing Services

Nisansala Munasinghe counts over 10 years of experience in developing strategic communications to increase business value and influence. She has worked on local and international brands in the areas of corporate communications, public relations, strategic planning and business development.

Nisansala commenced her career at Grant Public Relations (GPR Communications Consultancy), a subsidiary of the Dentsu Grant Group.

Subsequently, she joined the Colombo Stock Exchange and was responsible for marketing communications and international events including the 'Invest Sri Lanka' roadshow events held in Singapore, Dubai, Hong Kong and London.

Nisansala is an Associate Member of the Chartered Institute of Marketing (UK).

She holds a Bachelor of Arts in International Relations and Mass Communication from Deakin University, Australia and a Diploma in Media Communication from Deakin College, Australia. Nisansala has undergone training in Brand Building, Corporate Strategy and Customer Service Excellence.

23. Nisansala Kothalawala
Senior Manager - Risk & Compliance

Nisansala Kothalawala counts 15 years of experience in Risk and Compliance and Banking Operations. She assumed her current position as Senior Manager – Risk and Compliance in April 2021 and has significant exposure in risk management, compliance, AML/CFT compliance and middle office functions.

Nisansala is an experienced banker with 11 years of extensive exposure to Branch Operations, 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 she is an Associate Member of the Institute of Bankers of Sri Lanka (IBSL). She obtained her bachelor's degree in Business Administration from the University of Sri Jayewardenepura and holds a Diploma in International Trade and a Diploma in Business Finance & Bank Management from the Institute of Bankers of Sri Lanka (IBSL). She holds advanced Diploma in Management Accounting of the Chartered Institute of Management Accountants (CIMA) and holds Certificate in Treasury and Foreign Exchange Operations of Centre for Banking Studies, Central Bank of Sri Lanka. She has completed Risk in Financial Services of Compliance & Risk qualification pathway of the Chartered Institute for Securities and Investment (CISI).

MANAGEMENT TEAM

24. Rasika Indra Kumara
Senior Manager - Equities

Rasika Indra Kumara Senior Manager - Equities Rasika Indra Kumara has over 18 years of experience in banking, finance, and capital markets. Prior to joining First Capital, he held the position of Chief Operating Officer at Capital TRUST Mobility Solutions (Pvt) Limited. He also served as the Chief Executive Officer at Capital TRUST Mobility Automobile (Pvt) Limited and he was a member of senior management at Capital TRUST Securities (Pvt) Ltd.

Rasika also served as a Group Manager for WNS Global Services (Private) Limited heading the SEDOL Division (Stock Exchange Daily Official List) for London Stock Exchange, where he acquired expertise in global financial markets. During his tenure at HSBC Sri Lanka, he was involved in Personal Banking, Financial Accounting, Financial Analysis and Internal controls at HSBC Sri Lanka.

Rasika is an Associate Member of Chartered Management Accountants (CIMA) UK and holds a Double Major Degree in Marketing and Management from the Northwood University, USA and holds a Master's in Business Administration from the University of West London. He is a Registered Investment Advisor at the Securities and Exchange Commission of Sri Lanka for both debt and equity instruments.

25. Chamara Pussella
Senior Manager – Human Resources

Chamara brings over 15 years of Human Resources Management experience in Banking/Finance and Real estate industries in both multinational and local companies.

He gained extensive knowledge in Human Resources Management in banking and finance industry with over 11 years of collective experience with HSBC and Amba Research (currently known as Acuity Knowledge Partners). Most recently he was attached to Fairway Holdings where he gained significant exposure to Real Estate industry.

He holds an MBA awarded by the University of Wales and he is a holder of Claritas Investment Certificate, a programme conducted by the CFA institute for Investment banking professionals. Chamara is a professional member of Association of HR Professionals (HRP),

26. Uthpala Pinnaduwahewa
Head of Digital & CRM

A professional in Digital channels, CRM, Marketing, and Banking, Uthpala is right now counting her 16th year in the financial industry. She is currently acting as the Head of Digital and Customer Relationship Management at First Capital since March 2022. She had started her carrier at Sampath Bank PLC in 2007 and ended her tenure in 2018 gathering great exposure in a variety of key divisions. Prior to joining First Capital, she served as the Head of Customer Relationship Management (CRM) at Citizens Development Business Finance PLC from 2018 to 2022.

She has earned her expertise in Customer Experience Management, Customer Relationship Management, Digital Banking Operations, New Product Development, Process Development, Corporate Training, Corporate Sales, Project Management, Branch Banking, Foreign Investor Accounts Operations, and Card Centre Operations writing her own professional journey.

Uthpala holds an MBA from the University of Northampton, UK, and carries the status of Certified Professional Marketers in Asia offered by the Asia Marketing Federation. Adding more value to her expertise she also holds a Post Graduate Diploma in Marketing from the Sri Lanka Institute of Marketing (SLIM), a Diploma in Business Finance and Bank Management from the Institute of Bankers Sri Lanka (IBSL), and a Diploma in Television Journalism from the National Institute of Television Training.

27. Malith Pathirana
Manager – Administration

Malith Pathirana counts over 18 years' experience in administration, supply chain and procurement management.

Prior to joining the Janashakthi Group over 10 years ago, Malith acted in the capacity of General Manager at the Paranagama Group of Companies and as a Branch Manager for Suntel Limited, where he won the accolade for 'Best Branch Manager'.

He holds an Executive Master of Business Administration (EMBA) from the University of Colombo.

28. Diluni Danushika
Manager- Finance

Diluni Danushika counts finance experience spanning over 10 years in multi-disciplinary industries namely Investment Banking, Information Technology (IT), Leasing and Aviation.

Diluni has served at Virtusa (Pvt) Ltd, People's Leasing and Finance PLC, and has experience in serving at the Doha International Airport, Qatar. She joined the First Capital Group in 2015 and started her career as an Executive in middle office and then moved to Finance in 2017 and was promoted as a Manager in 2020.

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

29. Lasanthi Dissanayake

Manager – Asset Management

Lasanthi Dissanayake possesses over 17 years of experience in accounting, taxation, finance, investment management and MIS reporting.

She joined the Finance Department of First Capital Group and was promoted to the positions of Assistant Accountant and Accountant, responsible for the preparation of Financial Statements, Management Reports, maintaining client valuations and performance reports related to the wealth management clients.

Lasanthi subsequently moved to First Capital Asset Management Limited and assumed duties as an Assistant Manager and was promoted to the position of Manager.

Lasanthi holds a Bachelor of Science (Special) Degree in Management from the University of Sri Jayewardenepura and is partly qualified at the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka).

30. Ifadh Marikar

Manager – Foreign Investments

Ifadh Marikar counts over 15 years in the financial sector, having commenced his career at Ceylinco Shriram Asset Management and subsequently at Asha Philips and Capital Alliance.

During the tenure at Capital Alliance, Ifadh spearheaded several strategic partnerships, such as undertaking the lead in forming a new stock trading agency.

He joined First Capital to establish the foreign equities division, while enlisting multiple foreign broker partnerships. He has organised and represented First Capital on foreign investor roadshows in the United States of America.

Ifadh holds a Master of Business Administration (MBA), specialising in finance, from the University of Bedfordshire, UK and is an alumnus of Thurstan College, Colombo. He is also a Registered Investment Advisor at the Securities and Exchange Commission of Sri Lanka.

31. Nishantha Mudalige

Manager – Investments

Nishantha Mudalige counts over 17 years of experience in the Stock Brokering Industry, having begun his career at CT CLSA Securities (Pvt) Ltd Sri Lanka, prior to joining First Capital Equities (Pvt) Ltd, formerly known as DNH Financial (Pvt) Ltd.

Nishantha holds a Diploma in Computer Applications with a Distinction from IDM Computer Studies (Pvt) Ltd, Sri Lanka. He is an alumnus of St Joseph's College Colombo 10.

He is a Registered Investment Advisor at the Securities and Exchange Commission of Sri Lanka qualified to trade in equities and debentures.

32. Anjalee Welhena

Manager – Risk & Compliance

Anjalee Welhena has over 8 years of experience in the Finance Industry. She specialises in Fund Administration, Asset Management, Credit Analysis, Risk analysis and Management, compliance and operational functions related to financial instrument valuation.

Anjalee commenced her career with HSBC as a Fund Administrator, subsequently joining Capital Alliance as an Investment Analyst and Senior Executive in Asset Management. Anjalee joined First Capital as an Assistant Manager of the Risk and Compliance Department and promoted to the position of Manager.

She holds a Bachelor of Science (Hons) in Computational Physics Special Degree from University of Colombo. She is also an Associate Chartered Management Accountant (ACMA), and a Chartered Global Management

Accountant (CGMA) - CIMA – UK. She has obtained the certificate for Financial Analysis and Forecasting from the Institute of Chartered Accountants of Sri Lanka (CA) and completed Diploma in Credit Management of Sri Lanka Institute of Credit Management.

33. Isuru Jayawardane

Manager – Investments

Isuru Jayawardane counts over 17 years of experience in the Stock Brokering industry, commencing his career with Asia Securities and joining Capital Alliance subsequently.

He joined First Capital as a Senior Investment Advisor in 2015 and was promoted to the position of Manager in April 2021. Isuru is a Registered Investment Advisor at the Securities and Exchange Commission of Sri Lanka.

34. Anushka Buddhika

Manager – Investments

Anushka Buddhika has over 14 years of experience in Investment Banking and Accounting.

He brings significant exposure in Investment Advisory – Equity and Fixed Income, Portfolio Management, Debt and Equity Structuring and Corporate Finance.

Anushka served at Corporate Managers and Secretaries (Pvt) Ltd and Diligent Consulting Group (Pvt) Ltd prior to joining First Capital.

Anushka is a Registered Investment Advisor (RIA) at the Securities and Exchange Commission of Sri Lanka and a Member of the Institute of Chartered Professional Managers (MCPM) of Sri Lanka and the Association of Accounting Technicians of Sri Lanka (MAAT).

MANAGEMENT TEAM

35. Thesula Rambadagalla
Manager–Legal

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

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

LEADERSHIP INSIGHTS

CHAIRMAN'S
STATEMENT

"Although the backdrop remains an impediment to growth prospects across core businesses, our focus will be to maintain stability while protecting our competitive advantage in new markets and opportunities that we have begun to explore as part of our transformative plan."

I am pleased to present our first Integrated Annual Report during a year full of challenges for our Company and for the broader community.

MACRO CONTEXT

We began the financial year at a time of sustained uncertainty across the world due to the continuing COVID-19 pandemic. Extraordinary public health measures have been put in place to allay the impact of the pandemic since its advent. Significantly high levels of fiscal and monetary stimulus continued to be prevalent in some major economies to protect the global economy. As a result, some economies are now in a stronger position in terms of recovery. For others, it may be reasonable to anticipate that overall economic effects of the pandemic will continue to be felt.

Global economic growth was forecasted at 6.1% in 2021 by the International Monetary Fund (IMF) and 3.6% in 2022 and 2023. Global markets fell sharply towards the end of March 2022 and with prevailing geopolitical and economic forces remain susceptible to volatility.

Developing Asia as a whole was impacted by uncertainties stemming from the Russia-Ukraine conflict, the continuing pandemic and tightening by the United States Federal Reserve. Projected for 5.2% growth in 2022 and 5.3% in 2023 by the Asian Development Bank (ADB), the region reflects an earlier stage of recovery than Western counterparts.

Certain sub-regions, including South Asia and East Asia are expected to return to pre-pandemic economic growth rates according to the Asian Development Outlook 2022 released by the ADB. Inflation in the region remains manageable but is forecast to rise to 3.7% in 2022, before moderating to 3.1% in 2023.

Here, in Sri Lanka, the financial year ended 31 March 2022 (FY2021/22) was marked by singular, country specific socio-political and macroeconomic trials. Sri Lanka recorded a 3.7% real GDP growth during the calendar year 2021. A muted recovery from the COVID-19 pandemic was not surprising as Sri Lanka's economy struggled with macroeconomic challenges arising from a change in the sovereign debt rating, high and unsustainable debt, low foreign reserves and imminent inflationary pressures.

We are cognizant of the prevailing material uncertainty preventing the full potential of the Sri Lankan economy from being realised. Events leading up to the publication of this report reflect a compounding of the socio-political crisis and a visible recessionary threat. Contrasting with forecasts of low but positive GDP growth earlier in the year, in an end-of mission statement, the IMF had asserted the severity of the crisis and the expectation that the national economy would contract significantly in 2022.

PERFORMANCE IN CONTEXT

The group recorded a loss after tax of Rs. 652 Mn for the year 2021/22 compared to profit after tax of Rs. 2.1 Bn reported in the previous year.

The main contributor to our direct income, the Government Securities business was negatively impacted by the non-conducive interest rate environment and unanticipated early tightening in monetary policy.

Corporate Finance and Advisory experienced an attrition in its deal flow within an environment of intense competition, constrained liquidity in the banking system and tightening rates, in comparison to the previous year. However, transaction execution capabilities in equity raising in the primary market were demonstrated by the successful closing of the initial public offering of First Capital Treasuries PLC (FCT) on the Colombo Stock Exchange

CHAIRMAN'S STATEMENT

Conversely, Stock Brokering marked positive performance driven by an active market and trading flows while Asset Management saw renewed retail interest in alternative investments and inflows during part of the year.

Further, the group's financial results for the period under review were impacted as a result of provisioning for long-standing assessments on value added tax and nation building tax on financial services in FCT as per the agreement reached with the Inland Revenue Department.

STRATEGY

An accelerated strategy was adopted to position our core businesses for growth and reinvigoration. Our performance is backed by a resilient and continued focus on executing services and we have remained active in supporting our clients, communities and our teams.

Our strategy recognises that both captive and potential clients now expect us to provide seamless, bespoke and increasingly comprehensive services, mostly online, and also in-person as appropriate. As part of the Service Focus value driver related strategies, a client servicing unit has been established to effectively respond to this trend.

The Board endorsed the Company's advancing digitalisation and process enhancement ambitions with approval provided for substantial allocation of resources.

In accordance with local public health orders, our staff is progressively returning to office. We continue to adopt hybrid working with significant investment in technology to ensure that staff are able to perform their duties to high standards, be compliant and keep connected to their professional cohort.

The Board was pleased to facilitate under the Employee Focus value driver new 'people and brand' promises. These strategies aim to reskill our teams by inspiring, motivating and mentoring in developing technical knowledge and leadership skills. The PEFORMANCE FIRST corporate ideology has been a catalyst for these strategies and has been in adoption for a year. Our people are increasingly aware and actively engage in the strategies that define them as an integral part in asserting the First Capital brand identity.

The Company was recognised as a Great Place to Work® for its exceptional workplace culture. As part of the Employee Focus-strategies we intend to improve our ranking within the financial services sector as an inclusive and nurturing workplace in the medium term.

The pandemic has starkly reinforced our awareness of communal interdependence. We have despite the pressures on our operations been mindful of creating value for our stakeholders and communities. Together with Janashakthi Foundation, the philanthropic arm of the Janashakthi Group, our employees have volunteered their time to support our communities and help the economically disadvantaged.

GOVERNANCE

The discipline of good governance becomes even more valuable during periods of stress and uncertainty. The standards expected of the Board, management and our teams are high. We actively enhance our risk culture and conduct in response to changes in our business operations, outcomes of our oversight activities and the expectations of regulators, in particular.

During the year, the enterprise risk management framework has been aligned with the global benchmark ISO 31000:2018 - Risk Management. Given the three lines of defence model of risk management, all employees at First Capital are accountable for their conduct and risk management and those in supervisory roles are accountable for outcomes in the businesses they supervise. Independent oversight is provided by four committees comprising the Enterprise Risk Management Committee, Board Audit Committee, Investment, Asset and Liability Committee and the Related Party Transactions Review Committee.

The Investment, Asset and Liability Committee drives the investment strategy of the group with close monitoring on a fortnightly basis. Investment decision making has been delegated to the Director/CEO and the Managing Director whose prompt decision making in volatile conditions has paved way for minimising negative outcomes.

First Capital's enterprise risk management framework is designed to support the delivery of strategic objectives and sustainability. Within risk governance, we embed careful assessment and management of material risks and opportunities interlinked to such risks, which the group considers as levers for value creation. Strategic objectives and risk appetite is reviewed by the Board annually.

The ultimate responsibility for the implementation of tax strategy rests with the Board. Tax compliance is delegated by the Board to the Chief Financial Officer with the oversight of the Board Audit Committee. The governance perspective of the Board regarding tax planning and risk management is to comply with all applicable laws and regulations and to seek to maintain the highest confidence of our stakeholders and the trust of regulatory and taxation authorities.

In terms of subsidiary governance, we have streamlined the Board compositions of respective subsidiaries. We ensure that our independent non-executive representation outweighs executive representation on subsidiary Boards to foster autonomy.

Strategic, financial and managerial support is provided to subsidiaries so as to enable a conducive business environment. Our subsidiaries are required to adhere to group level policies in governance, risk management, financial management, corporate communications, legal, compliance, values, information management and sustainability.

The Board is appropriately balanced and skilled to ensure that the interests of our stakeholders and the communities we offer our services are well-served.

We will continue to carefully monitor business and governance risks in the current environment in order to maintain business and governance best practices.

REPORTING

The Board has voluntarily adopted the Code of Best Practice on Corporate Governance 2017 published by the Institute of Chartered Accountants Sri Lanka in enhancing our governance practices and related disclosure. We intend to enhance the status of compliance as we progress.

This year, the First Capital annual report is based on the integrated reporting framework. It is reflective of the integrated management practices we have been inculcating over the past few years. Through integrated reporting, we intend to continue to provide an improved level of relevant and balanced information to enable our stakeholders to clarify our business model, strategy and value story.

DIVIDEND

The Board of Directors does not recommend the payment of dividends for the year.

OUTLOOK

Two years after the outbreak of the COVID-19 pandemic in early 2020, Sri Lanka faces a tenuous time of socio-economic and political crises of expansive proportions.

While the current macroeconomic conditions continue to evolve, the uncertainty and volatility of the country at this juncture poses unprecedented challenges in the ensuing year. Our group will be taking a cautious view in light of continued volatility and social and economic uncertainty.

Although the backdrop remains an impediment to growth prospects across core businesses, our focus will be to maintain stability while protecting our competitive advantage in new markets and opportunities that we have begun to explore as part of our transformative plan.

Group net assets have demonstrated resilience over the past year and with a strong balance sheet and our experienced teams, we will face the ensuing year with agility and determination to ensure that we benefit when the cycle turns.

APPRECIATIONS

I wish to thank my fellow Board members for their wise counsel and considered input in making strategic choices on the business and governance that will drive the group beyond the present predicament.

I appreciate the group's executive team and employees, many of whom demonstrate extraordinary discipline and dedication in trying times.

I thank our clients and stakeholder community for their continued support throughout this time and for partnering with us as we pursue targeted advancement of the Company.

I appreciate the support extended by our regulators, the Central Bank of Sri Lanka, the Securities and Exchange Commission of Sri Lanka and the Colombo Stock Exchange in market development initiatives across the process value chain.

A final thank you goes to our shareholders. Representing your interests, the Board will remain focused on delivering strategy with sustainability in mind.

(Sgd.)
Nishan Fernando
Chairman

15 August 2022

DIRECTOR/CHIEF EXECUTIVE OFFICER'S **REVIEW**

"FY 2021/22 proved to be a challenging year for First Capital. Early tightening in monetary policy during the first half of the year and a rising rate environment meant that the impact on our core businesses had diverged from our expectations.

Through a long-standing view of capturing broader markets, retail investors and providing greater access to digital financial services, we find sustainability goals that target economic growth and inclusion."

Under the operating environment which prevailed, FY2021/22 proved to be a challenging year for First Capital. We entered the financial year with a positive outlook and anticipation of continued monetary easing and a salutary rate environment bolstering the fragile economic recovery from COVID-19. Early tightening in monetary policy during the first half of the year and a rising rate environment meant that the impact on our core businesses had diverged from our expectations.

OPERATING CONDITIONS IMPACTING CORE BUSINESSES

Government Securities

While monetary easing and ample liquidity provision had facilitated economic recovery in the first few months of our fiscal year, in August 2021, CBSL increased the policy rates and the Statutory Reserve Ratio (SRR) - antecedents for paucity of liquidity in the system and progressively rising bond market yields.

Primary market yields on T-Bills increased within a range of 723-823 bps across all tenures during the period from end-2020 to end-March 2022. Primary market yields on T-Bonds issued from the beginning of 2021 till end-March 2022 also increased by a range of 223-876 bps across tenures.

Secondary markets yields on T-Bills increased within a range of 740-746 bps across all tenures during the same period. On T-Bonds, secondary market yields ranged from 758-855 bps. The Government of Sri Lanka raised funds through US Dollar denominated Sri Lanka Development Bonds at varied fixed rates in the range of 5.00% -10.00% during the period.

Given advancing policy rates, Non-bank affiliated stand-alone primary dealers (PDs) saw a decline of 9.8% YoY in total assets to Rs. 78.7 Bn in 2021. PDs recorded a loss after tax of Rs. 0.4 Bn during 2021 compared to Rs. 4.9 Bn in the previous year. PDs reported a decline in capital gains and booked in marked-to-market losses in 2021 compared to 2020. ROA and ROE of PDs contracted to negative 0.70% and negative 3.2%, respectively, as at end of 2021.

Corporate Finance and Advisory

Operating conditions in the advisory business were shaped by a revival in primary market debt and equity origination. Primary equity markets saw 13 equity Initial Public Offerings raise approximately Rs. 13 Bn in 2021. Listed debt raised on the CSE amounted to Rs. 71 Bn.

The deal advisory space in Sri Lanka (including M&A and private placements) rebounded in 2021. As quantified by PricewaterhouseCoopers, over 30 deals were announced reflecting a 32% increase YoY. Disclosed deal value was in excess of Rs. 33 Bn, including three large value transactions of Rs. 4 Bn each. Energy and export-oriented businesses led M&A activity in 2021.

Advisory activity was driven by opportunistic buyers and sellers keen on divesting underperforming and non-core businesses and assets, the need for restructuring solutions post-COVID, conducive government policies relating to SME funding, green energy, technological hubs and consolidation in the non-bank financial services sector inter-alia and attractive valuations. Development Finance Institutions invested Rs. 25 Bn in financial services and retail sectors through private placements, to support socio-economic growth and SMEs.

DIRECTOR/CHIEF EXECUTIVE OFFICER'S REVIEW

Although there was a gradual recovery of economic conditions post-COVID during the year, incremental macroeconomic uncertainty and volatility, liquidity constraints in the banking system, material uncertainty impacting asset valuations and continued upward momentum of rates are some factors that could pose both risks and opportunities in this area.

Asset Management

There were 16 active asset management companies managing a total of 75 funds over the year. Industry AUM of Rs. 201 Bn as at end 2021 was dominated by money market funds, followed by income funds, representing 23% and 21% with the remainder comprising gilt-edged, growth and balanced funds. Industry AUM as at 31 March 2022 amounted to Rs. 178 Bn.

Units issued decreased marginally by 2% YoY as at the end of 2021 to 7.8 Bn units. The industry investor base increased by 13% YoY to 59,426 investors at end 2021.

The share of investment in government securities as underlying as a percentage of net assets was 12.1% at end 2021, remaining stable, given 12.6% in the previous year. Investment in equities as underlying increased to 9% driven by stronger returns in secondary markets during the period, compared to 7% at end 2020.

During the calendar year 2021, select index, equity and growth funds performed satisfactorily against published benchmarks, the broad market index and the S&P SL20. During the quarter ended 31 March 2022 however, gilt-edged, income and money market funds performed relatively better against published benchmarks.

At fiscal year-end, lower levels of liquidity, high bond yields, capital flight to gilts, favouring of short tenure fixed income instruments and higher volatility in markets can be expected to shape the outlook of investment flows and risk adjusted returns in the industry.

Stock Brokering

Secondary equity markets were vibrant, with the ASPI and the S&P SL20 recording annual returns of 80.5% and 60.5%, respectively by calendar year end. The market closed on an all-time high in December 2021 with the ASPI reaching 12,226 points and the market capitalisation at Rs. 5.5 Tn.

Year 2021 recorded an average daily turnover of Rs. 4.9 Bn. Foreign investors were net sellers resulting in an outflow of Rs. 52.6 Bn in 2021. Domestic investor presence in the equity market was prominent due to preferences shifting towards equity investments in the low interest rate environment prevalent for part of the year.

The market took a downward turn during the first quarter of 2022. The growing socio-political and economic crisis as well as the rising interest rate environment resulted in market performance moderating, and the ASPI declined by 27.2% to 8,903.87 by end of March 2022, in line with the Company's financial year close.

Group Financial Performance

Group net income constituting a 70:30 mix of fund-based and fee-based income was severely impacted by large trading losses and declining of fair value experienced in fund-based businesses. Group net trading income stood at Rs. 224 Mn (FY2020/21 Rs. 3.7 Bn) declining 94% YoY.

The group recorded an operating loss of Rs. 770 Mn (FY2020/21 operating profit of Rs. 2.9 Bn) reflecting a 126% decline. Group operating expenses increased by 20% due to value added and nation building tax charged on financial services which impacted the operating performance. The group recorded a loss after tax of Rs. 652 Mn for FY2021/22 (FY2020/21: profit after tax of Rs. 2.1 Bn), reflecting a deterioration of 131% YoY. The total comprehensive loss at group level for the year under review was Rs. 640 Mn (FY 2020/21: total comprehensive income of Rs. 1.9 Bn) reflecting a decrease of 133% YoY. The resultant impact on reserves saw net asset value per share decrease by 11% YoY to Rs. 40.01 at year end (FY2020/21: Rs. 45.14).

Core Business Performance

We saw mixed results in the performance of our core businesses, Government Securities, Asset Management, Corporate Finance and Advisory and Stock Brokering.

Broadly, in Government Securities and Corporate Finance and Advisory, liquidity constraints and the non-conducive rate environment were primary factors hampering strategic and profitable trading in the Government Securities business and inducing a reduction in deal flows in the latter. Net trading losses of Government Securities were significant at Rs. 432 Mn, relative to the previous year's exuberant net trading income of Rs. 2.97 Bn earned during a period of accommodative monetary policy. The business made a loss after tax of Rs. 652 Mn, relative to a profit after tax of Rs. 1.84 Bn in the previous year.

We were not able to successfully de-risk positions in active trading strategies ahead of unanticipated and progressively steep rate increases and sharp upward movement in yields resulted in substantial trading losses.

Corporate Finance and Advisory was met with competitive friction in a low liquidity market post August 2021 and progressively rising yield rates. The business did not record optimal performance although making a positive contribution with Rs. 116 Mn in net trading income. Net trading income reflects a 73% decline YoY. Fair valuation losses in a functionally segregated proprietary portfolio was the main factor causing the two-fold decline in operating performance from the previous year's operating profit of Rs. 303 Mn. The business made an after-tax loss of Rs. 248 Mn, reflecting a decrease of 193% YoY.

The pandemic had begun to accelerate a number of socio-economic and technological trends which resulted in an influx of retail investment in our fee-based businesses namely, Asset Management and Stock Brokering. During the year, marked performance improvements were seen in these two businesses, fortifying the quality of our income base.

Asset Management recorded Rs. 152 Mn segmental net trading income reflecting a 14% YoY increase as against the previous year's figure of Rs. 133 Mn. The business recorded Rs. 87 Mn in after tax profits reflecting a 13% increase YoY.

Stock Brokering recorded a segmental net trading income of Rs. 387 Mn, increasing 189% YoY from the previous year's figure of Rs. 134 Mn. The business recorded a net profit after tax of Rs. 230 Mn, increasing 207% YoY.

As a result of adopting digitalised mobile applications in the onboarding process, Stock Brokering secured approximately 14% of its total turnover and brokerage through mobile-application-originated turnover.

Positioning

Despite the dampened performance, we maintained our dominance as a non-bank affiliated PD in the primary market auctions with Rs. 148.2 Bn in accepted T-Bill bids and a market share of 5.9%.

Our robust risk management in this business minimises impact on reserves with a total Capital Adequacy Ratio (CAR) buffer maintained in excess of nearly 75% against statutory requirement of 10%.

First Capital Money Market Fund managed by our Asset Management business ranked highest in terms of return in the quarter ended 31 March 2022 while maintaining the rank of second highest performer in terms of annual return over the calendar year. The business manages a collective AUM of Rs. 41.2 Bn comprising unit trust assets and discretionary portfolios.

Our Stock Brokering business maintained its industry ranking in terms of turnover. It provides superlative, market leading fundamental research coverage of 53 counters representing 52% total market capitalisation. The Stock Brokering business saw heightened retail interest and growing traction in digital distribution channels during the year.

Corporate Finance and Advisory saw a decrease in its overall placement volumes of corporate debt due to adverse markets and heightened competition. We originated Rs. 5.2 Bn in corporate debt under these conditions. We diversified our transaction mandates to include equity IPOs. Our deal execution capabilities in equity primary markets were demonstrated via the listing of First Capital Treasuries on the Colombo Stock Exchange.

Our advisory client base continues to be diversified across sectors including banks, financial institutions, and government agencies, small and medium enterprises and multi-sector companies.

Although we have seen abrasive operative conditions for business and particularly tough competition, we consider it integral that our capabilities be expanded in this area to help prioritise fee-based earnings to reduce dependency on fund-based businesses which are inherently more market risk-vulnerable.

Given that traditional banking under-serves certain niche markets, we are working towards providing bespoke solutions and opportunities to originate funds for 'impact' sectors and clientele.

Credit Rating

Navigating an environment of uncertainty has reinforced the importance of our longstanding focus on risk management and financial prudence. Our credit rating was reaffirmed by ICRA Lanka as [A]SL with Stable outlook reflective of sustained balance sheet strength, risk conduct, earnings quality and access to funding. The rating of our Government Securities business First Capital Treasuries PLC was also reaffirmed as [A]SL with Stable outlook.

Strategy

We started the year with a new direction in medium-term strategy. Consistent with the composition of our business model our business strategy is focused on the value drivers Financial Sustainability, Service Focus, Employee Focus and Social Relationships. The current perspective is that in the short-term, we recover and respond to the trends that COVID-19 has uncovered, to position

DIRECTOR/CHIEF EXECUTIVE OFFICER'S REVIEW

ourselves favourably via digital, process and people value building.

With the increased allocation of capital in technology we have accelerated alignment with external and internal digitalisation: selected core businesses are now low-touch and high tech in the digital onboarding process and progressive digitalisation of the client life cycle is expected. Client centrism is honed through technology and data excellence enabling better service and protection, reduction of costs and adds scale to our businesses.

Our medium-term transformation goal would be to enable clients perform real-time transaction activity across many of our market facing core businesses. Near term, we have seen digital client numbers in our Stock Brokering business increase almost five-fold to approximately 3,000 during the year. Our Asset Management business was an industry leader in stakeholder adoption of digitalisation, with the First Capital Money Market Fund becoming the first local unit trust to adopt digital client onboarding.

As part of the client life cycle management strategy, we have set in place a division "Customer Relationship Management and Digital" and dedicated teams for digital onboarding to provide a truly digital-truly human aspect to engaging clients.

Our combined teams currently consist of 90 employees. In the competitive, energetic business of investment banking, we regularly question how much value we can create for our teams. During the year, we strengthened our team capabilities to help clients achieve their goals and provided an accredited **Great Place to Work®**.

We are now in the process of assessing feedback on satisfaction and engagement points uncovered during the initial survey for assessment to build an increasingly inclusive, diverse and nurturing workplace. Our medium-term goal is to ensure that we are ranked amongst the highest placed exemplary workplaces in the financial services sector.

Gaps in our succession planning are being addressed and our middle management team has been actively engaged in formal leadership training and are being reskilled through international and local training as an integral part of brand identity.

Through the medium-strategy, we wish to ensure that our clients are offered a comprehensive range of financial and investment solutions, increasingly complemented by fit-for-purpose, skilled teams and efficient, technology driven processes.

We believe in the long-term we can create economic, social and environmental value for the communities we interact with and generate superior sustainable returns for our investors.

In our community engagements the executive team is guided by the Board's direction. We have aligned with our principal corporate social investment partner Janashakthi Foundation and aspire towards meaningful impact through medium-term strategy.

Over the year, together with Habitat for Humanity Sri Lanka we have also made positive community impact by building sustainable dwelling places in Galle.

Through a long-standing view of capturing broader markets, retail investors and providing greater access to digital financial services, we find sustainability goals that target economic growth and inclusion. Through Corporate Finance and Advisory, we have the operational expertise and business platform to participate in a large addressable market which is underserved by banking services. This I believe is an impactful area for positive community development in the medium term.

Recognition

We are ranked on LMD's top 100 corporates and as at the date of publication were awarded the 'Best Investment Bank' by Brand Finance and LMD entering the list as one of 'Sri Lanka's Most Valuable Consumer Brands'. Our brand, undeniably a strategic asset, was valued at Rs.1.0 Bn.

Post-acquisition integration

We are seeing the steady effects of the integration strategy two years after becoming a part of Janashakthi group.

Corporate philosophies and values have merged effectively, and we are part of a centralised subsidiary governance framework within which our group's subsidiaries find autonomy and a fine Board balance. We have demonstrated cost benefits through shared services. As we prioritise employees and a talent mindset alongside longer term value synergies through our strategy, I believe we are well placed to steadily drive mutually beneficial integration.

Appreciation

I thank the Chairman and the Board of Directors for the guidance given over the year as we navigated through restrictive operating conditions.

I wish to thank our team for their concerted efforts and resolve throughout the year.

We intend to regain momentum and look forward to delivering on our purpose of building sustainable value for those who support us – our clients, shareholders, collaborative partners, regulators and other stakeholders at large.

We thank you all for the continued trust and confidence placed in us.

Looking Ahead

The risk of elevated inflation becoming entrenched over the short term has become relevant in the international context. The global economy now battles multiple factors such as the Russian invasion of Ukraine, China's COVID-related lockdowns and ongoing supply disruptions. The outlook, particularly in Europe is muted, while in the United States, private domestic demand remains robust despite the economy contracting in the first quarter of 2022. Overall, global financial conditions have tightened, and markets have been volatile.

Locally, pervasive input price pressures have fed through to consumer prices and inflation continues to broaden. In this environment, the approach to monetary policy, metrics and underlying conditions would play a key role in the behaviour of the yield curve. As of the publication date of this annual report, yields on government securities have overshot short-term expectations. The likelihood of continued policy rate increases is high given that inflation persists well above target and is expected to remain at hyperinflationary levels.

It is no exaggeration that Sri Lanka's economic crisis is deepening. Our GDP is subject to material change and is now highly susceptible to recessionary threat.

We recognise that a reasonable and credible roadmap to recovery can only be achieved once material uncertainties governing the outlook can be resolved. The potential restructuring of external debt under a new political formation and key recommendations to allay the crisis would indeed be pivotal in discerning the operating conditions impacting us.

Under these grim circumstances, our rate-sensitive Government Securities business as principal contributor to income, would need to reposition in terms of trading and operational strategy. We are geared for the purpose of withstanding difficulties, in part through a robust capital base and maintaining a CAR higher than required by regulation.

While economic, financial and political shocks continue to test our markets we remain focused on preserving value for stakeholders through feasible initiatives to maintain the quality and integrity of our service offering.

We remain cautiously optimistic that First Capital will be on a sound footing once economic recovery and progress resumes.

(Sgd.)
Dilshan Wirasekara
Director/Chief Executive Officer

15 August 2022

MANAGEMENT DISCUSSION AND ANALYSIS

OPERATING ENVIRONMENT

BUSINESS MODEL

First Capital Holdings PLC is a financial services provider that offers a range of investment and advisory solutions across the spectrum of Government Securities, Corporate Finance and Advisory, Asset Management and Stock Brokering, driving the financial wellbeing of our clients and our economy.

Ours is a diversified client base that includes retail investors, high net worth individuals, companies, financial institutions and governmental institutions.

The corporate ideology is to create value for all stakeholders by delivering on our promise of PERFORMANCE FIRST. Our corporate vision, mission and values support a long-term perspective supporting sustainable growth and financial opportunity, for, us our communities and the nation.

In operations and strategic endeavours our initiative is to deliver the full range of our services and expertise to support clients in a more accessible, comprehensive and efficient manner, across the core business offerings.

Our business model, mapped on page 41 to 43 of the annual report, depicts the input capitals that are embedded in our value drivers. These are the main areas acting as catalysts of value for the varied groups of stakeholders and are categorised as Financial Sustainability, Service Focus, Employee Focus and Stakeholder Centricity.

By utilising the various input capitals and participating in the business activities and accelerating strategy, we create altered capital outputs which enable us to create value for shareholders, clients, employees and stakeholders, including positive social, economic and environmental impact. These elements of value can be clearly demarcated through an economic value-added statement. We are influenced by the operating environment, the context of which is considered in the material issue-identification we perform as a foundation to strategy.

As you progress within this discussion and analysis by the management, we will clarify the operating context and trends, the manner in which the six capitals are embedded in our value drivers and strategic outlook.

COMPETITION

The financial services industry as a whole and all of our businesses are intensely competitive. As we also look to disrupt the traditional banking space with the progressive adoption of technology and the intention to explore addressable-underinvested sectors, we consider a range of financial services providers including banks as competitors.

Our competitors include entities that provide pure-play investment banking (active only in fee-based businesses) full service or integrated investment banking (active across fee-based and fund-based businesses), portfolio and investment management services, asset management, fund-based services, commercial and/or consumer lending, deposit-taking and other banking products and services, lifestyle solutions and structuring and placement agents of securitisations, structured products, real estate, private equity, funding and other financial assets.

These entities include broker-dealers, investment banks, integrated financial service providers, commercial banks, corporate finance advisors, credit card issuers, insurance companies, investment advisers, collective investment schemes or mutual funds, private equity funds and consumer finance companies.

We are mainly a national entity and do not effectively compete with entities globally but are met with heightened competition when exploring strategic and opportunistic international business from other global, regional, local and product or niche basis-players.

In the investment banking sphere, we compete based on a number of factors, including trading strategies in equity and fixed income, advisory deal execution, research, client experience, completeness of service offering, professionalism, brand recognition, market capture, reputation and price. We assess based on private research on brand and industry positioning, our peer group to be the top 3 players in the market that comprise investment banks that have varied focus in terms of deal size, specialisation and the scale of markets they service.

We have faced, and expect to continue to face, pressure to retain market share by committing capital to markets, transactions, niche clients and services on terms that offer returns that may not be commensurate with risk.

Within an environment of intense competition, we consider our operating environment closely to evaluate how best to position and advance the execution of appropriate strategy to ensure our competitive advantage is protected.

SWOT ANALYSIS

SWOT analysis is a vital strategic planning tool that is used by our executive managers to perform situational analysis of the firm. It is an important technique that provides foundational thinking by mapping out the present Strengths (S), Weakness (W), Opportunities (O) and Threats (T) that First Capital is facing in its current business environment.

Our peer group comprises the top 3 ranked investment banks active in the local industry. Our peer group differs in scale from large scale to middle market and service broad or focused markets. They differ in level of specialisation and level of customised products and solutions offered.

OPERATING ENVIRONMENT

To maintain competitiveness in market, we carefully analyse and review the SWOT analysis. We arrive at the SWOT analysis through a highly interactive process led by the Research unit. It requires effective coordination among various teams within the Company which handle finance, management information systems, deal making and other core business activities, marketing and corporate strategy.

OBJECTIVES

The main purpose of the SWOT matrix is to identify the strategies that we can use to exploit external opportunities, counter threats, and build on and protect strengths and mitigate weaknesses.

The First Capital SWOT analysis is proprietary although we may share several commonalities with stakeholders. We have adjusted our SWOT for public reporting purposes to provide a snapshot: First Capital's preliminary evaluation window to strategy.

SUBSIDIARY GOVERNANCE

We are a parent of several separate entities. Our Company has its own Board which is responsible for governance and setting the tone from the top on subsidiary governance, risk governance, conduct, corporate philosophy, values and business tenets.

We represent the parent on subsidiary Boards which are composed of a majority of non-executive independent directors.

This governance model encourages support and synergies to subsidiaries and engenders autonomy. Subsidiaries are required to align with group policies on all key compliance and operational areas as we consider our amalgam a unified enterprise providing integrated services.

SWOT ANALYSIS

S

- Robust Governance philosophy
- Strong business relationships and high quality client base
- Strong balance sheet and credit rating
- Post acquisition synergies from Janashakthi group
- Deep sector expertise in Government Securities
- Full-service offering with iconic brand
- PERFORMANCE FIRST corporate ideology

W

- Need for client service infrastructure
- Need for reskilling staff
- Limited foreign reach
- Need for upgrade processing infrastructure

O

- Truly digital client life cycle management
- Innovative solutions and services
- Collaborative partnerships with peers

T

- Macroeconomic instability
- Lack of policy direction and consensus
- Migration of talent
- Peer technology adoption in the value chain
- Aggressive competitor strategies
- Attrition due to new entrants

RISK MANAGEMENT

As a financial services group operating in today's globalised economy, it is critical for us to identify, measure, aggregate, and effectively manage risks, including efficiently allocating regulatory capital where required by the core businesses to support the balance sheet and derive an optimal risk and return.

Our enterprise risk management ensures that significant and measurable risks are identified, quantified, and managed proactively and provide protection and stability to many clients and other stakeholders.

Our regulators anticipate our compliance via well-defined risk management practices that adequately address the various dimensions of the business. Our risk management framework is based on the ISO 31000:2018 Risk Management and embeds the three lines of defence prototype and is supported by a comprehensive set of policies that deal with all aspects of risk management and complies with regulatory requirements.

The Board of Directors is responsible for establishing corporate governance as a whole as well as risk governance.

The Company's risk management model consists of a number of interrelated processes, illustrated on page 172 to 184 of this report. Its operation is overseen by a combination of sub-committees of the Board, namely, the Enterprise Risk Management Committee (ERMC), Board Audit Committee, Investment, Asset and Liability Committee and the Related Party Transactions Review Committee.

INTERNAL CONTROLS

Under the three lines of defence model, we embed internal controls across the risk-taking hierarchy, starting at business unit staff level and advancing through the supervisory structure to the third line of defence constituting the control groups, internal and external auditors.

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's risk-conduct and culture. The Risk and Compliance division is also responsible for giving assurance to the ERMC and the Board Audit Committee on regulatory compliance and risk tolerance.

As the last layer of control, the third line of defence consisting of the internal audit and external audit provides an assurance of effective implementation of processes and controls. Internal audit conveys assurance through their review reports to the Board Audit Committee on a semi-annual basis. The Board Audit 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 rule-regime in place.

The advent of COVID-19 two years ago has compounded and accelerated change in our markets, the country and the world. At the start of the current financial year, our real economy had contracted due to the negative and far-reaching effects of COVID-19 on economic environs.

In Sri Lanka, unique socio-political and macroeconomic pressures were felt. At the end of FY 2021/22, we had progressively moved into a stark economic reality and visible signs of social unrest and transitional political risk.

The group's prosperity depends on how agile we are in returning to the new normal and weathering multi-pronged economic pressures. Additionally there are socio-political, technological, human and environmental factors that shape the operating context.

We embrace, anticipate and manage change, with the wellbeing of our clients at the centre of our aspirations for the future.

COVID-19

General struggles with fragile fiscal conditions, weak economic growth, rising unemployment, and mounting public debt was exacerbated in 2021 alongside continued COVID-19 related sporadic lockdown measures aligned with each 'wave' resulting from a new variant's proliferation.

The COVID-19 pandemic created acute changes in the global market in varying degrees over geographies. As with the initial year of spread, consequences of new variants emerging have been wide-reaching, and concerns due to poor healthcare systems, limited resources and economic and spatial constraints on social-distancing measures remained.

Vaccine dissemination was delayed in emerging economies and Sri Lanka mandated the standard protocol of two doses of World Health Organisation endorsed vaccines in a focused manner. However, vaccine hesitancy was a prevalent, serious risk in preventing worsening economic outcomes in the face of vaccine-resistant strains of the virus, both here and internationally.

We have become more adaptive in response to both workforce and workplace changes post-COVID-19.

We adopted increasing levels of digitalisation and technology shifts that require continuous reskilling and upskilling to remain relevant.

Agile modes of work, including operating across cross-functional teams and flexible hours had been in our psyche pre-pandemic. We benefitted from prior exposure to flexible work arrangements and our business continuity policies enabled us with the transition of successful and seamless remote working.

As components of our business were considered as essential services we remained operative throughout the first year of the pandemic, a foundation that served us well during the current financial year. We continued to effectively manage instances where all staff were working remotely, during which were fully functional and efficacious in our service delivery.

Globally, the COVID-19 pandemic has taken a toll on human life and has raised concerns related to well-being, poor work-life balance and burnout caused by the ongoing work from home (WFH) environment. This is a significant consideration in forming the future of how we work.

Essential services in Sri Lanka were however allowed to have employees present physically at work and the Company was attentive to the health and safety protocol required to establish a safe workplace. During risky periods of in-office infection, we followed measures that allowed for flexibility through rotation and adopting of a hybrid WFH model enabling business continuity and safety.

OPERATING ENVIRONMENT

While there was a mixed preference with regard to WFH as opposed to being present in office, the hybrid work model utilised during the year is also a blueprint that we may adopt for similar situations in the future where agility is required.

First Capital's approach in supporting the communities we operate in against the devastating effects of COVID-19, was to ensure that we are fully supportive of the mandate of the Government of Sri Lanka to deliver, administer and manage vaccinations across the nation.

COVID-19 elevated all our business operations and strategic risks. While infection rates are expected to continue to decrease after a vociferous spread of the Delta variant and later the less virulent Omicron, the mitigating responses introduced have become a part of "business as usual" as we acknowledge the medium to long-term impact of the pandemic.

Conversely, COVID-19 also created opportunities to compensate for revenue concentrations within the business models, and the necessity to constantly develop alternate income streams and capture new markets to support sustainable growth particularly by leveraging the emerging process and client behavioural trends.

The pandemic highlighted the importance of process automation and efficiency in meeting our client service standards. We have moved early to digitalise the client life cycle and the branch and intermediary service models, emphasising efficient processing.
The streamlining is not limited to the client lifecycle's digital on-boarding process but also aimed at enhancing our trade through post-trade processing encompassing the full lifecycle of securities processing from when a deal is captured for execution to its processing at the back office.

KEY REGULATORY DEVELOPMENTS

We support all regulatory and reporting standard advances that promote financial stability, encourage uniform market practices and the fair treatment of clients. This increases the cost of doing business and the risk of non-compliance. We have strengthened our compliance capabilities to mitigate this risk.

Securities and Exchange Commission Act No. 19 of 2021 (SEC Act)

The new Securities and Exchange Commission Act No. 19 of 2021 repealed and replaces its predecessor, the Securities and Exchange Commission Act No. 36 of 1987, and became law in September 2021.

It is benchmarked against the principles and standards propounded by the International Organisation of Securities Commissions and was actively reviewed by market participates in public consultations during a protracted market consultation and revision period.

The SEC Act contains provisions to ensure efficiency, predictability and consistency in the regulation of the local securities market. The Act comprises seven parts and impacts the business of First Capital through the introduction of refinements to precedent rules and general provisions and new specific provisions and rules in the following areas:

- **Market Intermediaries**

A broadening of the scope of the definition of market intermediaries impacts the business of First Capital by necessitating licensing as a corporate finance advisor which activity it conducts at present and in addition where potential future activities are undertaken, as market maker and derivatives broker/ dealer.

Market intermediary rules promulgated under the SEC Act lay out specific rules for licensing and registration, training of registered persons, custody, and segregation of clients while emphasising the compliance function and procedures as a way of cohesively absorbing compliance risk under the broader risk management perspective of an intermediary.

As we are already active as market intermediaries in stock brokering and asset management, we participated in rules consultations preceding the introduction of new market intermediary rules. We have also reviewed the compliance risk management gaps in this context in anticipation of the publication of the said rules.

- **Issue of securities and maintenance of good governance**

This part of the SEC Act is focused on timely disclosure of financial information by listed public companies and compliance with best corporate governance practices. The Company's core service Corporate Finance and Advisory would be impacted by these reforms necessitating a renewed focus on comprehensive and accurate disclosure in line with the requirements in executing capital raising transactions.

Corporate governance requirements impact the Board, Chief Executive Officer and control groups such as external auditors as well as risk management functions.

- **Prohibited conduct**

The SEC Act identifies false trading and market rigging, stock market manipulation, making false or misleading statements, fraudulently inducing persons to deal in securities and use of manipulative and deceptive devices.

The SEC Act elaborates with clarity key definitions on insider dealing with the intent of eliminating uncertainty or ambiguity. Conduct is a requisite consideration for First Capital and its teams carrying out the spectrum of core services and internal controls and culture and our code of ethics set the directions for us to operate in. With the SEC Act's clear framework, the market intermediary operations have actively sought to review and identify any gaps in controls and processes in mitigating compliance risk in these areas.

- **Post trade market infrastructure**

The SEC Act sets in place a clear framework for post trade infrastructure. Our fee-based core services in equity and debt securities trading currently benefit from market infrastructure and clarity in the rules. The SEC Act also provides the foundation in which particularly the equity market and its post trade operations may envision as a strategic trajectory. In the medium to long term, this framework will define our post trade risk management model and may also guide the manner in which we strategically evaluate our participation as members in the local clearing and settlement model.

Central Bank of Sri Lanka Directives to Primary Dealers

The Central Bank of Sri Lanka (CBSL) issued a direction under the Registered Stock and Securities Ordinance to change the requirement of minimum capital. This direction not only stipulates a progressive model of developing capital assets of Primary Dealer but also provides a framework that a Primary Dealer should establish to enhance and maintain such capital. First Capital Treasuries PLC has complied with the minimum capital requirement of Rs. 2.5 Bn in advance of the effective date of 1 January 2023 and keeps a healthy buffer.

Key Tax Legislative Changes

The Inland Revenue (Amendment) Act No. 10 of 2021 ("Amendment Act") amended the Inland Revenue Act No. 24 of 2017 (Inland Revenue Act). A summary of the key amendments to the Inland Revenue Act via the Amendment Act and subsequent tax enactments that is relevant to the business and strategies is recounted below:

- **Reduction in income tax payable in listed companies that list equity within calendar year 2021**

A fifty percent (50%) reduction is applicable to aggregate income tax payable for year of assessment 2021/22 by any company (including Board of Investment companies) which lists its shares on the Colombo Stock Exchange, on or after 01 January 2021 but prior 31 to December 2021. Further, gains and profits of such companies are taxed at 14% for three years of assessment commencing from 1 April 2022.

- **Surcharge Tax Act**

The Surcharge Tax Act No.14 of 2022 was passed in Parliament on the 07 April 2022. The Act has imposed a 25% tax liability on identified companies which have exceeded the Rs. 2 Bn threshold of taxable income for the year of assessment 2020/21 (coinciding with our fiscal year). Further. each company of a group of companies would be liable if the aggregate taxable income of the group exceeds Rs. 2 Bn for the Year of Assessment 2020/21. The tax shall be payable in two equal instalments:

- Initial instalment - on or before 20 April 2022
- Final instalment - on or before 20 July 2022

The Group companies made a total payment of Rs. 418 Mn subsequent to the reporting period. This payment is reflected in the financial statements as a post-balance sheet event (See note 43 (a) of the audited financial statements appearing on page 248).

- **Value Added Tax (VAT) on Financial Services**

With effect from 1 January 2022, VAT on Financial Services rate was increased to 18% (prior to 1 January 2022 – 15%).

Ultimate oversight of tax risk governance is with the Board of the Company and controls are in place to manage compliance risk arising from changes in tax legislation. The internal tax risk management controls come under the purview of the finance division.

TECHNOLOGICAL AND OTHER TRENDS

Several fundamental trends impacting financial services transformed the landscape within which we operate. An important contributor across these trends is the technological change brought about by the Fourth Industrial Revolution, the confluence of which have the ability to disrupt the broader industry. These trends have guided our short to long term strategy.

Digitalisation, New Entrants and Business Models

COVID-19 acted as a catalyst for digital interactions and rapid technological advancements are seen as causing disruption across the financial services industry, including the disaggregation of traditional value chains. Client needs and expectations are constantly evolving, requiring bespoke solutions and convenience in communication and engagement.

Digital distribution is fuelling demand for simple products which do not require interactive advice, particularly amongst potential retail investors. Digitalisation is also driving the disruption of traditional business models, with the emergence of large, platform-based ecosystems that deliver value based on shared outcomes.

Emergence of Yield-Seeking Retail Investors

With the prevailing economic conditions, retail investors even those with a conservative risk profile are actively seeking opportunities invest for a better return as bank products have for a prolonged duration been low-yielding.

There is a marked increase in retail client interest in our investment solutions and we are providing high-tech interfaces for onboarding such clients while in line with strategy, we have also improved the infrastructure that is in place to service walk-in clientele that prefer an in person interactive.

OPERATING ENVIRONMENT

Financial Inclusion

Financial Inclusion encompasses the provision of small or very small loans, savings accounts and other financial services to excluded parties, such as microenterprises and individuals, in a responsible and sustainable manner.

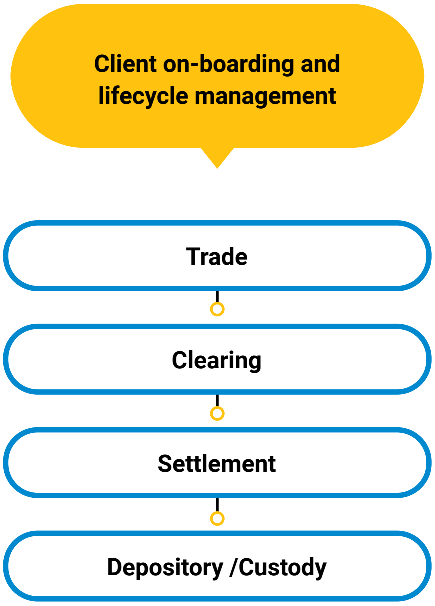
The pandemic has increased the importance of ensuring that the poorest and most vulnerable people have access to formal financial services, given their role in supporting inclusive economic recovery and resilience.

The pandemic also created new opportunities for digital financial services to accelerate and enhance financial inclusion, amid social distancing and containment measures.

Momentum gained in our industry in digital reach together with endeavours to improve external stakeholder straight through processing. At the same time, the risks emerging prior to COVID-19, as digital financial services developed, are becoming even more relevant.

Initiatives to Enhance Industry Value Chain

With the advent of COVID-19 initiatives in the industry are working to accelerate external stakeholder digitalisation/straight through processing across main processes of the value chain. Amongst these are Colombo Stock Exchange-led initiatives to digitalise on-boarding and introduction of delivery versus payment. Custodians interacting with market intermediaries have facilitated digital approval processes and increased web portal-based interaction has been experienced with the advent of COVID-19 and well into the current financial year. These enhancements impact the efficiency of the trade through post trade processing chain:



Within the context of our core business operations, we recognise the importance of external partners to amplify our business and positive social impact.

While we are a non-bank institution, our investment solutions aim to pair with digital reach to engage retail investors across the nation. We have investment solutions which are alternatives to savings products which can be easily understood by the smaller investor. Driven by clear regulatory and performance standard we can provide risk governance and institutional stability to ensure continuity and certainty of investment solutions.

As we seek broader retail markets according to our strategy affordability is also a consideration that we make, in order to allow our investment solutions to proliferate the masses.

Further, it is in our executive team's mindset that advisory solutions should enable best use of funding, where unlike in a business plan-based analysis, we assess and support impactful but under-invested sectors which the traditional banking sector will tend to underserve

GLOBAL AND LOCAL ECONOMIC CONTEXT IN SUMMARY

The economic performance of emerging market economies since the onset of the pandemic has varied considerably. Government balance sheets have mostly weakened as the pandemic-induced recession reduced revenues and expenditures grew as countries provided support to their populations while their economies stalled. Over 2021, global economies continued to recover from the disruptions caused by the COVID-19 pandemic with mixed results.

Extraordinary public health measures have been put in place to allay the impact of the pandemic. High levels of fiscal and monetary stimulus were prevalent in major economies to protect the global economy. As a result, some economies are now in a relatively stronger position and for others, it may be reasonable to anticipate that overall economic effects of the pandemic will continue to be felt.

In April 2022, the International Monetary Fund (IMF) projected global economic growth to slow from an estimated 6.1% in 2021 to 3.6% in 2022 and 2023. Global markets fell sharply towards the end of March 2022 and with prevailing geopolitical and economic forces remain susceptible to volatility.

Developing Asia as a whole was impacted by uncertainties stemming from the Russia-Ukraine conflict, the continuing pandemic, tightening by the United States Federal Reserve. Projected for 5.2% growth in 2022 and 5.3% in 2023 by the Asian Development Bank (ADB), the region reflects an earlier stage in recovery than Western counterparts.

Certain sub-regions, including South Asia and East Asia are expected to return to pre-pandemic economic growth rates according to the Asian Development Outlook 2022 released by the ADB. Inflation in the region remains manageable but is forecast to rise to 3.7% this year, before moderating to 3.1% in 2023.

Here, in Sri Lanka, the financial year ended 31 March 2022 (FY2021/22) was marked by singular, country specific socio-political and macroeconomic trials. Although pre-pandemic long-term intrinsic growth* was on an average 5.0%, Sri Lanka recorded a 3.7% real GDP growth in 2021. A muted recovery from the COVID-19 pandemic was not surprising as Sri Lanka's economy struggles with macroeconomic challenges arising from a change in the sovereign debt rating, the country's high and unsustainable debt, low foreign reserves and record inflationary pressures.

The ADB forecasts mounting inflationary pressures in 2022 to moderate in 2023 as global prices fall and supply constraints ease. The factors that are expected to drive inflationary pressures in 2022 are a combination of rising food, fuel, and commodity prices, higher import prices, supply chain disruptions, shortages stemming from the foreign exchange squeeze, demand side pressures, and exchange rate depreciation. ADB expects Sri Lanka's economic growth to dip to 2.4% in 2022 and improve marginally to 2.5% in 2023. However, the CBSL is now forecasting a negative growth of 5% - 7%.

As at the date of this report factors that are seen to curtailing growth in Sri Lanka include its debt overhang, large external financing requirements, energy shortages and high inflation. Immediate measures to restore macroeconomic stability and debt sustainability are considered crucial for recovery. We are cognizant of the prevailing material uncertainty preventing the full potential of the Sri Lankan economy from being unleashed as anticipated in early forecasts. The IMF in its end-of session press releases has asserted the severity of the economic crisis and that the national economy may contract in the current year.

* *20-year average real GDP growth considering the full calendar year 2019 output as pre-pandemic.*

NATIONAL OUTPUT

The economy regained a slow growth trajectory, recording a GDP growth of 3.7% in 2021 from a contraction of 3.6% in 2020. Growth was due to the slow recovery seen in all sectors, namely - Agriculture, Industry and Services, driven by demand and easing of prevailing social restrictions.

The economy saw widespread vaccine roll out that supported economic activities by 4Q. However, some segments within Agriculture and Industrial contracted due to policies restricting the use of chemical fertiliser, increase in raw material prices and a shortage in foreign exchange.

The agriculture sector recorded an expansion of 2.0% in 2021 from a contraction of 2.2% in 2020. Industrial sector saw a 5.3% increase in 2021 from a 6.9% contraction in 2021. Service sector activities expanded 3.0% in 2021 from a contraction of 1.6% in 2020.

EXCHANGE RATE

The external sector saw increased weaknesses in 2021 amidst high debt obligations and a weakened balance of payments (BOP) position along with slow performance in the domestic foreign exchange market with pressures seen on the external value of the currency. A steady growth was observed in exports and conversely a much higher import expenditure. This resulted in the country's trade deficit widening, weighing negatively on the external current account.

The Sri Lanka rupee was maintained broadly at stable levels by the CBSL during 2021 and in early 2022, before being allowed an adjustment in the exchange rate in early March 2022. The Sri Lanka rupee had depreciated against the US dollar by 7.00% to Rs. 200.43 as at end 2021. Following the aforesaid measured adjustment that was allowed in the exchange rate in early March 2022, the CBSL also afforded exchange rate flexibility which fell short of expectation due to large overshooting by market forces. Accordingly, the Sri Lanka rupee depreciated by 33% against the US dollar by end March 2022. Depreciation of Sri Lanka rupee as at 30 June 2022 (YTD) was 77%.

Following the sharp depreciation of the rupee and the sustained rise in global commodity prices, upward adjustments to domestic prices were observed posing substantial upside risks to inflation. Restrictive policy measures imposed by the CBSL to mitigate the shortfall in foreign currency has resulted in increased inflationary pressures in imported items and supply chain issues. The rupee depreciated against the Euro 32.1 %, Indian rupee 31.7%, Sterling pound 31.1 % and Yen 28.9% by the end March 2022.

INFLATION

Global inflation across supply chains due to the pandemic, resulted in higher price revisions to the domestic market in 2021. The Colombo Consumer Price Index (CCPI) recorded a 12.0% increase YoY in 2021 from 4.2% in 2020. Notable price increases in the food category were due to the move from inorganic farming to organic farming, coupled with ease in social restrictions and cyclical demand increases due to festive activities leading to the overall increase in domestic prices.

Prices within Q1 saw a steep increase, where the CCPI recorded an 18.7% increase YoY by March 2022, driven by the rise in both food and non - food categories. As at the date of publication headline inflation as measured by the CCPI reached 54.6% YoY by end of Q2 2022 and is expected to increase further primarily led by supply side constraints.

Declining external reserves to meet day to day supply side requirements for fuel and gas is expected to hamper economic activities which will result in shortages in both food and non-food categories in the short- medium term. As at the date of publication of this report, historically highest double-digit inflation continues to gain momentum. However, restructuring of external debt payments and renewed funding lines from IMF is expected to moderate foundational factors that drive inflation in the medium to long-term.

OPERATING ENVIRONMENT

MONETARY POLICY AND INTEREST RATE ENVIRONMENT

Monetary policy changes were made by the CBSL over the year. While monetary easing and ample liquidity provision facilitated economic recovery and maintained low cost funds for working capital and investment that supported public and private function, early tightening was effected in August 2021. An increase in policy rates and the Statutory Reserve Ratio (SRR) was effected- a precursor to a progressive rise in bond market yields.

➤ Statutory Reserve Ratio (SRR)

Reflecting the monetary base of the economy, the Reserve money, recorded a notable growth during 2021 reflecting the increase in currency in circulation and the impact of the increase in the SRR. The Statutory Reserve Ratio increased by 2.00% to 4.00% effective September 2021 causing a mopping up of Rs. 170.0 Bn from the banking system. By end 2021, deposits of commercial banks with the Central Bank recorded an expansion from Rs. 171.1 Bn to Rs. 300.7 Bn.

➤ Government bond markets and interest rate outlook

A confluence of tightened monetary policy, foreign loan payments and increase in money circulation caused a contraction in liquidity pushing yields of government securities higher.

Primary market yields on T-Bills increased by a range of 723-823bps across all tenures during the period from end 2020 till end-March 2022. Market appetite increased with the removal of maximum yield rates for acceptance at primary auctions of government securities and larger shares of T-Bill issuances were subscribed by market participants. The preference of investors towards short tenures amidst perceived uncertainty was apparent particularly during the latter party of the year, with subscriptions favouring the 91-day maturity bucket.

Primary market yields on T-Bonds issued from the beginning of 2021 till end-March 2022 also increased by a range of 223-876bps across tenures. Secondary market yields on government securities also recorded substantial increases across all maturities during the same period. Secondary market yields on T-Bills increased by a range of 740-746bps across all tenures. On T-Bonds secondary market yields ranged 758-855bps. The Government of Sri Lanka raised funds through the US dollar denominated Sri Lanka Development Bonds (SLDBs) at varied fixed rates in the range of 5.00% - 10.00% during the period.

Aligning with First Capital's fiscal year close, by March 2022, the SDFR and SLFR increased by 100 bps each to 6.50% and 7.50%, respectively, increasing the Bank Rate by 10.50%. Caps imposed in August 2020 on interest rates of domestic lending products were revised upwards in March 2022.

As at the date of publication of this report, the market has witnessed in April a historical upward adjustment of 700 bps, followed by another 100 bps hike on 7 July 2022 resulting in SDFR and SLFR reaching 14.50% and 15.50%.

It is expected that policy rates adjust interest rates on deposit and lending products significantly, albeit correcting market interest rate structures with some time-lag. Monthly Average Weighted Prime Lending Rate (AWPLR), recorded historic low rate of 5.7% in April 2021. To curtail demand side pressures and anchor inflation expectations in the economy, tighter monetary policy stance during the second half of the year saw AWPLR increase to 8.3%. Monthly Average Weighted Deposit Rate (AWDR) also saw historical low level of 4.8%. However, changes in monetary stance led to all deposit rates increasing, with AWDR increasing by 32 bps from end September 2021 to February 2022.

PRIMARY DEALER PERFORMANCE

Given the changes in policy rates, Primary dealers (PDs) saw a decline in assets in 2021. Total assets of PDs declined by 9.80% to Rs. 78.7 Bn in 2021. Trading portfolio value decreased to Rs. 54.9 Bn as at the end of 2021 from Rs. 62.6 Bn recorded as at the end of 2020.

Held to maturity portfolio declined to Rs. 12.0 Bn as at the end of 2021 from Rs. 14.7 Bn as at the end of 2020. Available for sale portfolio increased to Rs. 3.6 Bn by the end of 2021 compared to Rs. 2.8 Bn as at the end of 2020.

Impacted negatively by the sharp rise in yields, PDs booked in after tax losses of Rs. 0.4 Bn during 2021 compared to the profit after tax of Rs. 4.9 Bn reported in 2020. PDs reported a decline in capital gains and booked in mark-to-market losses in 2021 compared to 2020. ROA and ROE of PDs contracted to negative 0.70% and negative 3.20%, respectively, as at the end of 2021.

Equity of PDs contracted by 6.7% mainly due to losses recorded in 2021. The Risk Weighted Capital Adequacy Ratio (RWCAR) of the PDs was above the minimum required amount of 10% and increased to 42.8% as at the end of 2021 from 27.0% recorded as at the end of 2020.

Proportion of the trading portfolio declined marginally to 77.9% as at the end of 2021 compared to 78.2% as at the end of 2020. Liquidity risk exposure increased due to the broadening of overnight negative mismatch that increase to Rs. 20.3 Bn in the maturity profile of assets and liabilities of PDs as at end 2021, compared to Rs. 13.0 Bn as at the end of 2020.

Government securities were held by PDs to use as collateral for funding to bridge liquidity gaps. Overall PDs indicated low risk in liquidity as most PDCs had contingency funding arrangements.

Participation in primary auctions in respect of Treasury bills and Treasury bonds by PDs showed a mixed performance during 2021. Of the total bids accepted at 52 Treasury bill auctions conducted in 2021, the effective participation of LCBs appointed as PDs, PDs and Employees' Provident Fund

(EPF) amounted to 43.1%, 56.3% and 0.6%, respectively. Secondary market transactions in government securities (in terms of value) by PDs decreased by 33.10% to Rs. 5,068.3 Bn in 2021.

ADVISORY AND M&A

The local deal advisory sphere rebounded with the revival in primary market debt and equity origination. Primary equity markets saw 13 equity Initial Public Offerings raise approximately Rs. 13 Bn in 2021. Listed debt raised on the CSE amounted to Rs. 71 Bn.

Deal advisory inclusive of M&A and private placements, as quantified by PricewaterhouseCoopers recorded over 30 deals reflecting a 32% increase YoY. Disclosed deal value was in excess of Rs. 33 Bn, including three large value transactions of Rs. 4 Bn each. Energy and export-oriented businesses led M&A activity in 2021.

Advisory activity was driven by opportunistic buyers and sellers keen on divesting underperforming and non-core businesses and assets, the need for restructuring solutions post-COVID, conducive government policies relating to SME funding, green energy, technological hubs and consolidation in the non-bank financial services sector inter-alia and attractive valuations. Development Finance Institutions invested Rs. 25 Bn in financial services and retail sectors through private placements, to support socio-economic growth and SMEs.

UNIT TRUST MANAGEMENT

During the year, there were 16 active asset management companies managing a total of 75 funds. Industry AUM of Rs. 201 Bn as at end 2021 was dominated by money market funds, followed by income funds, representing 23% and 21% with the remainder comprising gilt-edged, growth and balanced funds. Industry AUM as at 31 March 2022 was Rs. 178 Bn.

The industry investor base increased by 13% (YoY) to 59,426 investors at the end of 2021. Investment in government securities represented 12.1% of the industry's net assets at the end of 2021 (2020 - 12.6%). Investment in equities represented 9% of the industry's net assets at the end of 2021 as a result of higher returns prevailed in the secondary markets during the year, compared to 7% at the end of 2020.

In year 2021, select index, equity and growth funds performed satisfactorily against published benchmarks, the broad market index and the S&P SL20. During the quarter ended 31 March 2022 however, gilt-edged, income and money market funds performed relatively better against published benchmarks.

SECONDARY EQUITY MARKETS

The Colombo Stock Exchange closed its operations for 2021 by the ASPI and the S&P SL20 recording an annual return of 80.5% and 60.5%, respectively. Domestic investor presence in the equity market was prominent with preferences shifting towards equity investments due to low interest rate environment prevalent for part of the year.

As of end December 2021, the market closed on an all-time high with the ASPI reaching 12,226 points and the market capitalisation marking Rs. 5.5 Tn. Year 2021 recorded an average daily turnover of Rs. 4.9 Bn. However, the market recorded a net foreign outflow of Rs. 52.6 Bn in 2021.

The market's Price to Earnings Ratio (PER) and Price to Book Value (PBV) stood at 13.6 and 1.7, respectively, at the end of 2021 compared to PER of 11.2 and PBV of 1.1 remained by the end of 2020.

The market took a turn during its first quarter operation in 2022. The growing socio- political and economic crisis resulted in market performance moderating. The ASPI declined by 27.2% to 8,904 by end of March 2022 in line with the First Capital financial year close. The ASPI as at 30 June 2022 was 7,342.

UNEMPLOYMENT RATES AND LABOUR MIGRATION

The pandemic saw a surge in unemployment. Unemployment rate declined to 5.1% in 2021 from the 5.5% recorded in 2020. Economically, inactive population increased by 3.7% to 8.6 Mn in 2021, compared to 2020. The overall labour force participation rate declined by 49.9% in 2021 compared 50.6% in 2020.

Socio-economic and political issues have led to the increase in skilled migration. Sri Lanka's labour migration increased by 286% in the last two decades. The number of people who travelled overseas for self-employment in the first five months of 2022 was 67,156.

SOVEREIGN DEBT DEFAULT

Sri Lanka's sovereign rating faced additional pressures in 2021. International rating agencies downgraded Sri Lanka further with Standard and Poor's (S&P) revising outlook to negative, from the previous year's outlook of stable on a CCC+ rating.

By December 2021, Fitch Ratings revised the country rating from CCC reflecting challenging foreign-currency sovereign external debt repayment burden over the medium-term, low foreign-exchange reserves and sustainability risk, to CC considering the probability of a default event in coming months in light of the worsening external liquidity position.

In January 2022 S&P downgraded the sovereign rating to CCC from a 'CCC+' with the outlook negative as the currency continued to be under pressure from liquidity injections though reserves were boosted in December with a swap from China.

As at publication date of this report all three ratings agencies have further downgraded the sovereign rating. The most recent downgrade by Fitch in May 2022 rates sovereign debt as RD (Restricted Default) given default on the senior unsecured foreign-currency bonds and the cross-default clauses triggered in other rated international foreign-currency sovereign bonds.

OPERATING ENVIRONMENT

On 12 April 2022, the Central Bank of Sri Lanka announced a unilateral suspension of external debt payments. The country missing USD 78 Mn in bond coupons and USD 105 Mn China-repayments due in April marks the country's first sovereign debt default since it gained independence from Britain in 1948. Sri Lanka has also failed to pay USD 1Bn Sovereign Bond that matured in July 2022.

By the date of publication of this report Sri Lanka has been in discussions with the IMF in view of implementing a credible and coherent strategy to restore macroeconomic stability. IMF has further asserted the importance of stronger social safety nets to mitigate the adverse impact of the current economic crisis on the poor and vulnerable.

In Mid May 2022 there were signs that international traders anticipate better recovery values in SLDBs.

Moderation of political risk as a new president and prime minister is appointed and parliament in session has been viewed as salutary for progression for the discussion and negotiation process with the IMF and creditors.

While the restructuring process itself may run into several months, as economic conditions are likely to deteriorate further without a restructuring, we anticipate that the process would lead to containment of debt at a sustainable level and at an acceptable relative cost to the country and its creditors.

FUTURE OUTLOOK

Growth prospects for 2022 are expected to be significantly influenced by multiple unfavorable headwinds since 2021 in the domestic front: the severe shortage in foreign currency; scarcity stemming from global and local supply chain fragmentation and disruption; and resultant rising commodity prices.

Consequently, prevailing economic conditions are expected to persist throughout 2022 with GDP growth negatively impacted and interest rates remaining at elevated levels. Events leading up to the publication of this report reflect a compounding of the socio-political crisis and a latent recessionary threat. However, the economy is expected to recover in the medium to long-term conditional on restoring political stability, reassuring social coherence and seeking an economic adjustment programme from the IMF.

With growing uncertainty and multiple changes on the political and economic front, 2Q 2022 saw an amplified bearish trend for bonds with yields rising by 505-1130 bps while bonds beyond 9 years did not trade during the quarter. In the midst of crippling uncertainty during the period of June -July 2022 T-Bills and T-Bonds witnessed a steep increasing trend as the primary market weighted average rates at the T-Bill auction held on 12 July 2022 witnessed, a 25-year high with weighted averages on all three maturities reaching near 30.0% or surpassing 30.0%. It is expected that the tight monetary policy measures would notably diminish private sector credit growth.

Pervasive input price pressures have begun feeding through to consumer prices and inflation continues to broaden. In this environment, the approach to monetary policy, metrics and underlying conditions would play a key role in the behaviour of the yield curve. As at the date of publication, the policy direction of CBSL indicates that medium term inflation persists well above target and is expected to remain at hyperinflationary levels. This necessitates inflation targeting to be a focal strategy for the CBSL and there is a high likelihood of policy rate increases in the near-term.

Conversely, heavy investment influx into fixed income instruments considering attractive investment returns resulting in improved liquidity in the banking system may support temporary easing of yields. Securing potential IMF support programme and debt restructuring efforts are likely catalysts for transitory easing of interest rates.

We expect equity investor optimism to improve with the smooth functioning of the corporate sector along with proper investor awareness. However, in the current economic situation with high interest rates and supply scarcities, we expect equity market indices to remain volatile. Equity valuations are also expected to be impacted by the higher expected rate of required returns as opposed to safe-haven investments including high yield bonds. Therefore, we anticipate tough bets on a substantial upside potential on the equity front in the short to medium-term.

Nevertheless, a gradual turnaround in the equity market performance can be expected in the long-term upon achieving overall economic stability following the debt restructuring initiative and entering into an IMF support programme.

Enduring political stability is a crucial step in building a credible roadmap for resolution. We recognise that the material uncertainty prevailing would impact the potential restructuring of external debt, the results of which are critical in discerning operating conditions and outlook.

FINANCIAL
CAPITAL

FINANCIAL CAPITAL

CONNECTED VALUE DRIVERS

FS

Financial capital constitutes of the pool of funds that is available to the Company in the delivery of services and obtained through financing, such as debt, equity or generated through operations or investments.

The operating environment prevailing during the fiscal year for the most part was not conducive for some of our core businesses. Our earnings potential and opportunities to seek profitable business was affected during the year and this is reflected in components of financial capital, particularly those reflecting profitability. The following analysis and narrative should be read in light of the operating context that we have detailed.

A summary of key financial metrics for FY2021/22 and the previous year are shown below:

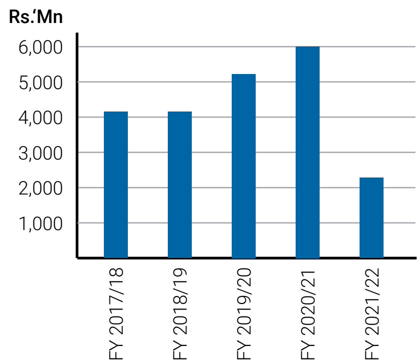
Selected profitability metrics	FY2021/22	FY2020/21
Extract of income statement (Rs. Mn)		
Gross income	**2,273**	6,033
Net trading income	**224**	3,674
Other income	**149**	245
Loss on fair valuation of financial assets recognised through profit or loss measured at fair value	**(190)**	(216)
Profit/(loss) before taxation	**(770)**	2,908
Income tax expenses	**118**	(815)
Profit/(loss) after taxation	**(652)**	2,093
Other comprehensive income/ (loss), net of income tax	**12**	(152)
Total comprehensive income/ (loss)	**(640)**	1,942
Metrics		
Operating profit margin (%)	**-33.9%**	48.2%
Net profit margin (%)	**-28.7%**	34.7%
Return on Assets (%)	**-1.7%**	5.1%
Return on Equity (%)	**-14.1%**	47.9%
Return on capital employed (%)	**2.9%**	12.6%

GROUP INCOME

Gross income at group level secured by First Capital during FY2021/22 amounted to Rs. 2,273 Mn relative to the previous year's Rs. 6,033 Mn, reflecting a 62% decline.

Group income comprised 93% of direct income and 7% of other income. Direct income reflected a decrease of 63% YoY, reaching Rs. 2,124 Mn while other income for the year was Rs. 149 Mn reflecting a decrease of 39% YoY.

Gross income



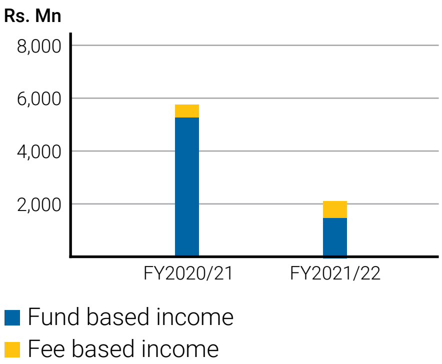
GROUP DIRECT INCOME

Direct income of the group consists of both fee and fund-based income types earned from its core businesses. In FY2021/22, the fund-based to fee-based income split was 70:30 while in FY2020/21, the composition was 91:9. Our direct income is hence primarily reliant on fund-based income. Changes in the rate environment with underlying policy variation and liquidity levels impact direct income as prices of government securities are inversely related to interest rates.

Direct income decreased by 63% YoY, reaching Rs. 2,124 Mn from previous year's Rs. 5,788 Mn, mainly due to losses sustained in the sale of financial assets recognised through profit or loss - measured at fair value (FVTPL). Financial assets traded include T-Bills and T-Bonds, debentures, unit trusts, derivative instruments (with an underlying of government securities) and shares.

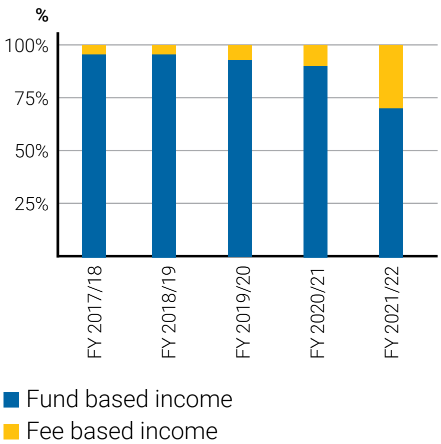
Within group direct income, the fund-based income component amounted to Rs.1.49 Bn as against Rs. 5.27 Bn in last year, falling 72% YoY. Group fee-based income increased 24% to Rs. 634 Mn (FY2020/21: Rs. 513 Mn). The respective composition mixes of the current and previous year's direct income are set out below, graphically.

Direct income composition by fund and fee based income



The 5-year trend in the fee-based to fund-based split is depicted below:

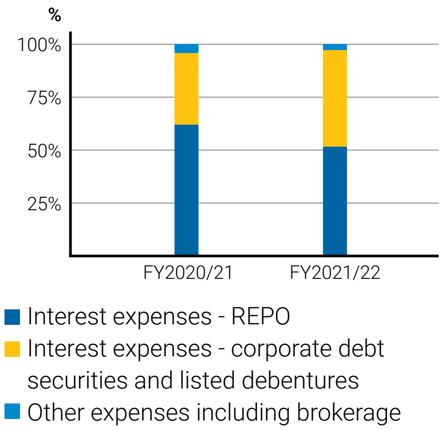
Direct income mix by income type



DIRECT EXPENSES

Group direct expenses constitute mainly of interest costs on repurchase agreements and corporate debt securities which collectively accounted for 82% of the total. Group direct expenses amounted to Rs. 1,900 Mn, decreasing 10% YoY from the previous year's level of Rs. 2,114 Mn.

Direct expense composition



NET TRADING INCOME

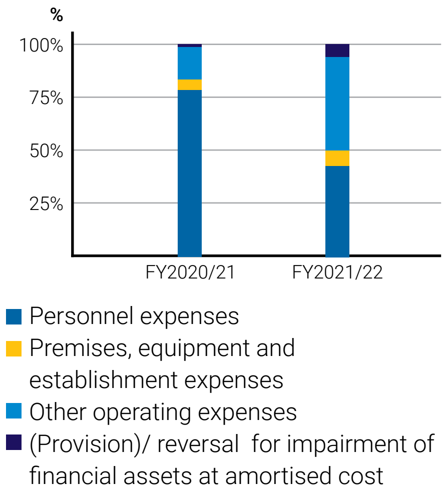
Net trading income is calculated by netting direct income against direct expenses. The Group recorded net trading income of Rs. 224 Mn in FY 2021/22, decreasing 94% from an apex Rs. 3,674 Mn in the previous year under salutary rate conditions.

OPERATING EXPENSES

Total operating expenses recorded an increase of 20% to Rs. 954 Mn during FY2021/22 as against Rs. 795 Mn in the previous year. Value added tax and nation building tax on financial services voluntarily settled by First Capital during the year amounting to Rs. 247 Mn was the main contributor to this increase. These taxes are categorised as other operating expenses which in total increased over two-fold due to the latter. Other operating expenses account for 44% of the operating expenses for the year.

Cost rationalisation was effected over the year with a combination of measures including working arrangements, comprising work from home. Personnel expenses which account for 43% of operating expenses decreased by 34% YoY.

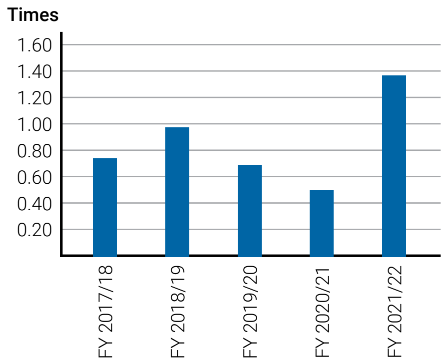
Operating expense composition



COST TO INCOME RATIO

An important measure of efficiency in investment banking, cost to income ratio, calculated as operating expenses to operating income is a measure of efficiency. Lower ratios translate to more profitable operations whereas a higher cost to income ratio indicates that operating expenses are high.

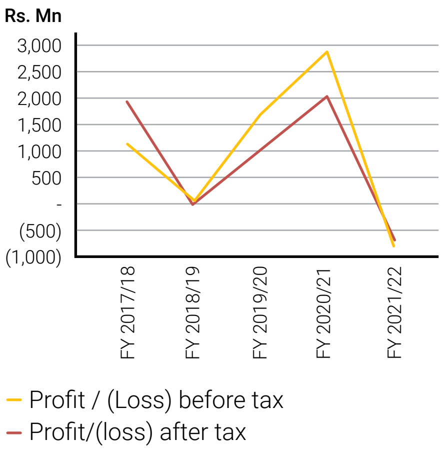
Cost to income ratio



PROFIT /(LOSS) BEFORE TAXATION

Group loss before taxation stood at Rs. 770 Mn. This reflects a significant decline of 126% YoY from the previous financial year's profit before taxation of Rs. 2,908 Mn.

PBT versus PAT



PROFIT /(LOSS) AFTER TAXATION AND OTHER INDICATORS

The group reported a loss after tax of approximately Rs. 652 Mn in FY2021/22, reflecting a decline of 131% YoY from a profit after tax of Rs. 2,094 Mn in the previous year. Consequently, group ROE decreased from 47.9% to -14.1%.

The group recorded total comprehensive loss for the year of Rs. 640 Mn from total comprehensive income of Rs. 1,942 Mn in the previous year reflecting a decrease of 133% YoY.

CORE BUSINESSES AND SEGMENTAL CONTRIBUTION

Our business model is based on four broad service areas: Government Securities, Corporate Finance and Advisory, Asset Management and Stock Brokering.

These are intended to act as a full-service platform combining investment, trading and advisory solutions to our clientele.

We saw mixed financial results in the performance of our core businesses, Government Securities, Corporate Finance and Advisory, Asset Management and Stock Brokering.

GOVERNMENT SECURITIES

Our Government Securities business provides primary dealing and related trading solutions for institutions, companies and high net-worth clients and a growing market of retailers, in the current yield-seeking environment.

The non-conducive rate environment and constrained liquidity in the market were primary factors that affected strategic and profitable trading in this business. From last year's apex performance we experienced substantial decline across our profitability measures, as detailed under segmental performance. In an environment of progressively increasing rates and tightening bid ask spreads, we were unable to generate high earnings relative to the previous financial year, in selective trading positions.

We maintained our dominance as a non-bank affiliated dealer in the primary market auctions with Rs.148.2 Bn in accepted bids in T-Bills, securing a market share of 5.9%. This was an improvement to the previous year's share of 4.5%.

We secured Rs. 33.8 Bn in accepted bids in the T-Bond auctions during the year. Take up was mainly by the banking system and captive government sources and our market share declined to 3.6% from 8.0% in the previous year.

Our robust risk management in this business minimises impact on reserves with a total CAR buffer of approximately 75% maintained against the statutory requirement of 10%.

CORPORATE FINANCE AND ADVISORY

Our Corporate Finance and Advisory business originates, structures and executes direct placements of private and public offerings in equity and debt markets. Our client base comprises companies, governmental entities, institutional and high net worth individuals. We are a platform for future innovations and bespoke solutions, with senior deal team expertise in mergers and acquisitions, restructuring, recapitalisations and other advisory solutions.

We undertook our first equity listing mandate during the year, transitioning with ease to deal execution in primary equity markets through the listing of First Capital Treasuries PLC on the Diri Savi Board of the CSE.

The environment we operated in during the year was one that was initially conducive with a low rate regime in place at the beginning of the year. However, as detailed in the operating context, we faced liquidity constraints in the banking system and early tightening of the prevailing accommodative monetary environment. While the context did provide a setting for opportunistic deal making, we were met with increased attrition in this business where we experience intense competition.

Corporate Finance and Advisory saw a decrease in corporate debt deal volumes due to this combination of adverse factors. We originated Rs. 5.2 Bn in corporate debt inclusive of structured products, marking a decrease of approximately 76.6% in deal flow from the previous year's volumes which stood at Rs. 22.2 Bn. Our market share of both listed debt and private placements declined significantly.

Although we have seen difficult operative conditions dampening deal flow, and increased competition including in maintaining optimal pricing of debt products, we consider it integral that we continue to leverage this business in order to prioritise fee-based earnings.

We see financial inclusion from a contemporary perspective rather than a traditional one where it is aimed at the proliferation of basic banking products and services across under-served segments. In Sri Lanka, there are opportunities including the small and medium enterprise financing gap, in a large addressable market which traditional banking under-serves. We intend to leverage our senior deal team's industry knowledge, extensive relationships and deal making experience and explore the

FINANCIAL CAPITAL

opportunity created in niche markets for equity and debt funding, to which productive investment is essential for economic progress. Our corporate strategy overall focuses on digital financial inclusion, an area in which we anticipate complementary growth in the other three business segments.

In the current operating environment, our advisory deal pipeline cannot be reliably quantified. Nonetheless, the business remains of relevance in creating bespoke advisory solutions and capitalising opportunistically when favourable developments in operating conditions that support deal making becomes more tangible.

Broadly, as we move into the new fiscal year, we are faced with a challenging environment for both the Government Securities and Corporate Finance and Advisory businesses with an intensified sovereign debt crisis and transitional monetary, inflationary and fiscal conditions working to resolve the situation. Any continued tightening of yields and spreads and liquidity constraints will further challenge our performance. We continue to be mindful of evolving economic dynamics and commensurate action by the CBSL, uncertainty in the rate environment and volatility in markets that will shape our business perspectives in the new fiscal year.

ASSET MANAGEMENT

We provide asset management and independent wealth management solutions including financial planning through our Asset Management business. These services were historically aimed at institutions, companies and high net worth clients but witnessed momentum in retail interest in recent times, due to changes in technological and investment trends.

During the year, performance improvements were seen in this segment as detailed under the segmental performance, strengthening our fee-based income base.

At year end, Asset Management recorded a total AUM of Rs. 41.2 Bn comprising Rs. 16.9 Bn in unit trust AUM and Rs. 24.3 Bn in portfolio management AUM, respectively.

At the end of FY2020/21, the total AUM of Asset Management was Rs. 45.2 Bn comprising unit trust related AUM of Rs. 22.8 Bn and portfolio management AUM of Rs. 22.4 Bn.

Unit trusts recorded a net outflow of Rs. 5.9 Bn and portfolio management recorded a net inflow of Rs. 1.9 Bn. Total AUM as at end FY2021/22 reflected a decrease of 8.8% YoY.

The First Capital Money Market Fund outperformed all unit trusts in its class during the quarter ended 31 March 2022. In the calendar year 2021, it was ranked second in terms of performance amongst peer funds in its asset class.

STOCK BROKERING

Through our Stock Brokering business, we offer stockbroking services to our clients. Socio-economic and technological trends stemming from the pandemic resulted in an influx of retail investment in this fee-based business.

As a result of adopting digitalised mobile applications in the onboarding process, Stock Brokering secured approximately 14% of its total turnover and brokerage through mobile-application-originated turnover. Our Stock Brokering business maintained its industry ranking in terms of turnover.

During the year, marked performance improvements were seen in this segment as detailed under the segmental performance, fortifying our fee-based income base.

SEGMENTAL PERFORMANCE

Segmental net trading income*

The Government Securities business contributed negatively to total segmental net trading income, having made net trading losses of Rs. 432 Mn as against a net trading income of Rs. 2,972 Mn in the previous year. A decrease of 115% was reflected YoY.

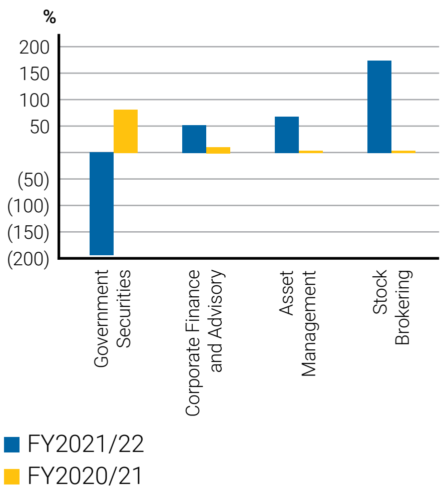
Corporate Finance and Advisory saw attrition in its net trading income with competitive friction in the corporate debt market and an adverse rate environment. The segment's net trading income decreased by 73% YoY to Rs. 116 Mn from the previous year's figure of Rs. 433 Mn.

Asset Management recorded Rs. 152 Mn segmental net trading income reflecting a 14% YoY increase as against the previous year's figure of Rs. 133 Mn.

Stock Brokering recorded a segmental net trading income of Rs. 387 Mn, increasing 189% YoY from the previous year's figure of Rs. 134 Mn.

Comparative segmental contribution to total segmental net trading income* of the current and previous financial year is shown below, graphically.

Contribution by segment to segmental trading income



* *Financial statements identify these core businesses as Primary Dealer, Corporate Finance, Asset Management and Stock Brokering. Please see note 49 of the financial statements for segment reporting. To arrive at consolidated performance, segmental performance is adjusted for intra-group eliminations and unallocated items. Under Financial Capital we provide segmental performance prior to such adjustments. Summation of the performance figures under this section must be adjusted for intragroup eliminations and unallocated items to tally with the consolidated performance shown under note 49.*

SEGMENTAL OPERATING PROFIT/(LOSS)

The Government Securities business contributed negatively to total segmental operating profit, having made net operating losses of Rs. 890 Mn as against an operating profit of Rs. 2,397 Mn in the previous year. This reflects a decrease of 137% YoY.

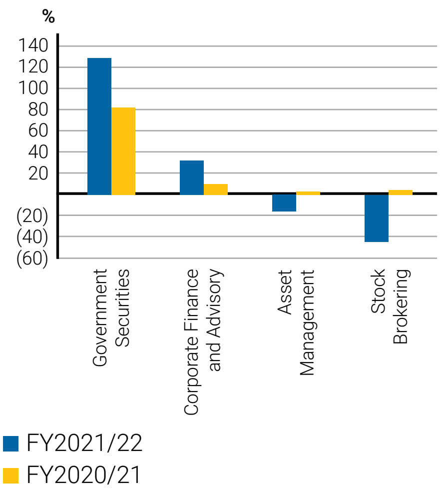
Corporate Finance and Advisory recorded a segmental operating loss of Rs. 225 Mn. Relative to the operating profit made by the segment in the previous year of Rs. 303 Mn, this reflects a decrease of 174%.

Asset Management recorded Rs. 114 Mn segmental operating profit reflecting a 17% YoY increase.

Stock Brokering recorded a segmental operating profit of Rs. 310 Mn, increasing 188% YoY.

Comparative segmental contribution to total segmental operating profit of the current and previous financial year is shown below, graphically.

Contribution by segment to segmental operating profit/(loss)



SEGMENTAL NET PROFIT/(LOSS)

The Government Securities segment recorded a net loss after tax of Rs. 652 Mn as against the segmental net profit of Rs. 1,837 Mn in the previous year, reflecting a decline of 136% YoY.

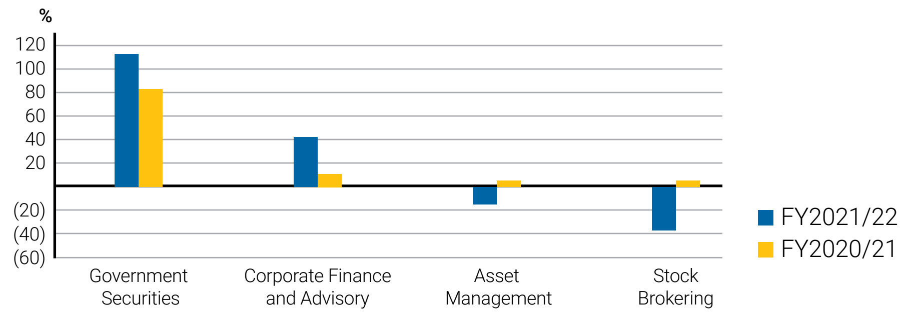
Corporate Finance and Advisory recorded a segmental net loss after tax of Rs. 248 Mn. Relative to the net profit after tax made by the segment in the previous year of Rs. 267 Mn, this reflects a decrease of 193%.

Asset Management recorded Rs. 87 Mn segmental net profit after tax reflecting a 13% YoY increase.

Stock Brokering recorded a segmental net profit after tax of Rs. 230 Mn, increasing 207% YoY.

Comparative segmental contribution to total segmental net profit after tax of the current and previous financial year is shown below, graphically.

Contribution by segment to segmental net profit/(loss)



PROFITABILITY AND SHARE RELATED MEASURES

Selected metrics	FY2021/22	FY2020/21
Earnings/(loss) per share – Rs.	**(1.50)**	4.91
Dividend per share – Rs.	**-**	1.25
Return on assets (%)	**(1.7)**	5.1
Return on equity (%)	**(14.1)**	47.9
Market price per share - Rs.	**31.00**	54.50
Price returns (%)	**(43.1)**	139.0
Net assets per share - Rs.	**40.01**	45.14
Price to book multiple (times)	**0.77**	1.21
Price earnings multiple (times)	**N/A**	2.77

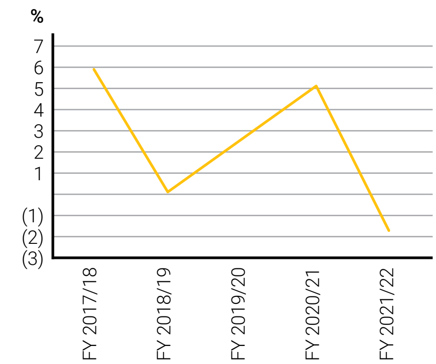
RETURN ON EQUITY (ROE) AND RETURN ON ASSETS (ROA)

The Group reported ROE was negatively impacted due to the decline in profitability and stood at -14.1% as against 47.9% in the previous year.

FINANCIAL CAPITAL

The ROA for the FY 2021/22 was -1.7% in comparison to 5.1% in the previous year.

Return on assets

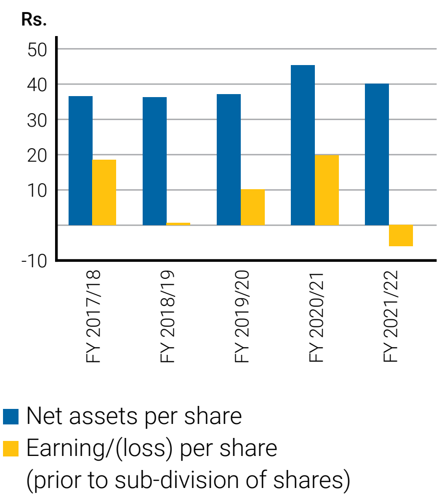


EARNINGS PER SHARE (EPS) AND NET ASSET VALUE PER SHARE (NAV)

The EPS stood at negative Rs. 1.50 in FY2021/22 in comparison to Rs. 4.91 in the previous year.

The NAV as at year end was Rs. 40.01. The decrease was contained at a moderate 11% YoY from its previous year's figure of Rs. 45.14.

EPS & NAV



DIVIDEND PER SHARE (DPS)

No dividend was declared over the current financial year. In the previous financial year, a dividend of Rs. 5.00 per share (prior to sub-division of shares) was declared and paid in the current financial year.

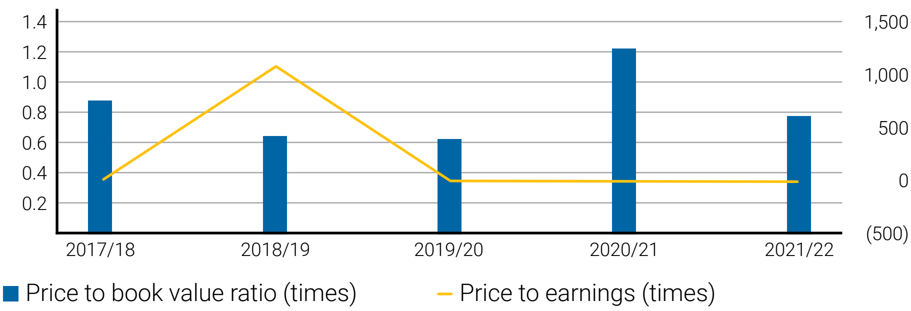
SHARE PRICE, MULTIPLES AND BETA

The performance of ticker CFVF.N0000 was depressed. The price of the share declined by 43% at year end from the previous year's close. During FY2020/21, however strong price appreciation of 139% was achieved. The price earnings (PE) multiple for the year is not meaningful given the net loss made during FY2021/22 which translated into a negative EPS. During the previous year, the share was traded at a PE multiple of 2.77 times.

During FY 2021/22, the share was traded at a discount to book value as reflected by its price to book multiple of 0.77. During the previous year, the share was traded at a price to book multiple of 1.21.

The share reflected a Beta of 0.77 against the ASPI as at 31 March 2022 and 0.69 against the S&P SL20. The measure reflects less relative volatility against both the broad market index and the S&P SL20.

Market multiples



FINANCIAL POSITION RELATED

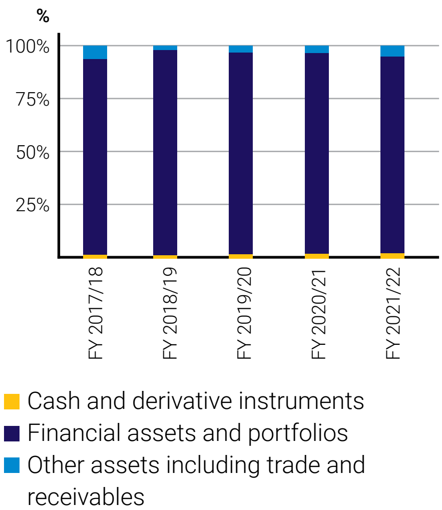
Extract of statement of financial position (Rs. Mn)	FY2021/22	FY2020/21
Total assets	**41,514**	36,603
Total liabilities	**37,049**	31,781
Total equity	**4,465**	4,822
Total equity and liabilities	**41,514**	36,603

TOTAL ASSETS

The total asset base of the Group amounted to Rs. 41,514 Mn as against the previous year's total assets of Rs. 36,603 Mn, reflecting an increase of 13%. This was mainly due to the increase in financial assets recognised through profit or loss measured at fair value (financial assets-FVTPL) and financial assets at amortised cost. Financial assets-FVTPL contributing 72% to the year's asset base grew 7% YoY. The total financial assets- FVTPL for the year amounted to Rs. 30,067 Mn. Financial assets at amortised cost comprising 22% of the total asset base grew 29% over the year to Rs. 9,059 Mn.

The rise in financial assets-FVTPL was mainly due to the Rs. 26,812 Mn rise in the face value of T-Bills held within this category. In comparison to the previous year, short tenure maturities buckets saw additional interest due to uncertainty. Financial assets measured at amortised cost increased mainly on the back of government securities held and short-term lending.

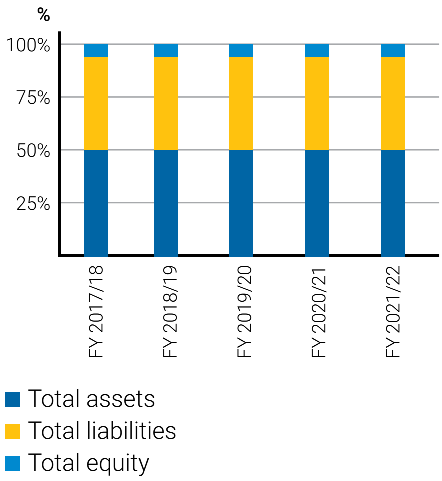
Asset composition



GROUP LIABILITIES

The Group's total liabilities increased to Rs. 37,049 Mn in the current financial year, growing 17% YoY. This was mainly due to government securities sold under repurchase agreements (amounting to Rs. 23,800 Mn reflecting an increase of 18% YoY), short-term borrowings and bank overdrafts. Securities sold under repurchase agreements account for 64% of total liabilities at fiscal year-end. Short-term borrowings account for 22% of total liabilities at year-end.

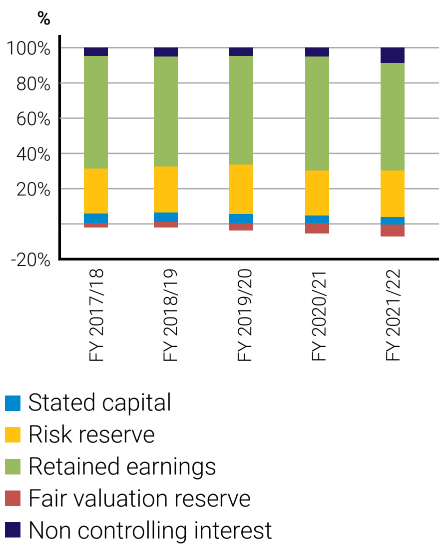
Asset liability mix



EQUITY

Our total equity base amounted to Rs. 4,465 Mn as at end FY2021/22. In comparison to the previous year, when the equity base amounted to Rs. 4,822 Mn, this reflects a decrease of 7%. Total equity attributable to shareholders of the parent decreased to Rs. 4,051 Mn from Rs. 4,570 Mn in the previous year, reflecting a 11% decrease YoY due primarily to the drop in retained earnings as a result of losses sustained in the current financial year. In addition, the non-controlling interest at the current financial year end was valued at Rs. 415 Mn.

Equity composition

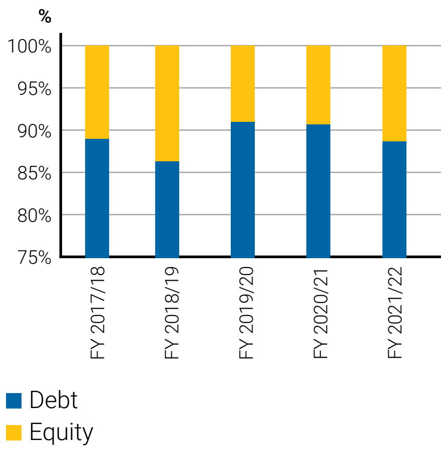


LEVERAGE

The Group leverage increased to 8.1 times by the end of FY2021/22 vis-à-vis 6.2 times in the previous year.

The leverage profile is a significant component that is considered under the credit rating assessment. In this context we have an equity base of Rs. 4,465 Mn in excess of regulatory capital requirements particularly of the Government Securities business. Going forward, it is vital to maintain adequate capital buffers and an overall healthy leverage profile in light of dividend payout.

Capital structure



FINANCIAL CAPITAL

CASH FLOW STATEMENT

A summarised cash flow statement extract of the group is depicted below:

Extract of cash flow statement (Rs. Mn)	FY2021/22	FY2020/21
Cash generated from /(used) in operations	**19**	(687)
Net cash flows generated used in operating activities	**(718)**	(690)
Net cash flows generated from/ (used in) investing activities	**317**	(13)
Net cash flows generated from/ (used in) financing activities	**(556)**	1,335
Net increase/ (decrease) in cash and cash equivalents for the year	**(957)**	632
Cash and cash equivalents at the beginning of the year	**239**	(394)
Cash and cash equivalents at the end of the year	**(719)**	239

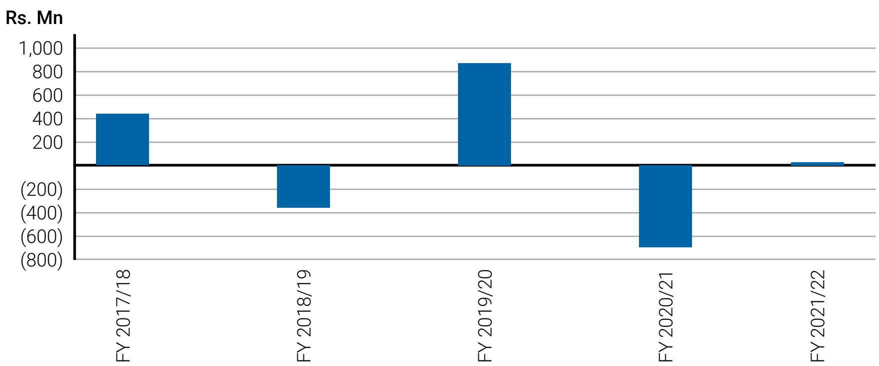
Cash generated from operations for FY2021/22 was Rs. 19 Mn. The increase of securities sold under repurchase agreements and short-term borrowings were the main components that allayed the comparative disadvantage of the operating loss before change in operating assets and liabilities of Rs. 192 Mn, to achieve the positive operating cash flow. In the previous year, cash flows of Rs. 687 Mn was used in operations.

A cash flow of Rs. 317 Mn was generated from investing activities during FY2021/22, primarily due to the divestment of an equity stake in First Capital Treasuries PLC through an initial public offer.

A cash flow of Rs. 556 Mn was used in financing activities in comparison to Rs. 1,335 Mn generated through financing activities in the previous year. The inflow recorded in the previous year was primarily due to debenture-based borrowing of Rs. 2.0 Bn.

During the year, a net cash outflow of Rs. 957 Mn was recorded and as a result, cash and cash equivalents ended in a negative position of Rs. 719 Mn. This compares to a positive cash balance of Rs. 239 Mn as at the end of the previous year.

Cash generated from Operations



MANUFACTURED CAPITAL

CONNECTED VALUE DRIVERS

SF SR

Given the service-oriented nature of our business our manufactured capital is limited to the property and equipment we own. We are headquartered at 02, Deal Place, Colombo 00300 which is our main place of business. Our "Customer Relationship Management and Digital" service centre as well as core business infrastructure are collectively housed in these premises.

The building is held on leasehold basis and reflected as right of use assets in property, plant and equipment in the financial statements. Our branches have now been relocated to the branch premises of the Colombo Stock Exchange located at key business hubs across the island.

In addition to the premises, manufactured capital we utilise in our business activities include office equipment, furniture, fixtures and fittings and motor vehicles. See note 25 of the audited financial statements published in this annual report.

These physical assets collectively establish the presence of First Capital in its strategic location and facilitates interactions between its valued stakeholders.

Property, plant and equipment at year end
Variance in carrying value
-23%

FY2021/22
Rs. 38.3 Mn

FY2020/21
Rs. 50.1 Mn

Expenditure on property, plant and equipment

FY2021/22
Rs. 20.2 Mn

FY2020/21
Rs. 12.6 Mn

We have allocated capital for the refurbishment of our premises during the next financial year. This is part of the strategy to enhance our presence and corporate identity by providing fit-for-purpose infrastructure for our valued clients and an edifice of work that supports the wellbeing and productivity of our employees.

Capital allocation for refurbishment of premises

FY2022/23
Rs. 50.0 Mn

INTELLECTUAL CAPITAL

INTELLECTUAL CAPITAL

CONNECTED VALUE DRIVERS

SF EF SR

Intellectual capital encompasses knowledge-based intangibles and institutional capital such as tacit knowledge, systems, procedures and protocols in addition to intangibles associated with the brand and reputation we have developed.

THE FIRST CAPITAL BRAND

Our brand is a valued strategic asset that enhances our competitive advantage. It has over the years fortified its position as a premier brand representing integrated financial service delivery and excellence in the investment banking sphere. Our group entities benefit from its shared presence in identifying our offering as originating from a unified entity. We have recognition in business hubs across the island through our concerted efforts in marketing and brand building. Our brand represents our heritage and entrepreneurial roots.

During uncertain times we have preserved our client base and also attracted new clients in testimony to the endurance of the iconic brand.

Brand building activities that provide mutually beneficial community impact have been carried out over the year. Refer page 114 through 116 under Social Capital for details.

Our teams are increasingly embracing the development opportunities afforded to them as a means of aligning with the values and the standards of professionalism that are associated with our brand. In recognition of our excellence as a workplace we were recognised as a Great Place to Work®, during the year. This achievement reflects the principles of our workplace as one that influences employees positively while strengthening them as a component of a strategic asset.

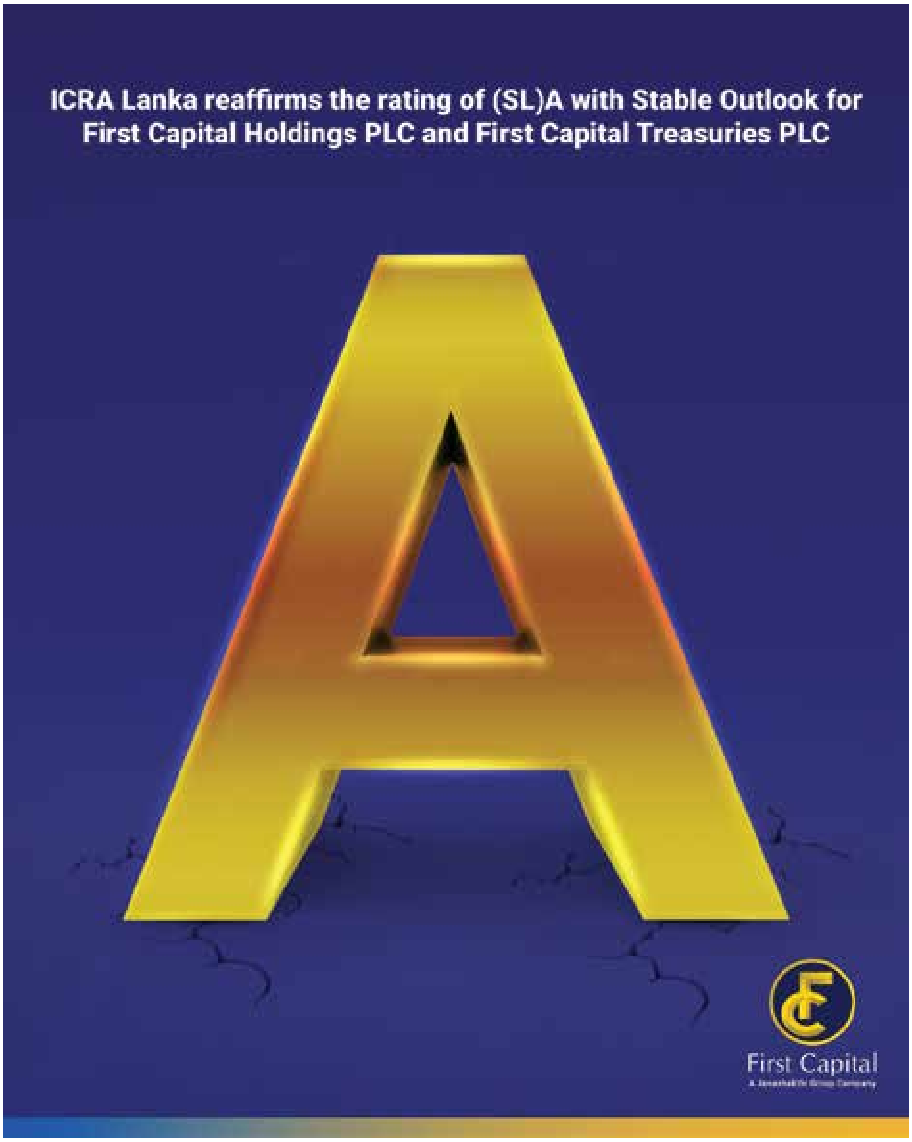
Refer page 111 under Human Capital for details on the review and feedback metrics on staff engagement in evaluating the workplace.

We have received recognition in the industry and the business community at large by being ranked as one of LMD's top 100 corporates. As at the date of publication we were awarded the 'Best Investment Bank' by Brand Finance and LMD, entering the list as one of 'Sri Lanka's Most Valuable Consumer Brands'. First Capital emerged as the top new entrant in its peer group with a brand value of over Rs.1.0 Bn and brand strength rating of AA+.

MOST VALUABLE CONSUMER BRAND	
Dialog	
BY SECTOR	
AIRLINES	SriLankan Airlines
BANKING	BOC
BUILDING MATERIALS	ACL Cables
CHEMICALS	Lankem
FINANCIAL SERVICES	LOLC Finance
FOOD AND BEVERAGE	Nestlé
HEALTHCARE	Asiri Health
HOSPITALITY	Cinnamon Hotels & Resorts
INSURANCE (GENERAL)	Sri Lanka Insurance General
INSURANCE (LIFE)	Ceylinco Life
INVESTMENT BANKING	First Capital
OIL AND GAS	Lanka IOC
PERSONAL CARE	Swadeshi
REAL ESTATE	Prime Residencies
RETAIL	Singer
RETAIL (SUPERMARKETS)	Keells
TELECOMMUNICATIONS	Dialog
TYRES	CEAT

CREDIT RATING

Our credit rating is reaffirmed as [SL]A with Stable outlook by ICRA as a result of our conservative risk-approach and sound credit fundamentals. The credit rating of our subsidiary conducting the Government Securities business, First Capital Treasuries PLC, is also reaffirmed as [SL]A with Stable outlook.



INSTITUTIONAL KNOWLEDGE

Our deal team has specific transactional, operational and transferable skills that enable us to deliver the core service offering of Government Securities, Corporate Finance and Advisory, Asset Management and Stock Brokering.

We have several shared service functions that also provide administrative, managerial and financial support and synergies across the wider group. These include legal, finance, information technology and marketing.

The skills and experience of collective teams are a competitive advantage for First Capital. Our intellectual capital is bolstered through a highly experienced executive team with over 20 years of industry exposure in trading, investment strategy and deal making. Our Board oversight, active across the risk governance processes, serves to hone team insight further through supervisory input.

TECHNOLOGICAL TRANSFORMATION

As part of a responsive strategy we focus on driving digital transformation to strengthen our abilities and unlock potential opportunities, and capitalise on our strengths.

Workflow and processes were continually evaluated and streamlined for efficiency gains and cost reductions.

These process changes are creating customised systems and operational procedures specific to our operations and service delivery, strengthening the intellectual capital of First Capital.

As we gain traction in technological transformation, we intend to see tangible strengthening of our IT capabilities, agility and innovation in providing the ability for clients to transact real-time across group investment solutions.

YOUTUBE.COM
'Rescuing the Sri Lankan Rupee' – with Dilshan Wirasekara Director / CEO First Capital

INTELLECTUAL CAPITAL

As at fiscal year-end, our path for tech-transformation has been clearly defined as a roadmap of short to medium term priorities:

- Heat map (see Investment banking value chain transformation on page 104 to 105 to enhance existing systems to combat competition and meet client expectations.
- Capitalise on and support external stakeholder digitalisation efforts to increase the level of automation in our processes; In the long-term move with the industry towards straight through processing (STP) insofar as supported by external STP - the level of STP adopted by external stakeholders;
- Align with regulatory requirements of the CBSL and the SEC as mandated, for effective technological transformation with a focus on opportunities created via regulatory change;
- Partner with vendors to upgrade and enhance client digital experience such as interactive dashboards; aim for and achieve real-time transaction processing;
- Replace redundant processes of legacy systems with new processes to eliminate manual processing to the extent possible;
- Consolidate web portals and reporting processes;
- Prioritise upskilling of the workforce on new technology, methodologies and innovative solutions to transit seamlessly without disrupting service delivery;
- Increase focus on moving processes to the cloud; Adopt opportunities based on outsourced distribution models, for example Software as a Service (SAS) in which a cloud provider hosts applications and makes them available to end users over the internet.

INVESTMENT BANKING VALUE CHAIN HEAT MAP

Progress made in modernisation during FY2021/22 and expected medium term transformational initiatives are marked on our 'Investment banking value chain heat map' below. These completed and targeted initiatives relate to the trade through post-trade value chain:

FRONT OFFICE

Due Diligence

- **During FY2021/22**
- Digitalised know your customer (KYC) process supports due diligence; Completed for Stock Brokering, Asset Management and Government Securities (the latter to the extent possible due to some limitations in external STP);
- Integrated the authentication process to support requirements of the Financial Intelligence Unit (FIU) of the CBSL, directly accessing the database of the Department of Registration of Persons to verify customer national identity card (NIC) information, allowing individuals with a valid Sri Lankan NIC to open an account;
- Procured Refinitiv World-Check, a Risk Intelligence system enabling compliance with Anti-Money Laundering/Combating the Financing of Terrorism (AML/CFT) guidelines stipulated by CBSL.

Client Onboarding

- **During FY2021/22**
- Digital onboarding adopted for for Stock Brokering, Asset Management and Government Securities (the latter to the extent possible due to some limitations in external STP);
- Achieved rank#2 in terms of most time effective onboarding provided by local stockbrokers when aligning with the CSE digital onboarding initiative;
- Maintained 'golden source'-one integrated database with client information for effective client life cycle management;
- Decreased sub-optimal sales efforts by implementing the client servicing system at the "Customer Relationship Management and Digital" division; This provides a setting for future enhancement of the client journey and client experience.

Deal Capture (front-end) and Instruction Approval Processes

- **During FY2021/22**
- Upgraded legacy system - Asset Management and corporate debt systems;
- Digital authorisation facilitated to reduce administration time of approval process;
- Two factor authentication of instructions facilitated.

MIDDLE OFFICE

Regulatory Compliance

- **During FY2021/22**
- Enhanced the data leakage prevention solution as per CBSL requirements;
- Reviewed digital initiatives including the implementation of the front-end system of the Government Securities business against stipulated regulatory requirements;
- Compliance monitoring and risk reporting processes relating to First Capital Limited and First Capital Asset Management Limited were automated with the ongoing business process reengineering project;

- **Targeted in FY2022/23**
- Compliance monitoring and risk reporting to be enhanced through business process reengineering of core-application systems.

Reconciliation, trade matching and affirmation

- **Medium term**
- Transforming middle office processes in line with the level of external STP in the local industry setting.

Enterprise resource planning (ERP) General ledger, portfolio accounting - profit and loss and customised reporting

- **During FY2021/22**
- Evaluations to adopt new system with complete ERP capabilities
- Phasing out of the legacy system - partially completed during the year.

BACK OFFICE

Due Diligence

- Participated effectively in industry wide-testing to onboard to delivery versus payment environment .

Client Onboarding

- **Medium term**
- Upgrade legacy processes using new applications to enhance clearing and settlement process further.

Deal Capture (front-end) and Instruction Approval Processes

- **Medium term**
- Upgrade legacy processes using new applications.

Key : Completed | Short term strategies | Medium term strategies

INTELLECTUAL CAPITAL

CYBER SECURITY – PREVENTIVE TRAINING

As cyber security is a material issue in our industry, we pay special attention to this area in order to mitigate devastating impacts on the privacy and integrity of our data, system efficiency and business continuity.

Cyber security risk management requires a two-pronged approach combining technological features and staff based approaches. We have effected both aspects over the year. Staff were continually trained in preventive action so that technological mitigation is complemented.

As a result, FY2021/22 has not been impacted by any significant cyber-attacks on our systems.

WFH AND BUSINESS CONTINUITY

Our digital solutions were critical to business continuity during the continued uncertainty prevailing as waves of COVID-19 variants disrupted normalcy again in the year. We had effectively replaced traditional work practices and communications by adopting flexible work arrangements well in advance of prevalent circumstances as part of our work culture and facilitated WFH seamlessly during the pandemic. The drive for remote working was further strengthened by uninterrupted access to our systems.

ENCRYPTED COMMUNICATION

Our corporate virtual private network (VPN) offers the opportunity to provide employees access to a secure end-to-end encrypted connection to cloud resources on our network. During the financial year we provided two-factor authentication on the corporate VPN.

ELECTRONIC DOCUMENTS AND RECORDS MANAGEMENT SYSTEM (EDRMS)

We utilise EDRMS technologies to provide document management and records management systems as an integrated system. In a remote working setting, the absence of a single solution to manage communication and collaboration for both internal and external parties, ensuring secure document sharing can be difficult. We have navigated such difficulties with ease with the unified EDMRS, Cloud SAS. The EDRMS continues to facilitate the policies we have in place for management, retention and destruction of documentation.

Incremental expenditure on intangible assets

FY2021/22
Rs. 4.0 Mn

FY2020/21
Rs. 10.5 Mn

Credit rating reaffirmed [SL]A outlook Stable by ICRA

Awarded 'Best Investment Bank' by Brand Finance and LMD; new entrant on list of 'Sri Lanka's Most Valuable Consumer Brands':
Brand value: Rs. 1.0 Bn
Brand strength rating:AA+

Book value of intangible assets

FY2021/22
Rs. 122.5 Mn

FY2020/21
Rs. 124.7 Mn

Credit rating of our subsidiary First Capital Treasuries PLC reaffirmed [SL]A outlook Stable by ICRA

HUMAN CAPITAL

CONNECTED VALUE DRIVERS

EF SF

From a 'six capitals' perspective human capital encompasses several aspects. It embeds employees and their competencies, experience and motivations to innovate; how they align with and support the institution's governance framework, risk management approach and ethical values; and the transformative trajectory of understanding, developing and implementing strategy that leads to value creation for employees.

A VALUE DRIVER

First Capital's people are our main asset and recruiting, retaining and developing our talent is integral to our business model and strategy. Within our business model, our people are represented as a value driver named 'Employee Focus' in which our staff itself is an 'input', undergoing a transformative process as corporate strategy is put in motion. Ultimately, this resource makes a multi-pronged impact, creating value for other components of the business model as well as themselves. To see the manner in which our most valued asset forms a part of the business model, see page 42 to 43.

OUR HUMAN RESOURCES OPERATING MODEL

First Capital is a workplace which promotes an open communication culture and provides an inclusive and supportive working environment with opportunities for training and career development.

With approximately 90 employees comprising our valued deal teams and staff, the organisational structure is not unduly hierarchical. Direct feedback to senior managers is actively encouraged. Our executive team knows each employee by name and promotes independent thinking, learning as a group and inclusivity. We are a meritocracy and our employees are recruited, promoted and rewarded based on merit.

The recruitment, development and retention of a capable and diverse pool of talent is key to our success. First Capital's corporate ideology PERFORMANCE FIRST is embedded in our value proposition. We provide training and opportunities for career advancement, reward our employees fairly and recognise the importance of supporting the wellbeing and satisfaction of our employees by providing a healthy working environment and work-life balance.

We have a suite of human resources policies and procedures and appropriate processes to monitor their application. The human resources function at First Capital is a shared service and handles both HR generalist and specialist activities in keeping key administrative procedures managed and catalyse value in our people. The HR operating model hence includes:

- strategic consultancy through HR business partner;
- HR generalist (employee and candidate services) and administration;
- HR functional expertise.

Our current corporate strategy has technological advancement ingrained in creating value for the HR function and we are in the process of phasing out legacy systems in favour of a fully automated system which is anticipated to be in place by next financial year end. We expect an end-to-end solution including performance management and integration with other key functional areas including recruitment and learning management through the new system.

INCLUSIVITY AND CREATING A LEARNING CULTURE

Creating a workplace where our people feel respected for their singularity, alignment with group values, empowered to be optimal and valued for their contribution is essential for productivity to workplace wellbeing. We shape a culture of inclusion with day-to-day practices which support behavioural inclusion and programmes and policies relating to structural inclusion.

Our behavioural inclusion perspectives include:

- Focus on succession and continual development of leadership; capabilities of our management and leaders including the executive team;
- Promote respect and inclusion through group shared values and recognition;
- Continue to encourage flexible work arrangements;
- Foster a learning culture of natural knowledge sponsorship of people: our teams are encouraged to mentor and learn from one another by sharing knowledge; we believe this paves way to improved engagement, skills development, inner growth, psychological safety in the workplace and leadership ability.

OUR STRUCTURAL INCLUSION ACTIVITIES INCLUDE:

- Continuing to review data and analysis to engender learning outcomes for the HR function;
- Understanding the gaps, for example in diversity and inclusiveness, succession, development inter-alia, and improving our practices;
- Embed high standards and fairness in our people related policies, procedures and practices;
- Provide equal access to opportunities including current and future skill enhancement;

Merit based performance evaluation with both performance-based metrics and behavioural and cultural metrics embedded within, to align with corporate ideology.

HUMAN CAPITAL

TOTAL WORKFORCE AND EMPLOYEE TURNOVER

As at year end, we had a total workforce of 90 employees. We contained our employee turnover to 10%.

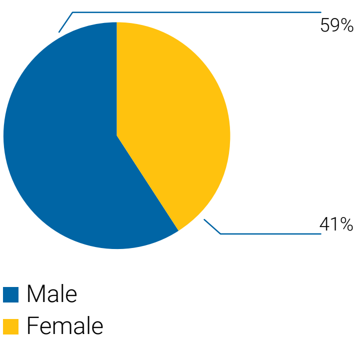
Employee turnover by type	FY2021/22	FY2020/21
General Manager	**-**	-
Assistant General Manager	**-**	2
Senior Manager	**-**	1
Manager	**2**	-
Assistant Manager	**1**	4
Senior Executive	**1**	-
Executive	**2**	3
Junior Executive	**3**	4
Total	**9**	14
Employee turnover rate	**10%**	10%

GENDER BALANCE

While we have not set specific diversity targets, we seek to ensure that our culture and policies create an inclusive workplace that helps to nurture our workforce. As we have historically not carried out mass-scale recruitment, inflow of new employees has remained low. Achieving better diversity will be a gradual but focused process.

As part of our strategy to drive excellence and value we are making a concerted and ongoing commitment to achieving gender balance.

Gender diversity

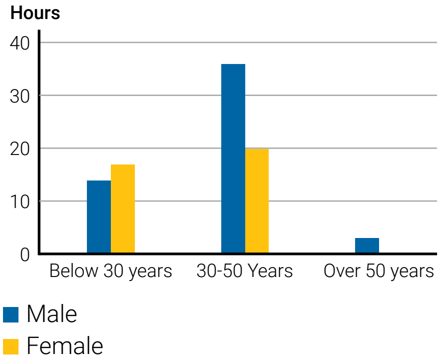


In our new recruitments, we recruited 64.3% of females. However, during the year, female exits accounted for 66.7% of total exits.

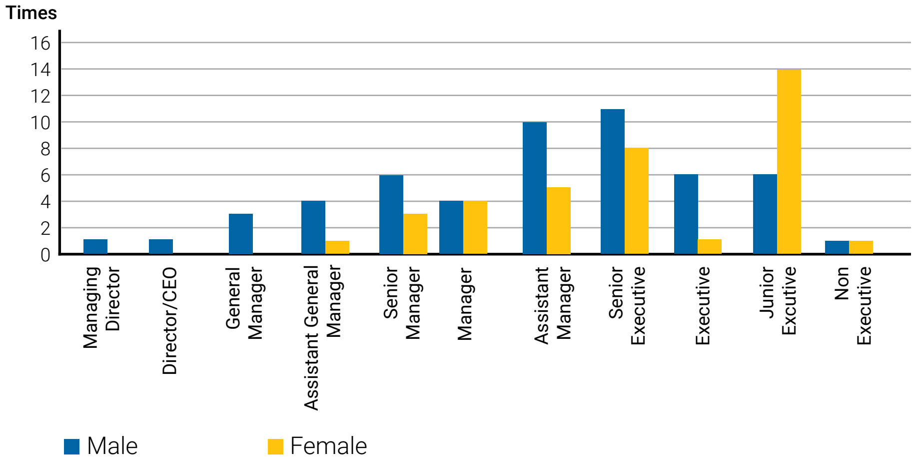
Female employee recruitments and exits	FY2021/22*	FY2020/21*
Number of female employees	37	34
Percentage of female recruitments (%)	64.3%	42.9%
Percentage of female exits (%)	66.7%	42.9%

** As at 31 March*

Staff by service and gender



Employees by gender and position FY2021/22



WOMEN IN MANAGEMENT

During the fiscal year, women in management accounted for 29.6% of the total number of managers.

Female employees in leadership positions	FY2021/22*	FY2020/21*
Number of female employees	**37**	34
Number of female employees in managerial level	**8**	6
Number of female employees in managerial level as percentage of total managers	**29.6%**	27.3%

** As at 31 March*

In line with our objective of promoting equality and diversity, policy is to support employees before and after the birth of a child. We provide both maternity and paternity leave to all eligible employees.

Our policies surpass the statutory minimum requirement as employees can request for two additional months of leave on a half pay basis while paternity benefits are provided for 14 days.

Retention rate post maternity leave	FY2021/22	FY2020/21
Entitled to leave during the year	**43**	42
Employees who took maternity leave	**1**	1
Returned during the year	**1**	1
Employed for the last 12 months after return from maternity leave	**1**	1
Return ratio (%)	**100%**	100%
Retention Ratio (%)	**100%**	100%

HUMAN CAPITAL

TRAINING AND DEVELOPMENT

We encourage a learning and knowledge-based culture as per our inclusivity norms. We are encouraged by the mutually beneficial growth in our teams in sharing their competencies, skills and knowledge with their cohort.

Staff participated in internal and external programmes during the year. We concluded three sessions of a management development programme which focused on the First Capital senior management team. These were led by an industry expert with leadership and mentorship as focus.

The Global Skills programme conducted by Hardskills, a Singapore-based online learning platform, was a focal training and development activity undertaken during the year. The Global Skills programme is a highly interactive one based on proven cognitive science of how to engage and challenge the learner.

The programme's focus was 'hard to teach' behavioural skills including thinking critically, adapting quickly and collaborating to solve client problems faster than the competition. Leadership and behavioural skills are integral now as automation and robotics become increasingly commonplace in business.

Training hours by hierarchy	FY2021/22	FY2020/21
Manager and above	**1,107**	364
Assistant Manager and below	**1,396**	881

First Capital has initiated a new division 'Customer Relationship Management and Digital' as part of the corporate strategy. We have provided specialised training and intend to enhance the client-support team continually to build long term value. Specific soft skills and overall reskilling is needed to effectively perform client-interactive activities. Our long-term training is expected to develop and transform the division's employees, creating tangible and inclusive value for both employee and client.

OUR APPROACH TO THE COVID-19 PANDEMIC AND WFH

During the year, although new variants were 'making waves' we experienced a deceleration of COVID-19 infection level nationwide towards the end of the fiscal year. We kept a close eye on developing risks in our operating environment and took appropriate action. We continued to be mindful of the national health and safety protocol with both internal as well as external stakeholders.

With the pandemic continuing over the year, our health and safety protocols have worked to keep our teams protected. Leveraging our previous experience in providing flexible work arrangements and accelerating technological adoption, we provided a seamless transition to WFH.

We continued to utilise technological solutions opportunistically and pragmatically in remote working. Almost all our support teams were enabled and could work from home over the year with no business interruptions. WFH brought its own challenges from an HR perspective. We had to remain mindful of both the positive and negative impacts of remote working.

As the prevailing environment had its added pressures, the ability to reconcile work commitments from home was a decided positive. Muting this however, is the ability to truly engage employees, ensuring wellbeing and transparently understanding the impact on productivity. Maintaining staff engagement was of pivotal importance while working remotely, and senior managers have made a particular effort to keep staff informed through regular updates and virtual meetings. We have also considered the mental health consequences of WFH and have endeavoured to interact empathically with our teams, exercising a keen balance in regard to wellbeing and productivity.

RECOGNITION AS A GREAT PLACE TO WORK®

During the year First Capital was recognised as a Great Place to Work®. This in no means signifies the end of the journey. It instead provides a foundation for further engagement and tactical development on our part to further improve as a workplace.

The assessment to ascertain our position as a Great Place to Work® provided us detailed data similar in form to an employee satisfaction survey. It set out the performance of First Capital in relation to the banking, financial services and insurance sector while providing valuable insights on the dimensions of Credibility, Respect, Fairness, Pride and Camaraderie in the context of workplace dynamics. We performed creditably against the sector index. We engaged our staff further in order to better understand the underlying factors on the results as an evaluation window to guide medium term strategy.

Great Place To Work® Trust Index© Employee Survey- sub indices	How we scored	How the sector scored
Credibility	77	69
Respect	73	68
Fairness	72	65
Pride	75	75
Camaraderie	73	69

Our medium-term goal is to secure a top 10 ranking in the sector as a Great Place to Work®.

SUSTAINABILITY-FOCUSED HR VALUE PROPOSITION AND CHALLENGES POSED BY OUR OPERATING ENVIRONMENT

Financial institutions all over the world are facing employment challenges which need to be navigated by demonstrating leadership that brings transformation and builds trust. Some of the national challenges that affect our clients and employees are talent migration, high level of unemployment and financial pressures under the current socio-political and economic context.

Our own challenges within the context include specific employee-related matters such as:

- attracting scarce skills and remaining relevant and competitive as an employer
- external financial stresses on employees in the increasingly challenging economic environment which need to be compensated
- providing and maturing leadership and management skill-adaptability under uncertainty and changing circumstances

We endeavour to be an employer with a sustainability focused value proposition:

- creating job opportunities in the financial sector
- providing learning and development for employees
- offering career opportunities and equitable reward strategies

It is with this broader goal in mind we look to achieving our medium-term strategic path.

HUMAN CAPITAL

TALENT ACQUISITION

To remain competitive, we need to attract employees who have the appropriate skills, experience, values and diversity required by our business model and strategy. Talent acquisition has been difficult in part due to the pandemic curtailing job search. During times of unprecedented uncertainty employees look to preserving job security in their current job.

We are also impacted negatively by the migration of talent, a significant issue under the current circumstances impacting Sri Lanka's labour market.

We effected a proportionately higher level of internal appointments. Our resourcing philosophy was refined to enable us to make internal transfers and hiring of skilled junior level executives and up-skilling them through requisite training. During the year, we further supported this strategy by working to reskill and carve potential progression paths for middle-tier staff.

We intend to adapt our sourcing and acquisition approach in line with our succession plan to reach sought-after candidates in the specific skill-segment that fit the unique requirements of investment banks. Our proposition is to attract highly skilled candidates through market competitive compensation packages combining fixed and variable pay.

Our requirements can differ as for certain areas of the business we can hire for potential and look to enhance recruits for competence. However, for senior roles straddling specialised areas, it is requisite to hire experienced and competent employees.

With a renewed focus on succession, we are now working to develop internal potentials that can progress to executive team level with the right training and orientation. With an accelerated corporate strategy in mind however, we also need to aim to make appointments that will support the visionary **First Capital of the future** to fortify our teams.

SUCCESSION PLANNING AND TALENT RETENTION

We would like to identify and develop suitable and motivated employees who are able to be considered for future senior leadership positions. This forms part of the retention and succession planning.

We are committed to the development of employees from within First Capital. During the year we have undertaken initiatives that support the retention of talented employees. We are focusing on succession planning with renewed vigour under the new corporate strategy. Internal human capital development activities are now focusing on building the mid-tier whilst enhancing the leadership-tier, up-scaling, reskilling and guiding progression.

To manage talent retention, we use robust talent metrics and performance review discussions within a merit based performance framework.

REMUNERATION AND BENEFITS

We offer employees remuneration and benefits that are competitive relative to the industry and comply with all applicable statutory labour laws. We offer:

- Performance-based incentives
- Above market median salary
- Bonus schemes benchmarked on par against industry peers
- Housing/vehicle and educational loan facilities
- Professional subscriptions
- Distress loans
- Festival advances
- Club memberships
- Medical insurance cover for employees
- Reimbursement for travel
- Benefits provided as welfare

For the fiscal year, we have created value for employees amounting to Rs. 414.4 Mn in salaries and benefits. During FY2021/22, personnel expenses constituted 58.5% of total operating expenses. This value is also reflected in our economic value-added statement in demonstrating value creating through our business model.

IMPACT AREA	PRIORITIES	FY2021/22 IMPACT
Employment and fair remuneration	Support Sri Lanka to sustain per capita economic growth in accordance with national circumstances by being an employer with a national employment focus - creating job opportunities in the financial sector - providing learning and development for employees - offering career opportunities and equitable reward strategies	Salaries and benefits accrued to our employees - Rs. 414.4 Mn Workforce in employment as at year end - 90 Hours in training - 2,503 Training spend during the year - Rs. 8 Mn

Value created for employees through Salaries and benefits accrued

FY2021/22
Rs. 414 Mn

FY2020/21
Rs. 624 Mn

Training spend

FY2021/22
Rs. 8 Mn

FY2020/21
Rs. 1Mn

Hours in training

FY2021/22
2,503

FY2020/21
1,245

Total employees

FY2021/22
90

FY2020/21
95

SOCIAL AND RELATIONSHIP **CAPITAL**

SOCIAL CAPITAL

CONNECTED VALUE DRIVERS

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Social capital refers to our key stakeholder relationships and interactions. It includes the institutions and relationships within and between communities, groups of stakeholders and other networks, and the ability to share information to enhance individual and collective well-being.

A NEXUS OF STAKEHOLDER RELATIONSHIPS

We act as a nexus of valued relationships between our communities and stakeholders. We take our responsibilities to society seriously and commit to being transparent and accountable for our impacts.

We partner with Janashakthi Foundation and other reputable and transparent corporate social investment partners. In honing our internal corporate social investments, we have considered national and institutional sustainable development priorities.

CLIENT SUPPORT

We deployed client centric digital solutions to onboard clients in the Stock Brokering and Asset Management businesses. Insofar as external processing allows, we have also facilitated digitalisation of the onboarding process of Government Securities and was the first unit trust manager to facilitate e-onboarding in Sri Lanka.

During the current financial year, an initiative to enhance our frontline service excellence was launched. Our "Customer Relationship Management and Digital" division provides integral support services to our valued clients as part of our client life cycle management strategy.

The division provides a dual role in operating both inbound and outbound service-related calls while also effectively engaging walk-in clients. The division provides value addition through lead generation, initiating client interest or enquiry into our services. Our aspiration is to provide a transformative client journey that combines the truly digital with the truly human.

The client-support team also disseminates information relating to the First Capital service offering to clients. The division maintains a high level of efficiency, effectively resolving customer inquiries within 48 hours.

IMPACT AREA	PRIORITIES	FY2021/22 IMPACT
Digital financial inclusion	Support Sri Lanka to sustain per capita economic growth in accordance with national circumstances; Strengthen the capacity as a domestic financial institution to encourage and expand access to digital financial services for all by: Enabling retail investors, entrepreneurs and small and medium enterprises to access relevant and affordable financial services; Designing bespoke solutions for under-served niche markets; Helping these groups to transact conveniently and cost effectively; To support economic development and reduce inequality through these initiatives.	Enabled retail investor proliferation and increased digital transaction activity: ➤ Increased digitally active clients to over 2,900 from 380 clients in the previous year with turnover from digital transaction volumes reaching Rs.6.7 Bn; The increased interest was mainly due to the enhanced digital investor interest in in our Stock Brokering business; ➤ The Asset Management business enabled e-onboarding allowing any Sri Lankan with a valid NIC to open and invest in unit trusts. This was a first in Sri Lanka, creating access to a large client pool for practical and convenient alternative-investment solutions. Over 200 investors onboarded digitally during the year.

COMMUNITY SUPPORT

We entered a three-year partnership with Habitat for Humanity Sri Lanka, a non-profit organisation which facilitates access to affordable housing and develops more inclusive housing markets to provide safe and affordable housing in the Galle region.

IMPACT AREA	PRIORITIES	FY2021/22 IMPACT
Sustainable dwellings	Facilitate development through partnering initiatives that support safe, affordable housing; and sustainable and resilient building.	Under the first phase of the project, four sustainable residential units built in Galle utilising green construction material.

FUNDAMENTAL RESEARCH FOOTPRINT

First Capital's Research division has an expansive fundamental research coverage, which within the business context is provided as a value-added service.

To engage and serve our communities better we disseminate comprehensive market, macroeconomic, sectoral and securities research free-of-charge. Our research is sought after by the media and peers due to its in-depth, insightful content.

We achieve brand recognition whilst mutually benefiting our communities by sharing our acumen, perceptions and insights through conferences and events.

We also make First Capital's research insights available to the general public on print media, electronic media and digital and social media platforms. We disseminate daily statistics and other resources on our web page.

During the year we conducted three public forums and one client based. These include:

- First Capital Equity Forum - Life Insurance and Port City, held in July 2021
- Equities Awareness Forum held in August 2021
- Mid-Year Outlook 2021 and Renewable Energy Sector held in October 2021
- Investment Strategy 2022 and Apparel and Textile Sector Forum held in January 2022

Through our print and social media reach we educated millions of Sri Lankans. The reach achieved through our conferences span is expansive. The events were viewed by an average of 500 participants. We also disseminate research on the instant messaging platform WhatsApp which is actively re-shared. Established 'Market Influencer Groups' on social media act as interfaces to investors, actively resharing our high quality research content.

REGULATORS

During the year, our regulatory regime changed with respect to the securities markets law in effect and rules promulgated thereunder by the SEC. Regulatory change has a pervasive impact on our core businesses in which we assume the role of market intermediaries. Further, the CBSL imposed new minimum capital rules which impact our Government Securities business. We ensured compliance to both the securities market regulator's and the central bank's enhanced regimes over the year. In view of proposed changes in securities market laws and rules, our directors and executive team participated in public consultations as well as rules consultations specific to the business to provide industry-side insights to the regulator.

While we are licensed as required for several businesses, with the publication of Gazette Extraordinary No. 2271/09 dated 15 March 2022 comprising the final rules applicable to market intermediaries, as of the date of this annual report we are in the process of obtaining in principle approval to license First Capital Markets Limited as a corporate finance advisor.

SPONSORSHIP

During the year, First Capital joined the Chartered Financial Analysts (CFA) Society Sri Lanka as a Silver Sponsor. The CFA Society Sri Lanka has professional relevance in the industry and the reach and capability in delivering superior business-oriented learning. We elicit benefit as a Silver Sponsor through brand visibility from the conferences we sponsor. Mutual benefit is accrued to the delegates in attendance as the events provide opportunities for professional networking and learning led by respected industry experts.

SOCIAL AND RELATIONSHIP CAPITAL

COMMUNITY AND SPORT

As a driven and inclusive workplace, First Capital acknowledges that sport is an enabler of wellbeing, positive interaction, tolerance and harmony. During the year, we entered into a three-year partnership with the Singhalese Sports Club (SSC) to sponsor national level tennis events including the First Capital SSC Open Tennis Championship and the International Wheelchair Championship.

SUPPLY CHAIN AND SUPPLIERS

The supply chain of First Capital consists primarily of companies located in Sri Lanka and abroad that provide products and/or services across the group that support the Company's:
mission critical and core businesses through IT software related services, hardware, specialised consulting services and print and media services; non-critical and general business services as well as its general infrastructure, including building maintenance services, security services, cleaning services, interior office furnishings and supplies.

During the year, the Company's total supplier expenditure on local suppliers amounted to Rs. 200 Mn, with 9% being spent on international suppliers.

In terms of local spending, the percentage spent on local suppliers was 91%.

VENDORS AND EQUITABLE PROCUREMENT

We follow a fair and equitable procurement policy that requires at least three vendor quotations to be considered for our information technology and equipment needs. A transparent process for evaluation and independent approval is in place. Vendor credentials, financial and technical competencies are considered alongside other evaluation metrics in support of due diligence.

NATURAL CAPITAL

CONNECTED VALUE DRIVERS

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Natural capital refers to the renewable and non-renewable environmental resources and processes that help us provide our services.

BUILDING MANAGEMENT SYSTEM (BMS) ANALYTICS

With the aim of developing an in depth understanding of the environmental impact of the energy usage and emissions of operations, we keep track of energy consumption analytics.

WFH AND HYBRID WORKING MODEL

Prior to the pandemic, First Capital utilised flexible work arrangements and facilitated a seamless transition to a WFH model. The result was that relative environment impact was lower due to reduced commuting, fuel consumption and emissions from travel. Overall consumption of electricity at head office and branches also decreased.

DIGITALISATION

With the current drive for digitalisation of the investment banking value chain we are anticipating that certain paper-consuming manual processes would be eliminated. We have witnessed this in two core markets through the digitalisation of client onboarding. We utilise paperless Board meeting solutions to minimise impact. During the year we recorded a 49% decrease in saving in printing costs. As we continue to progress across the value chain enhancements of all our core businesses, we intend to engender further cost savings while mitigating environmental impacts.

In minimising environment impact, we consider the following:

IMPACT AREA	PRIORITIES	FY2021/22 IMPACT
Reducing environmental impact	To help lower the national carbon footprint we prioritise the following benchmarks advocated for businesses: ➤ Establish climate resiliency policies and practices internally and across the supply chain; ➤ Provide bespoke solutions to green energy sector clients* ➤ Promote company-wide climate conscious behavior and accountability.	Reduction in electricity cost of 15% from previous year; Reduction in printing cost of 49% from previous year.

*As part of our sustainability impact priorities in the short to medium term, we have advanced a solar power project amounting to Rs. 12 Mn as at the publication date.

Reduction in electricity consumption 22%

FY2021/22
112,652 units

FY2020/21
143,717 units

Reduction in electricity cost 15%

FY2021/22
Rs. 3.3 Mn

FY2020/21
Rs. 3.9 Mn

Reduction in printing costs 49%

FY2021/22
Rs. 0.48 Mn

FY2020/21
Rs. 0.94 Mn

GOVERNANCE REPORT

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 2022 which were approved by the Directors on 15 August 2022.

REVIEW OF OPERATIONS

The Group reported loss after tax of Rs. 652 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 76 to 81 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 15 to 18 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.

Changes to the Group Structure
There has been no change to the Group structure during the financial year under consideration except for dilution of 5% stake in First Capital Treasuries PLC (Subsidiary) through an Initial Public Offering (IPO) by way of an offer for sale in December 2021.

FINANCIAL RESULTS

The Group's loss after tax for financial year 2021/22 was Rs. 652 Mn compared with net profit after tax of Rs. 2,093 Mn in year 2020/21.

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

	2021/22 Rs.'000	2020/21 Rs.'000
Revenue	**2,273,088**	6,033,353
Profit / (loss) before tax	**(770,544)**	2,908,076
Profit/ (loss) after tax	**(652,272)**	2,093,497
Total comprehensive income / (loss)	**(639,572)**	1,941,594
Attribution		
Equity holders of the parent	**(596,537)**	1,838,656
Non-Controlling interest	**(43,035)**	102,938
Total	**(639,572)**	1,941,594

The financial statements of the Company are set out in pages 192 to 272 of the Annual Report.

FUTURE OUTLOOK

The Company's outlook based on challenges, opportunities and the Company's response to the changing external environment is set out in the page 92 of the Annual Report.

BOARD OF DIRECTORS

Directorate
The Directors of the Company as at 31 March 2022 are as follows.

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

* Mr. Prakash Schaffter has stepped down from the Board of Directors of First Capital Holdings PLC and acting as alternate Director to Mr. Ramesh Schaffter with effect from 2 September 2021.

The profiles of the Directors are given in pages 50 to 55 of the Annual Report.

ANNUAL REPORT OF THE BOARD OF DIRECTORS

INTEREST IN SHARES

Directors/Chief Executive Officer and their shareholdings as at 31 March 2022 were as follows:

	No. of Shares 31.03.2022	No. of Shares 31.03.2021
Mr. Nishan Fernando	**Nil**	Nil
Mr. Dinesh Schaffter	**Nil**	Nil
Mr. Dilshan Wirasekara	**Nil**	Nil
Mr. Ramesh Schaffter	**Nil**	Nil
Mr. Eardley Perera	**Nil**	Nil
Ms. Minette Perera	**Nil**	Nil
Mr. Chandana de Silva (Joint with Mr. C.P. de Silva)	**118,333**	118,333
Dr. Nishan de Mel	**Nil**	Nil
Mr. Prakash Schaffter (Alternate Director to 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 50 to 55.

RELATED PARTY TRANSACTIONS

Related party transactions have been declared at meetings of the Directors and are detailed in Note 40 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 2021/22.

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 40 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 123 to 158 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 of First Capital Holdings PLC did not declare dividend for 2021/22 (2020/21 - total dividend of Rs. 506.25 Mn was paid, which represented Rs. 5/- per share - before executing the sub - division of shares).

SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted in the preparation of the financial statements is given on pages 197 to 212. There were no changes in the accounting policies adopted by the Company during the year under review.

GOING CONCERN

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

CAPITAL EXPENDITURE

Details of property, plant and equipment, right of use assets and Intangible assets and their movements during the year are given in Note 25 and 26 to the financial statements.

RESERVES

The movements in reserves during the financial year 2021/22 have been presented in the Statement of Changes in Equity on pages 194 to 195 of the Annual Report.

INCOME TAX EXPENSES

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

STATED CAPITAL

The stated capital of the Company as at 31 March 2022 was Rs. 227.5 Mn consisting of 101,250,000 ordinary shares (Note 35).

SHARE INFORMATION AND SUBSTANTIAL SHAREHOLDERS

As at 31 March 2022, there were 6,212 registered shareholders. Share information and the twenty largest shareholders as at 31 March 2022 are listed in pages 274 to 276 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 274 to 276 of the Annual Report.

DEBT SECURITIES ISSUED

The details of debt securities issued by the Group and the Company are set out in pages 277 to 279 of the Annual Report.

CORPORATE DONATIONS

During the year under review, the Group made charitable donations of Rs. 7.8 Mn.

STATUTORY PAYMENTS AND COMPLIANCE WITH LAWS AND REGULATIONS

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

EQUAL OPPORTUNITIES

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

EVENTS OCCURRING AFTER THE REPORTING 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 43 to the financial statements.

INDEPENDENT AUDITORS

During the period under review, the Company's Auditors were Messrs KPMG, Chartered Accountants. The fees paid to auditors are disclosed in Note 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 pages 188 to 191 of the Annual Report.

AUDITOR'S 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 30th Annual General Meeting of the Company will be held on 8 September 2022. The Notice convening the Meeting and the Agenda are given on page 294 of the Annual Report.

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

(Sgd.)
Janashakthi Corporate Services Limited
Secretaries

(Sgd.)
Dinesh Schaffter
Managing Director

(Sgd.)
Nishan Fernando
Chairman

15 August 2022
Colombo

STATEMENTS OF DIRECTORS' **RESPONSIBILITY**

The Statement sets out the responsibility of the Board of Directors, in relation to the Financial Statements of First Capital Holdings PLC ("the Company") and the Consolidated Financial Statements of the Company and its subsidiaries ("the Group").

The Directors of the Company are responsible for ensuring that the Company and its subsidiaries maintains accurate records 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 2022, 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 2022 and
- The financial performance of the Company and the Group for the financial year ended 31 March 2022

COMPLIANCE REPORT

The Board of Directors also wishes to confirm that;

- appropriate Accounting Policies have been adopted in a consistent basis and appropriate estimates and judgments have been made to reflect the true substance and form of transactions.
- the financial statements of the Company and the Group for the year ended 31 March 2022 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.
- they ensure the 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
- they accept the responsibility for the integrity and objectivity of the financial statements presented.
- 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.
- they review and approve all interim financial statements prior to their release.
- they 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.
- 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.
- 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.
- 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 188 to 191 of this Annual Report.
- as required by the Sections 166 (1) and 167 (1) of the Companies Act, they have prepared the Annual Report in time and will ensure that a copy thereof is sent to every shareholder of the Company, who expressed desire to receive a hard copy. A soft copy of the Annual Report will be published/ hosted in the Company's website and Colombo Stock Exchange website within the stipulated period of time as required by the Section 7.5 (a) and (b) of the Listing Rules of the Colombo Stock Exchange.

Accordingly, the Board of Directors is of the view that they have discharged their responsibilities as set out in the above statement.

By Order of the Board,

(Sgd).
Janashakthi Corporate Services Limited
Secretaries

15 August 2022
Colombo

CORPORATE GOVERNANCE

Effective corporate governance practices guide our decision-making to meet stakeholder expectations.

Our governance framework acknowledges specific and broad responsibilities to shareholders, debt funding providers, clients, employees, regulators, business partners and the communities in which we operate. It supports the creation of long-term, sustainable value for our stakeholders.

Through our shared values, ethical and honest business practices pervade our operations and business interactions with stakeholders.

STATEMENT ON CORPORATE GOVERNANCE

The Board of Directors of First Capital Holdings PLC promotes a culture of strong governance across the business. The Board recognises that corporate governance practices must be appropriate and ensure the highest standards of accountability to all stakeholders.

The Board understands and values long-term and ethical client relationships and has well-established governance processes for ensuring a balance between achieving business growth and meeting the reasonable expectations of stakeholders.

Our approach to corporate governance is holistic and mindful of the application of our internal regime and the external regulatory requirements on corporate governance as detailed below:

- Companies Act No. 7 of 2007 (as amended);
- Listing Rules of the Colombo Stock Exchange;
- Market intermediary rules made by the Securities and Exchange Commission of Sri Lanka, in terms of section 183 of the Securities and Exchange Commission of Sri Lanka Act No. 19 of 2021;
- Local Treasury Bills Ordinance No. 08 of 1923 and subsequent amendments; and Registered Stock and Securities Ordinance No. 07 of 1937 and subsequent amendments related to Primary Dealers and directions and circulars issued for Primary Dealers under these Ordinances;
- Financial Transactions Reporting Act No. 06 of 2006 and subsequent amendments and directions and circulars issued under the Act;
- Legislation related to Taxes;
- Shop and Office Employees Act No. 19 of 1954 and subsequent amendments and laws; and
- All other laws and regulations applicable to the day to day operations of the First Capital group.

The Board confirms that the group complied with the provisions of the above requirements and is operating in conformity with the requirements of the Articles of Association.

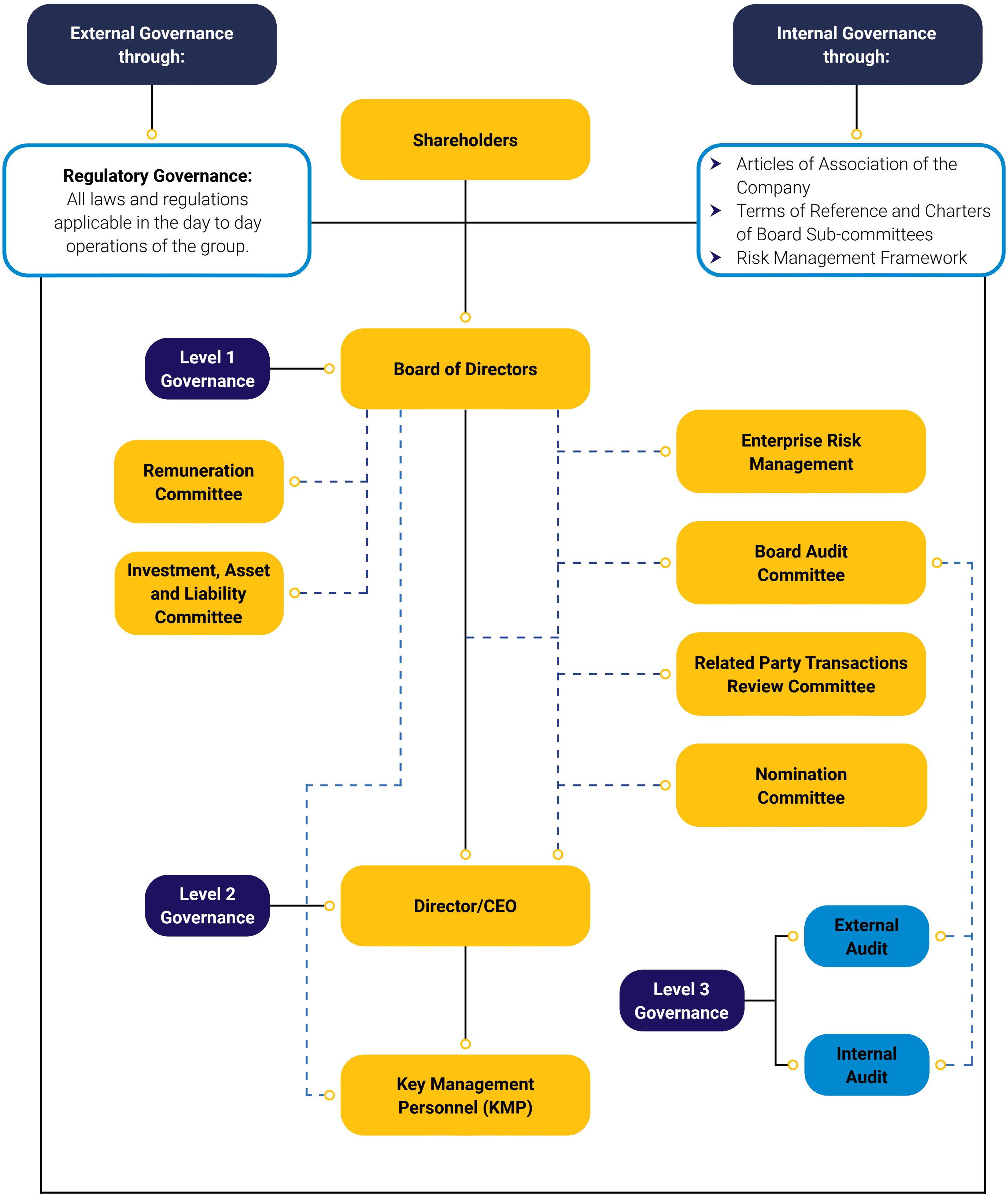
The Board has voluntarily adopted the Code of Best Practice for Corporate Governance 2017 issued by the Institute of Chartered Accountants of Sri Lanka. The status of compliance for requirements therein has been disclosed in this annual report.

The Board's overall corporate governance objective is supported by the implementation of effective policies, processes and procedures related to corporate governance, internal controls and risk management.

The assessments conducted and overseen by designated Board committees during the year confirmed that these processes have successfully achieved the above objective.

CORPORATE GOVERNANCE

GOVERNANCE STRUCTURE



THE ROLE OF THE BOARD

The Role of the Board is to lead the Company in promoting the long-term sustainability of the Company, generating value for shareholders and contributing to wider society.

The Board has established the Company's vision, mission, values and strategy and satisfies itself that these and its culture are aligned.

All Directors are required to act with integrity, lead by example, and promote the Company's culture and values.

The Board approves the group's short, medium and long-term strategies as set out in page 05.

The Board ensures the necessary resources are in place for the Company to meet strategic objectives through a Board approved planning and budgeting process.

The Board measures performance against those objectives using the key metrics set out on page 18 which are reported to the Board through monthly performance reviews.

The framework of controls established by the Board to enable risk to be assessed and managed is described in the Enterprise Risk Management Report on pages 172 through 184.

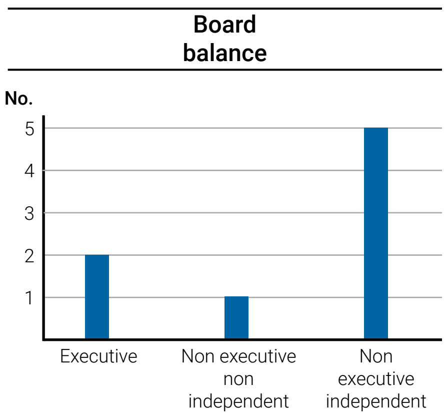
BOARD COMPOSITION AND INDEPENDENCE (PRINCIPLES A.5.1, A.5.2, A.5.3, A.5.4, A.5.5, A.5.6)

The Board comprises five Non-Executive Independent Directors, one Non-Executive Non-Independent Director and two Executive Directors.
Detailed profiles of each member of the Board are provided in a separate section of this annual report pages 50 to 55.

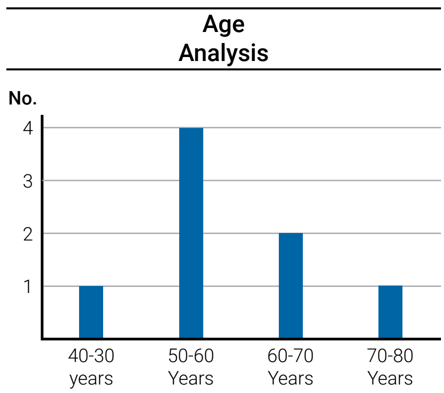
The Independence of the Directors is assessed in accordance with the Listing Rules of Colombo Stock Exchange and the Independent Non- Executive Directors have declared their independency in writing.

NAME OF DIRECTOR	DIRECTORSHIP STATUS	DATE OF APPOINTMENT	TENURE ON THE BOARD (YEARS - APPROXIMATELY)	AGE (YEARS - APPROXIMATELY)
Nishan Fernando	Non Executive - Independent	18 April 2012	10	55
Dinesh Schaffter	Executive	1 January 2008	14	51
Dilshan Wirasekara	Executive	1 May 2017	5	47
Ramesh Schaffter	Non Executive- Non Independent	21 December 2018	3	52
Eardley Perera	Non Executive - Independent	6 September 2011	11	77
Minette Perera	Non Executive - Independent	7 December 2011	10	65
Chandana de Silva	Non Executive - Independent	2 October 2014	7	63
Nishan de Mel	Non Executive - Independent	13 October 2017	4	51
Prakash Schaffter (Alternate Director)	Non Executive- Non Independent	2 September 2021	1	55

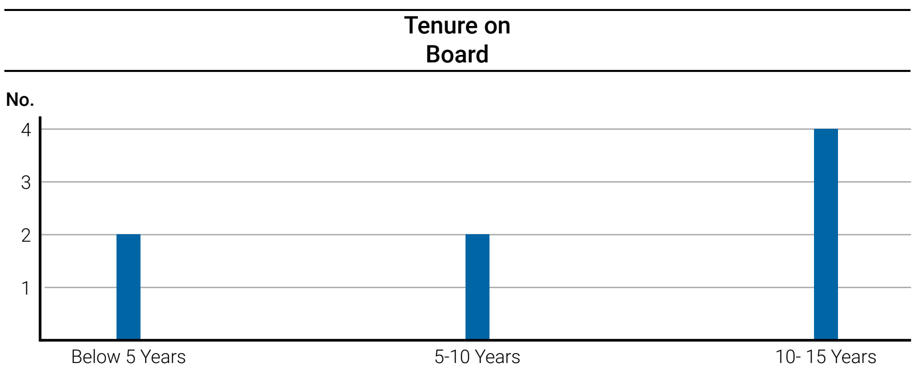
BOARD BALANCE**



AGE ANALYSIS**



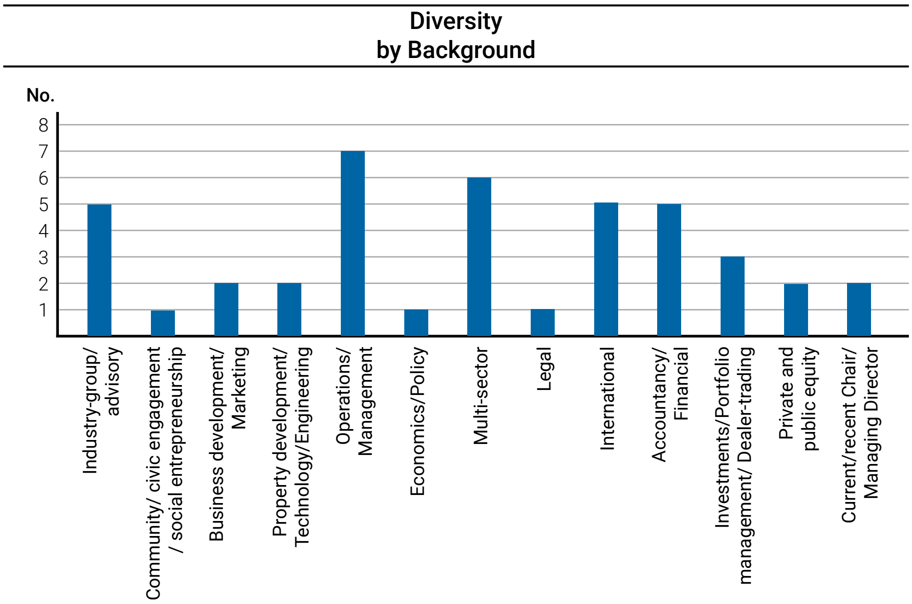
TENURE ON BOARD**



CORPORATE GOVERNANCE

DIVERSITY OF EXPERIENCE**

The Board brings key insights, diverse perspectives, skills and knowledge to our governance framework.



*** Analyses are based on members of the Board as of 31 March 2022*

BOARD MEETINGS (PRINCIPLES A.1.1,A.6.1,A.6.2)

The Board meets frequently in order to ensure the effective discharge of its duties. Virtual 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 presented below. Proper time durations are being allocated by timely tabling of reports and analysis. The Company uses paperless meeting solutions (BoardPac software) to facilitate review, inquiries and discussion of these reports prior and after the agenda set for the meeting. Papers are tabled a week prior to the meeting and minutes are circulated within two weeks after the meeting.

NAME OF DIRECTOR	ATTENDANCE IN 2021/22 (ATTENDED/ELIGIBLE TO ATTEND)
Nishan Fernando	4/4
Dinesh Schaffter	3/4
Dilshan Wirasekara	4/4
Ramesh Schaffter	3/4
Eardley Perera	4/4
Minette Perera	4/4
Chandana de Silva	4/4
Nishan de Mel	4/4
Prakash Schaffter (Alternate Director)	1/2

BOARD RESPONSIBILITIES (PRINCIPLES A.1.2, A.1.3, A.1.5, A.1.8)

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 Assistant General 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 are 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.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER (PRINCIPLES A.2, A.3.1, A.11)

There is a clear division of responsibilities between the chairman and the chief executive officer to ensure the balance of power and authority. The Chairman is a Non-Executive Independent Chairman while the Director/Chief Executive Officer is an Executive Director appointed by the Board. The Chairman provides leadership to the Board and promotes the good governance and highest standard of integrity throughout the group companies. The Chairman ensures the Board receives all necessary information related to the decision making at the right time and ensure the effective participation of the Board members in Board meetings.

The performance of the Director/Chief Executive Officer is evaluated by the Board at the end of each fiscal year to ascertain whether the targets set by the Board have been achieved and if not, whether the failure to meet such targets were reasonable in the circumstances.

BOARD BALANCE (PRINCIPLE A.5)

Executive and Non-Executive Directors on the Board who are professionals / academics / business leaders and 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 (PRINCIPLES A.5.6, A.8)

The Company's Articles of Association call for one third of the Non-Executive Directors to 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. Prakash Schaffter has been appointed as an alternate director to Ramesh Schaffter on 2 September 2021 and satisfies the criteria on his independence.

CONFLICT OF INTEREST

The Board of Directors allocate sufficient time and attention to the Company matters and ensure the protection of confidentiality and integrity. The Related Party Transactions Review Committee ensures the transactions or dealings made by the Directors are of the best interests of the Company. Please refer the profiles of the Directors on page 50 to 55 for other board appointments.

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.

The Board review performance of its sub-committees through the reports and minutes tabled.

Audit Committee Page 165 - 166
Principle D.3

Purpose:
Oversight on financial reporting, internal controls, internal and external audits and compliance with legal and regulatory requirements

Composition of the Committee:
Minette Perera –
Independent Non-Executive Director (Chairperson)
Nishan Fernando –
Independent Non-Executive Director
Ramesh Schaffter –
Non-Independent Non-Executive Director

Meeting Frequency:
Quarterly

Remuneration Committee
Page 167
Principle B.1, B.2 & B.3

Purpose:
Evaluation and recommendation of the Company's remuneration structure aligning with performance parameters.

Composition of the Committee:
Eardley Perera -
Independent Non-Executive Director-Chairman
Chandana de Silva -
Independent Non-Executive Director

Meeting Frequency:
Semi-annually

Enterprise Risk Management Committee Page 168 - 169

Purpose:
Establishing and maintaining a comprehensive Enterprise-wide Risk Management System.

Composition of the Committee:
Nishan Fernando -
Independent Non-Executive Director-Chairman
Dilshan Wirasekara -
Executive Director

Meeting Frequency:
Monthly

CORPORATE GOVERNANCE

Related Party Transactions Review Committee Page 170 Principle D.4

Purpose:
Ensuring that the Company takes the interest of shareholders as a whole into consideration in a manner that avoids conflict of interest.

Composition of the Committee:
Minette Perera –
Independent Non-Executive Director (Chairperson)
Nishan Fernando –
Independent Non-Executive Director
Dinesh Schaffter –
Executive Director

Meeting Frequency:
Quarterly

Investment, Asset and liability Committee

Purpose:
Reviewing investment related analysis, liquidity positions and risks and approving investment decisions of the group for the best interest of the shareholders.

Composition of the Committee:
Dinesh Schaffter -
Executive Director (Chairman)
Nishan Fernando -
Independent Non-Executive Director
Dilshan Wirasekara -
Executive Director
Nishan de Mel -
Independent Non-Executive Director

Meeting Frequency:
Bi-weekly

Nomination Committee

Purpose:
Reviewing the composition of the Board to ensure that the Board is properly constituted and balanced in terms of skills, experience and diversity.

Composition of the Committee:
Nishan Fernando -
Independent Non-Executive Director (Chairman)
Dinesh Schaffter -
Executive Director
Nishan de Mel -
Independent Non-Executive Director

Meeting Frequency:
Committee was set up on 24 March 2022 and no meetings were held during the year.

NAME OF DIRECTORS	EXECUTIVE/ INDEPENDENCE	BOARD AUDIT COMMITTEE	REMUNERATION COMMITTEE	RELATED PARTY TRANSACTIONS REVIEW COMMITTEE	NOMINATION COMMITTEE	INVESTMENT COMMITTEE	ENTERPRISE RISK MANAGEMENT COMMITTEE
Nishan Fernando	Independent Non Executive Chairman	x		x	x (Chairman)	x	x (Chairman)
Ramesh Schaffter (Alternate to Prakash Schaffter)	Non Independent Non Executive Director	x					
Dinesh Schaffter	Non Independent Executive Director/ Managing Director			x	x	x (Chairman)	
Eardley Perera	Director Independent Non Executive Director		x (Chairman)				

NAME OF DIRECTORS	EXECUTIVE/ INDEPENDENCE	BOARD AUDIT COMMITTEE	REMUNERATION COMMITTEE	RELATED PARTY TRANSACTIONS REVIEW COMMITTEE	NOMINATION COMMITTEE	INVESTMENT COMMITTEE	ENTERPRISE RISK MANAGEMENT COMMITTEE
Chandana de Silva	Independent Non Executive Director		x				
Minette Perera	Independent Non Executive Director	x (Chairperson)		x (Chairperson)			
Dilshan Wirasekara	Non Independent Executive Director/CEO					x	x
Nishan de Mel	Independent Non Executive Director				x	x	
Shelton Peris*	Non Board (Consultant)					x	

** Contract term expired on 31 December 2021.*

SHAREHOLDERS RELATIONS (PRINCIPLE C.1,C.2)

The Board considers the Annual General Meeting as a prime opportunity to communicate with shareholders. 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 in a timely manner. 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 financial statements in a timely manner as its principal communication with shareholders and others. This enables stakeholders to make a rational judgment on the Company.

INTERNAL AUDIT AND CONTROL (PRINCIPLE D.2)

The Board is responsible for the Company's internal controls 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 Messrs. PricewaterhouseCoopers.

The Internal Audit reports along with Management comments are discussed with the Audit Committee and the Board. Further, at each meeting, follow up issues from previous meeting are also discussed in order to ascertain implementation of appropriate policies and procedures as part of the overall prevention mechanism.

CORPORATE GOVERNANCE

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.

Messrs. KPMG are the external auditors of the Company. In addition to the audit services, Messrs. KPMG also provides certain non-audit services as well. However, external auditors do not engage in any services which may compromise the independence of the auditor. All non-audit 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 Audit 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.

WHISTLEBLOWER PROTECTION

The Company places great importance on fostering a culture that encourages its people to speak up about issues and conduct that cause them concern. The Whistleblower Policy is designed to enable employees of the Company to report any action that is illegal, fraudulent or in violation of any policy. An assurance is given that the whistle-blowers will be protected from retaliation or victimisation.

COMPANY SECRETARIES (PRINCIPLE A.1.4)

Janashakthi Corporate Services Limited (formerly known as 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 and rules and 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.

CORPORATE GOVERNANCE COMPLIANCE REPORT

This report shows the status of compliance of the Company in accordance with the Code of Best Practice in Corporate Governance published by CA Sri Lanka (2017).

SECTION	REGULATOR REQUIREMENT	COMPLIANCE STATUS BY THE COMPANY	REMARKS
Section A			
A. Directors	Every public company should be headed by an effective Board, which should direct, lead and control the Company.	Complied	Please refer the list of Director and related details .
A.1 The Board A.1.1 Frequency of Board meetings	The Board should meet regularly. Board meetings should be held at least once in every quarter of a financial year, in order to effectively execute board's responsibilities, while providing information to the board on a structured and regular basis (ideally monthly). The regularity of the Board meetings and the structure and process of submitting information should be agreed to and documented by the Board.	Complied	Board meetings are held on quarterly basis. Last Board meeting was held on 14 February 2022 (FY 2021/22). Board Review Meetings are held on monthly basis.
A.1.2 Responsibilities of the Board	The Board's role is to provide entrepreneurial leadership of the Company within a framework of prudent and effective controls which enables risk to be assessed and managed. In performing its role, the Board should be responsible for matters including:	Complied	
	Ensuring the formulation and implementation of a sound business strategy;	Complied	The Board implements Strategic Planning process and the status of the same is reviewed on monthly basis. Strategies formulated are implemented through the Chief Executive Officer and Senior Management Team.
	Appointing the chair and the senior independent director, if relevant;	Complied	Chairman of the Board is an Independent Director.
	Ensuring that the Chief Executive Officer (CEO) and management team possess the skills, experience and knowledge to implement the strategy;	Complied	Fitness and proprietary criteria are met and the same is evaluated on annual basis. The Group is steered by a team of multidisciplinary professionals (Profiles of Senior Management Team provided on pages 56 to 70), led by a CEO with diversified qualifications and experience reporting to the Chairman/ Board of Directors, an industry prominent figure with diversified qualifications and experience.
	Ensuring the adoption of an effective CEO and Key Management Personnel succession strategy;	Complied	A strong succession planning process in place for identify and groom staff for key positions within the Group in order to ensure the continuity of its operations.

CORPORATE GOVERNANCE

SECTION	REGULATOR REQUIREMENT	COMPLIANCE STATUS BY THE COMPANY	REMARKS
A.1.2 Responsibilities of the Board	Approving budgets and major capital expenditure	Complied	Budgets and capital expenditures which requires consent of the Board are being approved.
	Determining the matters expressly reserved to the Board and those delegated to the Management including the limits of authority and financial delegation	Complied	A formal Delegated Authority Manual is being maintained, it overlooks the delegated operational functions and determine the matters delegated to the management.
	Ensuring effective systems to secure integrity of information, internal controls, business continuity and risk management.	Complied	These aspects are being managed through establishing a sound internal audit process and the Risk Management Framework including IT controls. Such systems are continuously monitored by the Management, Internal and External Auditors. The Board Audit Committee periodically reviews these and the findings are reported to the Board for their decisions. A Business Continuity Plan is developed and being tested periodically to ensure sustainability of operations.
	Ensuring compliance with laws, regulations and ethical standards.	Complied	The responsibility is delegated to the Board Audit Committee. Status of the same is being reported to the Board for review. All new regulations pertaining to compliance with laws and regulations are discussed at the Board Meetings thus ensuring the commitment of the highest governing body.
	Ensuring all stakeholder interests are considered in corporate decisions.	Complied	The Group has established a strong set of values, and adhering to these values and principles are encouraged at all times. The Board evaluates the impact on all the key stakeholders of the Company before arriving at any key business decision.
	Recognising sustainable business development in corporate strategy, decisions and activities and consider the need for adopting "integrated reporting"	Complied	The Board recognises the importance of including principles of sustainability in Corporate strategy, decisions and activities. Principles of Integrated Reporting framework are being followed when finalising Annual Reports.

SECTION	REGULATOR REQUIREMENT	COMPLIANCE STATUS BY THE COMPANY	REMARKS
A.1.2 Responsibilities of the Board	Ensuring that the Company's values and standards are set with emphasis on adopting appropriate accounting policies and fostering compliance with financial regulations;	Complied	Responsibility of the same is being reviewed by the Board Audit Committee. The accounting policies are reviewed on a frequent basis to ensure they are in line with the changing business specifics and best practices in the industry. The Independent Auditor's Report appears from pages 188 to 191 in the Annual Report and affirms that the Company's financial statements are in line with Sri Lanka Accounting Standards
	Establish a process of monitoring and evaluation of progress on strategy implementation, budgets, plans and related risks	Complied	This function is being conducted through and continuously reviewed and monitored the progress of the business. the monthly Board Review Committee meetings.
	Ensuring that a process is established for corporate reporting on annual and quarterly basis or more regularly as relevant to the company	Complied	Corporate reporting process (including financial and non-financial disclosures) follows a review process through the Board Audit Committee and the final reports are being approved by the Board. The Company issues and uploads quarterly and annual financial statements together with the relevant disclosures, on the CSE and company websites.
	Fulfilling such other Board functions as are vital, given the scale, nature and complexity of the business concerned.	Complied	During the year, the Board committed to fulfil their stewardship obligations on behalf of all stakeholders in line with laws, regulations and governance practices of the Company.
A.1.3 Compliance with Laws and independent professional advice	The Board collectively, and Directors individually, must act in accordance with the laws of the Country, as applicable to the business enterprise. There should be a procedure agreed to by the Board of Directors, wherein a Director can require the company to obtain independent professional advice where necessary, at the Company's expense.	Complied	Provisions are available through the recommend, approve, consult, inform (RACI) framework for the Board of Directors to obtain such independent professional advise.
A.1.4 Company Secretary	All Directors should have access to the advice and services of the Company Secretary, who is responsible to the Board in ensuring that Board procedures are followed and that applicable rules and regulations are complied with. Any question of the removal of the Company Secretary should be a matter for the Board as a whole.	Complied	Janashakthi Corporate Services Limited serves as the Company Secretary for First Capital Holdings PLC and the Board members have direct access to the advice and services of the Company Secretary. The appointment and removal of the Company Secretary remains with the Board through the RACI framework.

CORPORATE GOVERNANCE

SECTION	REGULATOR REQUIREMENT	COMPLIANCE STATUS BY THE COMPANY	REMARKS
A.1.4 Company Secretary	The company should obtain appropriate insurance cover as recommended by the nominations committee to the Board of Directors and key management personal (KMP).	Partially complied	Appropriate insurance covers are available for the KMPs
A.1.5 Independent judgment	All Directors should bring independent judgment to bear in discharging their duties and responsibilities on matters relating to the Board including strategy, performance, resource allocation, risk management, compliance and standards of business conduct.	Complied	Relevant provisions and powers are provided to the Board members to bring their independent judgements, avoiding matters of potential or actual conflicts of interests and use their vote for the matters accordingly.
A.1.6. Dedication of adequate time and effort by the Board	Every Director should dedicate adequate time and effort to matters of the Board and the Company, to ensure that the duties and responsibilities owed to the Company are satisfactorily discharged. It must be recognised that Directors have to dedicate sufficient time before a meeting to review Board papers and call for additional information and clarification, and after a meeting to follow up on issues consequent to the meeting. This should be supplemented by a time allocation for familiarisation with business changes, operations, risks and controls.	Complied	Proper time durations are allocated by timely tabling of reports and analysis. Paperless board meeting solutions (BoardPac software) have been arranged to facilitate review, questioning and discussion of these reports prior and after the meeting. Directors' time was spent on strategy evaluation, performance review and directing corrective measures for fine tuning areas where it was deemed required. In addition to the board meetings, Directors attended to Sub-committee meetings and also contributed to the decision making **Board Sub-Committees include** ➤ Audit Committee ➤ Related Party Transactions Review Committee ➤ Remuneration Committee ➤ Nomination Committee ➤ Investment, Asset and liabilities Committee ➤ Enterprise Risk Management Committee
A.1.7 Calling for resolutions for the best interest to the Company	One third of Directors can call for a resolution to be presented to the Board where they feel it is in best interest to the company to do so.	Complied	Any single Director may call for a resolution to be presented to the Board where he feels it is in the interest of the Company. As per Articles of Association, resolutions can be passed with majority voting.
A.1.8 Training for new and existing Directors	Every Director should receive appropriate training when first appointed to the Board of a company, and subsequently as necessary. Training curricula should encompass both general aspects of directorship and matters specific to the particular industry/company concerned. A Director must recognise that there is a need for continuous training and an expansion of the knowledge and skills required to effectively perform his 3 duties as a Director. The Board should regularly review and agree the training and development needs of the Directors.	Complied	Directors are encouraged to participate in continuous professional and self-development activities as necessary. The Board consists of professionals and industry experts who have adequate knowledge and experience to conduct their functions (please refer the Director profiles, Pages 50 to 55). Relevant training is being provided/arranged if such requirements are identified at Board or Sub-committee levels.

SECTION	REGULATOR REQUIREMENT	COMPLIANCE STATUS BY THE COMPANY	REMARKS
A.2 Chairman and Chief Executive Officer (CEO)	There are two key tasks at the top of every public company; (i) Conducting of the business of the Board (ii) Facilitating executive responsibilities for management of the company's business. There should be a clear division of response at the head of the company, which will ensure a balance of power and authority, such that no individual has unfettered powers of decisions.	Complied	To ensure delegation of authority, the Board has set up a number of sub-committees to reinforce practices of self-governance.
A.2.1 Separation of Roles - Chairman and CEO	A decision to combine the posts of Chairman and CEO in one person should be justified and highlighted in the Annual Report.	Not applicable	Chairman and group CEO are two separate posts held by two different competent personnel.
A.3 Chairman's Role A.3.1	The Chairman's role in preserving good Corporate Governance is crucial. As the person responsible for running the Board, the Chairman should preserve order and facilitate the effective discharge of Board functions. The Chairman should conduct Board proceedings in a proper manner and ensure, inter-alia, that:		
	The agenda for board meetings is developed in consultation with the CEO, Directors and the company secretary taking into considerations matters relating to strategy, performance, recourse allocation, risk management and compliance.	Complied	The agenda of the meeting is decided based on the regular discussions, sub-committee reports (including risk management requirements) and the points the CEO required to present and highlight.
	Sufficiently detailed information of matters included in the agenda should be provided to Directors in timely manner.	Complied	Reports and analysis related to matters are being tabled in timely manner to provide Directors adequate time to review and discuss.
	All Directors are made aware of their duties and responsibilities and the board and committee structures through which it will operate in discharging its responsibilities.	Complied	Relevant Board sub-committees are in place and the responsibilities of the same are specified through the 'Terms and References' (TOR) of such sub-committee.
	The effective participation of both Executive and Non-executive Directors is secured; all Directors are encouraged to make an effective contribution, within their respective capabilities for the benefit of the company.	Complied	The Board includes Directors with diverse knowledge and expertise and their contribution on the subject matters are being obtained.
	All Directors are encouraged to seek information considered necessary to discuss matters on the agenda of meetings and to request inclusion of matters of corporate concern on the agenda.	Complied	IT infrastructure being provided to facilitate this requirement.
A.3 Chairman's Role A.3.1	A balance of power between Executive and Non-executive Directors is maintained.	Complied	Please refer the Director list and details Pages 50 to 55.

CORPORATE GOVERNANCE

SECTION	REGULATOR REQUIREMENT	COMPLIANCE STATUS BY THE COMPANY	REMARKS
A.3 Chairman's Role A.3.1	The views of Directors on issues under consideration are ascertained and a record of such deliberations reflected in the minutes	Complied	Matters discuss at the meetings are being properly minute.
	The Board is in complete control of the Company's affairs and alert to its obligations to all shareholders and other stakeholders.	Complied	Through the sub-committee reports and Risk Management Framework, information related to Company affairs are being obtained and analysed at the Board level.
A.4 Financial acumen and knowledge	The Board should ensure the availability within it of those with sufficient financial acumen and knowledge to offer guidance on matters of finance.	Complied	The Board consists of Finance professionals and collectively possess a a strong capability to assess the integrity of the Company's financial reporting systems and controls, continually review, critique these systems and make changes to them as necessary and to guide the matters related to Finance. Such professionals are being allocated to the Board Audit Committee as well. Refer Director profiles in pages 50 to 55.
A.5 Board Balance	It is preferable for the Board to have a balance of Executive and Non-Executive Directors such that no individual or small group of individuals can dominate the Board's decision-taking.		
A.5.1.Board Balance	The Board should include Non-Executive Directors of sufficient calibre and number for their views to carry significant weight in the Board's decisions.	Complied	The Board comprised of six Non-Executive Directors, out of a total of eight Directors .
	The Board should include at least three Non-Executive Directors or such number of Non-Executive Directors equivalent to one third of total number of Directors, whichever is higher.	Complied	The Board comprised six Non-Executive Directors. Please refer Director list and details.
	In the event the Chairman and CEO is the same person or if the Chairman is not an independent director, Non-Executive Directors should comprise a majority of the Board.	Not Applicable	
	The total number of Directors is to be calculated based on the number as at the conclusion of the immediately preceding Annual General Meeting.	Complied	The Board comprised total of eight (8) directors.
	Further, any change occurring to this ratio should be rectified within 90 days from the date of the change.	Not applicable	

SECTION	REGULATOR REQUIREMENT	COMPLIANCE STATUS BY THE COMPANY	REMARKS
A.5.2/ A.5.3/ A.5.4/ A.5.5/ A.5.6 Independent Directors	A.5.2 Where the constitution of the Board of Directors includes only three Non-Executive Directors, all three Non-Executive Directors should be 'independent'. In other instances, three or two third of Non-Executive Directors appointed to the Board of Directors whichever is higher should be 'independent'.	Complied	The Board comprised Five Independent Directors out of total Eight Directors. Please refer Director list and details Pages 50 to 55.
A.5.2/ A.5.3/ A.5.4/ A.5.5/ A.5.6 Independent Directors	A.5.3 For a Director to be deemed 'independent' such Director should be independent of management and free of any business or other relationship that could materially interfere with or could reasonably be perceived to materially interfere with the exercise of their unfettered and independent judgment.	Complied	The Board considers Non-Executive Directors independence on an annual basis. The independence of Non-Executive Directors is determined in line with the Listing Rules of Colombo Stock Exchange (CSE).
	A.5.4 Each Non-Executive Director should submit a signed and dated declaration annually of his/her independence or non-independence against the specified criteria set out in the Specimen in Schedule K.	Complied	Non-Executive Directors have submitted the declaration to determine their independence or nonindependence.
	A.5.5 The Board should make a determination annually as to the independence or non-independence of each Non-Executive Director based on such a declaration made of decided criteria and other information available to the Board. The Board should determine whether the Director is independent in character and judgement and whether there are relationships or circumstances which are likely to affect, or could appear to affect, the Director's judgement.	Complied	Independency of the Board of Directors is being periodically evaluated.
	The Board should specify the criteria not met and the basis for its determination in the annual report, if it determines that a Director is independent notwithstanding the existence of relationships or circumstances which indicate the contrary and should set out in the Annual Report the names of Directors determined to be 'independent'.		
	A.5.6 If an alternate Director is appointed by a Non-Executive Director such alternate director should not be an executive of the Company.	Complied	
	If an alternate Director is appointed by an independent Director, the person who is appointed also should meet the criteria of independence and the provision on minimum number of independent Directors also should be satisfied.	Not applicable	
A.5.7/ A.5.8 Senior Independent Director (SID)	A.5.7 In the event the Chairman and CEO is the same person or the Chairman is not an independent director or the Chairman is the immediately preceding CEO, the Board should appoint one of the independent Non-Executive Directors to be the SID and disclose this appointment in the Annual Report.	Not applicable	Chairman and the CEO are two separate personnel, and the Chairman is an Independent Non-Executive Director.

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SECTION	REGULATOR REQUIREMENT	COMPLIANCE STATUS BY THE COMPANY	REMARKS
A.5.7/ A.5.8 Senior Independent Director (SID)	The Senior Independent Director should meet at least twice each year with the non-executive directors and at least once a year with the executive directors, to enable discussion and communication of governance related matters. The outcome of these discussions should be informed to the Chairman.		
	A.5.8 The Senior Independent Director should make himself available for confidential discussions with other Directors who may have concerns which they believe have not been properly considered by the Board as a whole and which pertain to significant issues that are detrimental to the Company.	Not applicable	
	The Senior Independent Director should participate in all meetings with majority, significant, and minority shareholders and be made aware of their concerns by the Company Secretary.		
A.5.9 Meetings with Non Executive Directors	The Chairman should hold meetings with the Non-Executive Directors only, without the Executive Directors being present, as necessary and at least once each year.	Not practiced	Chairman and the Directors maintain a solid rapport and work together professionally. As such, formal meetings were not conducted during the year. If any issue is arisen, it's discussed and resolved amicably in any event.
A.5.10 Recording of concern in Board Minutes	Where Directors have concerns about the matters of the Company which cannot be unanimously resolved, they should ensure their concerns are recorded in the Board Minutes.	Complied	All matters discussed at the Board meeting are being properly minuted.
A.6 Supply of information	The Board should be provided with timely information in a form and of a quality appropriate to enable it to discharge its duties.		
A.6.1 Obligation of the Management	Management has an obligation to provide the Board with appropriate and timely information, but information volunteered by management may not be enough in all circumstances and Directors should make further inquiries where necessary. The Chairman should ensure all Directors are properly briefed on issues arising at Board meetings.	Complied	Proper time durations are being allocated by timely tabling of reports and analysis. Paperless board meeting solutions (BoardPac software) have been arranged to facilitate review, inquiries and discussion of these reports prior and after the meeting.
A.6.2 Management has obligation to provide appropriate and timely information	The agenda and papers required for a Board Meeting should ordinarily be provided to Directors at least seven (7) days before the meeting, to facilitate its effective conduct. The minutes of the meeting should ordinarily be provided to Directors at least two weeks after the meeting date.	Complied	Agenda and the papers are being tabled at least a week prior to the meeting and minutes are being circulated within two weeks after the meeting.

SECTION	REGULATOR REQUIREMENT	COMPLIANCE STATUS BY THE COMPANY	REMARKS
A.7 Appointment to the Board	There should be a formal and transparent procedure for the appointment of new Directors to the Board.		
A.7.1 Nomination Committee	A Nomination Committee should be established to make recommendations to the Board on all new Board appointments. The Chairman and members of the Nomination Committee should be identified in the Annual Report. A separate section of the annual report should describe the work of the Nomination Committee including the process it has used in relation to Board appointments.	Complied	Providing recommendations to the Board appointments is the primary responsibility of the Nomination Committee appointed by the Board of Directors.
A.7.2 Assessing Board Composition	The Nomination Committee should annually assess Board-composition against pre-defined criteria of skill and knowledge requirements to ascertain whether the combined knowledge and experience of the Board matches the strategic demands facing the Company. The findings of such assessment should be taken into account when new Board appointments are considered and when incumbent Directors come up for re-election, including a process to determine that such proposed Board appointees are fit and proper.	Complied	The assessment takes place annually prior to the AGM.
A.7.3 Appointment of new Directors to the Board	Upon the appointment of a new Director to the Board, the Company should forthwith disclose to shareholders: ➤ a brief resume of the Director; ➤ the nature of his expertise in relevant functional areas; ➤ the names of companies in which the Director holds directorships or memberships in Board committees; and ➤ whether such Director can be considered 'independent'.	Complied	Changes in Directorships are published in CSE website immediately after such events along with the required set of information. An immediate disclosure to the CSE is made upon the appointment of new Directors.
A.8 Re-election	All Directors should be required to submit themselves for re-election at regular intervals and at least once in every three years.		
A.8.1 Appointment of Non-Executive Directors	Non-Executive Directors should be appointed for specified terms subject to re-election and to the provisions in the Companies Act relating to the removal of a Director, and their re-appointment should not be automatic.	Complied	This process is evaluated annually and re-elections are being taking place at the AGM. Reappointment of the Non-Executive directors has been done according to the provision of the Companies Act.

CORPORATE GOVERNANCE

SECTION	REGULATOR REQUIREMENT	COMPLIANCE STATUS BY THE COMPANY	REMARKS
A.8.2 Electing of Directors and Re-election	All Directors including the Chairman of the Board, should be subject to election by shareholders at the first opportunity after their appointment and to re-election thereafter at intervals of no more than three years. The names of Directors submitted for election or re-election should be accompanied by a resume minimally as set out in paragraph A.7.3 above, to enable shareholders to make an informed decision on their election.	Complied	This procedure is in place.
A.8.3 Resignation	In the event of a resignation of a Director prior to completion of his appointed term, the Director should provide a written communication to the Board of his reasons for resignation.	Complied	The Directors who resigned/retired during the year have given written communication to the Board.
A.9 Appraisal of Board performance	Boards should periodically appraise their own performance in order to ensure that Board responsibilities are satisfactorily discharged.		
A.9.1	The board should have in place a formal and rigorous process for annually reviewing the performance of the board and its committees and should address any matters that may arise from such review, in the discharge of its key responsibilities.	Substantially complied	Board conducts this process, however a formal process for the same is not in place.
A.9.2	The Board should also undertake an annual self-evaluation of its own performance and that of its committees. The evaluation should be done by each Director and the outcome should be compiled and made available to the Nomination Committee, which should make recommendations to the Board about the initiatives and actions required to improve the balance of skills, experience, independence, industry and company knowledge, training of Directors, governance process, strategy review and other factors relevant to its effectiveness.	Substantially complied	Board conducts this process, however a formal process for the same is not in place.
A.9.3	The Board should have a process to review the participation, contribution and engagement of each Director at the time of re-election.	Substantially complied	Board conducts this process, however a formal process for the same is not in place.
A.9.4	The Board should state how such performance evaluations have been conducted, in the annual report.	Complied	
A 10 Disclosure of information in respect of Directors	Shareholders should be kept advised of relevant details in respect of Directors.	Complied	

SECTION	REGULATOR REQUIREMENT	COMPLIANCE STATUS BY THE COMPANY	REMARKS
A.10.1	The annual report should set out following information in relation to each Director: ➤ name, qualifications and brief profile; ➤ the nature of his/her expertise in relevant functional areas; ➤ immediate family and/or material business relationships with other Directors of the Company; ➤ whether Executive, Non-Executive and/or independent Director; ➤ names of listed companies in Sri Lanka in which the Director concerned serves as a Director; ➤ names of other companies in which the Director concerned serves as a Director, provided that where he/she holds directorships in companies within a group of which the Company is a part, their names need not be disclosed; it is sufficient to state that he/she holds other directorships in such companies; ➤ number/percentage of Board meetings of the Company attended during the year; ➤ the total number of Board seats held by each Director indicating listed and unlisted Companies and whether in an executive or non-executive capacity; ➤ names of Board Committees in which the Director serves as Chairman or a member; and ➤ number/percentage of committee meetings attended during the year.	Substantially complied	Please refer Director list and details Pages 50 to 55.
A.11 Appraisal of CEO	The Board should be required, at least annually, to assess the performance of the CEO	Complied	The Board have setup a Remuneration Committee for this requirement.
A.11.1 Target / Goals for the CEO	At the commencement of every fiscal year, the Board in consultation with the CEO, should set, in line with the short, medium and long-term objectives of the Company, reasonable financial and non-financial targets that should be met by the CEO during the year.	Complied	The Board ensures that a business performance plan is completed and approved by the Board for each year of operation. This plan is developed to tie up with the corporate plan of the Company and Key Performance Indicators (KPIs) are drawn up to monitor the success of operations. The overall KPIs are used to evaluate the performance of the CEO against results achieved by the Company.
A.11.2 Evaluation of the performance of the CEO	The performance of the CEO should be evaluated by the Board at the end of each fiscal year to ascertain whether the targets set by the Board have been achieved and if not, whether the failure to meet such targets were reasonable in the circumstances.	Complied	The Remuneration Committee of the Board carries out this evaluation and submits their briefing to the Board for any further discussion required.

CORPORATE GOVERNANCE

SECTION	REGULATOR REQUIREMENT	COMPLIANCE STATUS BY THE COMPANY	REMARKS
Section B - Directors' remuneration			
B.1 Remuneration procedure	Companies should establish a formal and transparent procedure for developing policy on executive remuneration and for fixing the remuneration packages of individual Directors. No Director should be involved in deciding his/her own remuneration.	Complied	The Board has implemented a formal and transparent procedure for developing policies on remuneration by setting up a Remuneration Committee.
B.1.1 Remuneration Committee	To avoid potential conflicts of interest, the Board of Directors should set up a Remuneration Committee to make recommendations to the Board, within agreed terms of reference, on the Company's framework of remunerating executive directors. (These also include Post-Employment Benefits as well as Terminal Benefits).	Complied	The purpose of the Committee is to assist the Board in matters of compensation of the Company's Executive Directors, Corporate Management Team and other employees as determined by the committee.
B.1.2 Composition	Remuneration Committees should consist exclusively of Non-executive Directors with a minimum of three Non-executive Directors of whom the majority should be independent. The Chairman should be an independent Non-executive Director and should be appointed by the Board.	Substantially complied	The Remuneration Committee consists of two Independent Non-Executive Directors namely, Eardley Perera and Chandana de Silva. Eardley Perera functions as the Chairman of the committee
B.1.3	The Chairman and members of the Remuneration Committee should be listed in the Annual Report each year.	Complied	Refer remuneration committee report - Pages 167.
B.1.4 Remuneration of Non-executive Directors	The Board as a whole, or where required by the Articles of Association the shareholders, should determine the remuneration of Non-Executive Directors, including members of the Remuneration Committee, within the limits set in the Articles of Association. Where permitted by the Articles, the Board may delegate this responsibility to a sub-committee of the Board, which might include the CEO.	Complied	Board decides the remuneration of the Non-Executive directors.
B.1.5 Consultation of the chairman and access to professional advice	The Remuneration Committee should consult the Chairman and/or CEO about its proposals relating to the remuneration of other Executive Directors and have access to professional advice from within and outside the Company, in discharging their responsibilities.	Complied	Remuneration Committee decides the remuneration of the Executive directors. The Committee has provisions to obtain professional advises if required.
B.2 The level and make up of remuneration	The level of remuneration of both Executive and Non-Executive Directors should be sufficient to attract and retain the Directors needed to run the Company successfully. A proportion of Executive Directors' remuneration should be structured to link rewards to the corporate and individual performance.	Complied	Remuneration Committee decides the remuneration of the Executive directors. The Committee has provisions to obtain professional advises if required.
B.2.1 The level and make up of remuneration	The Remuneration Committee should provide the packages needed to attract, retain and motivate Executive Directors of the quality required but should avoid paying more than is necessary for this purpose.	Complied	Remuneration Committee decides the remuneration of the Executive directors. The Committee has provisions to obtain professional advises if required.

SECTION	REGULATOR REQUIREMENT	COMPLIANCE STATUS BY THE COMPANY	REMARKS
B.2.2. Design the remuneration for long term success	Executive Director's remuneration should be designed to promote the long-term success of the company.	Complied	The remuneration levels are designed to attract and retain the best talent to ensure the long-term success and sustainability of business.
B.2.3 Design the remuneration of the executive directors to promote long-term success of the company	The Remuneration Committee should judge where to position levels of remuneration of the Company, relative to other companies. It should be aware what comparable companies are paying and should take account of relative performance, but should use such comparisons with caution, mindful of the risk that they can result in an increase of remuneration levels with no corresponding improvement in performance.	Complied	Relevant remuneration surveys are being conducted by the Remuneration Committee to analyse the adequacy of the remuneration packages provided.
B.2.4 Comparison of remuneration within the group	The Remuneration Committee should be sensitive to remuneration and employment conditions elsewhere in the Company or group of which it is a part, especially when determining annual salary increases.	Complied	Salary standards are being maintained and the Committee conducts a centralised function to the entire group of Companies.
B.2.5 Performance based remuneration	The performance-related elements of remuneration of Executive Directors should be designed and tailored to align their interests with those of the Company and main stakeholders and to give these Directors appropriate incentives to perform at the highest levels. The performance related elements should be transparent, stretching and rigorously applied.	Complied	A proper performance evaluation is being conducted by the Remuneration Committee. A standard and transparent evaluation methodology is being followed for all Executive Directors.
B.2.6 Executive share optional	Executive share options should not be offered at a discount (i.e. less than market price prevailing at the time the exercise price is determined), save as permitted by the Listing Rules of the Stock Exchange. Shares granted under share option schemes should not be exercisable in less than three years and the remuneration committee should consider requiring Directors to hold a minimum number of shares and to hold shares for a further period after vesting or exercise.	Complied	No Executive share options offered under discounted prices.
B.2.7 Designing the remuneration	In designing schemes of performance-related remuneration, Remuneration Committees should follow the provisions set out in Schedule E. The schemes should include provisions that would enable the company to recover sums paid or withhold a portion of such performance related remuneration and specify the circumstances in which a company may not be entitled to do so.	Complied	
B.2.8 Early termination of directors	Remuneration Committees should consider what compensation commitments (including pension contributions) their Directors' contracts of service, if any, entail in the event of early termination. Remuneration Committees should in particular, consider the advantages of providing explicitly for such compensation commitments to apply other than in the case of removal for misconduct, in initial contracts.	Complied	Remuneration Committee consider such information in decision making on remuneration of the directors.

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SECTION	REGULATOR REQUIREMENT	COMPLIANCE STATUS BY THE COMPANY	REMARKS
B.2.9 Early termination of directors	Where the initial contract does not explicitly provide for compensation commitments, Remuneration Committees should, within legal constraints, tailor their approach in early termination cases to the relevant circumstances. The broad aim should be, to avoid rewarding poor performance while dealing fairly with cases where departure is not due to poor performance.	Complied	A proper performance evaluation is being conducted by the Remuneration Committee.
B.2.10 Remuneration for Non-executive directors	Levels of remuneration for Non-Executive Directors should reflect the time commitment and responsibilities of their role, taking into consideration market practices. Remuneration for Non-Executive Directors should not normally include share options. If exceptionally options are granted, shareholder approval should be sought in advance and any shares acquired by exercise of the options should be held until at least one year after the Non-Executive Director leaves the Board. Holding share options could be relevant to the determination of a Non-Executive Director's independence. (as set out in provision A.5.5)	Complied	Fee of Non-Executive Directors is determined by the time, commitment and responsibilities of their role.
B.3 Disclosure of Remuneration	The Company's Annual Report should contain a statement of Remuneration Policy and details of Remuneration of the Board as a whole.	Complied	
B.3.1 Disclosure of Remuneration	The Annual Report should set out the names of Directors (or persons in the parent company's committee in the case of a group company) comprising the remuneration committee, contain a statement of remuneration policy and set out the aggregate remuneration paid to Executive and Non-Executive Directors.	Complied	Aggregate remuneration paid to Directors is mentioned in Note 12 to the financial statements. Please refer Director list and details (Pages 50 to 55)
Section C - Relations with shareholders			
C.1 Constructive use of the AGM and conduct of General Meetings.	Boards should use the AGM to communicate with shareholders and should encourage their participation.	Complied	
C.1.1 Adequate notice of the AGM	Companies should arrange for the notice of the AGM and related papers to be sent to the shareholders as determined by the statute, before the meeting.	Complied	A copy of the Annual Report including Financial Statements along with the notice of Meeting is sent to shareholders 15 working days prior to the date of the AGM.
C.1.2 Separate resolution for all separate issues at the AGM	Companies should propose a separate resolution at the AGM on each substantially separate issue and should in particular propose a resolution at the AGM relating to the adoption of the report and accounts. For each resolution, proxy appointment forms should provide shareholders with the option to direct their proxy to vote either for or against the resolution or to withhold their vote. The proxy form and any announcement of the results of a vote should make it clear that a "vote withheld" is not a vote in law and will not be counted in the calculation of the proportion of the votes for and against the resolution.	Complied	Relevant proxy appointment forms are being provided for each resolution.

SECTION	REGULATOR REQUIREMENT	COMPLIANCE STATUS BY THE COMPANY	REMARKS
C.1.3 recording and counting proxy appointment	The company should ensure that all the valid proxy appointments received for general meetings are properly recorded and counted. For each resolution, where a vote has been taken on a show of hands, the company should ensure that the following information is given at the meeting and made available as soon as reasonably practicable on a website which is maintained by or on behalf of the company: ➤ the number of shares in respect of which proxy appointments have been validly made ➤ the number of votes for the resolution ➤ the number of votes against the resolution ➤ the number of shares in respect of which the vote was directed to be withheld. ➤ when, in the opinion of the Board, a significant proportion of votes have been cast against a resolution at any general meeting, the Board should take steps to understand the reasons behind the vote results and determine any actions are required.	Complied	Relevant procedures are being followed at the AGM.
C.1.4 Availability of board sub-committee chairpersons	The Chairman of the Board should arrange for the Chairmen of the Audit, Remuneration, Nomination and Related Party Transactions Review Committees and the Senior Independent Director where such appointment has been made, to be available to answer questions at the AGM if so requested by the Chairman.	Complied	All respective chairmen of the sub-committees attend the AGM and available for any questions.
C.1.5 Procedure for voting	Companies should circulate, along with every notice of general meeting, a summary of the procedures governing voting at General Meetings.	Complied	Disseminations are made through Colombo Stock Exchange (CSE)
C.2 Communication with the shareholders	The Board should implement effective communication with shareholders	Complied	All information with regard to the Annual Report is disseminated through Chief Financial Officer and all other changes are communicated through the Company Secretary - Janashakthi Corporate Services Limited.
C.2.1 Effective Communication with shareholders	There should be a channel to reach all shareholders of the Company in order to disseminate timely information.	Complied	Disseminations are made through Colombo Stock Exchange (CSE)
C.2.2 policy and methodology for communication with shareholders	The Company should disclose the policy and methodology for communication with shareholders.	Complied	Please refer shareholder communication section.

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SECTION	REGULATOR REQUIREMENT	COMPLIANCE STATUS BY THE COMPANY	REMARKS
C.2.3 Implementation of the policy and the methodology	The Company should disclose how the above policy and methodology is implemented.	Complied	Please refer shareholder communication section
C.2.4 Contact person in relation to shareholder communications	The Company should disclose the contact person for such communication.	Complied	Please refer shareholder communication section
C.2.5 Process to make all directors aware of major issues and concern of shareholders and responding them	There should be a process to make all Directors aware of major issues and concerns of shareholders, and this process has to be disclosed by the Company.	Complied	Shareholder inquiries and concerns are being communicated to the Directors through the Company Secretary. The Company Secretary maintains a record of all correspondence received and will deliver such correspondence to the Board or individual Director as applicable.
C.2.6 Person to contact in relation to shareholders and responding them	The Company should decide the person to contact in relation to shareholders' matters. The relevant person with statutory responsibilities to contact in relation to shareholders' matters is the Company Secretary or in his/ her absence should be a member of the Board of Directors.	Complied	Shareholder inquiries and concerns are being communicated to the Directors through the Company Secretary.
C.2.7 Responding to shareholder matters	The process for responding to shareholder matters should be formulated by the Board and disclosed.	Complied	Please refer shareholder communication section.
C.3 Major and material transactions	Further to complying with the requirements under the Companies Act, Securities and Exchange Commission law and Colombo Stock Exchange regulations; as applicable, Directors should disclose to shareholders all proposed material transactions, which if entered into, would materially alter/ vary the Company's net assets base or in the case of a Company with subsidiaries, the consolidated group net asset base.	Complied	
C.3.1 Major transactions	Prior to a Company engaging in or committing to a 'Major related party transaction' with a related party transaction' with a related party, involving the acquisition, sale or disposition of greater than one third of the value of the Company's assets or that of a subsidiary which has a material bearing on the Company and/ or consolidated net assets of the Company, or a transaction which has or has or is likely to have the effect of the Company acquiring obligations and liabilities, of greater than one third of the value of the Company's assets, the Directors should disclose to shareholders the purpose and all material facts of such transaction and obtain shareholders' approval by ordinary resolution at an extraordinary general meeting. It also applies to transactions or series of related transactions which have the purpose or effect of substantially altering the nature of the business carried on by the Company.	Complied	

SECTION	REGULATOR REQUIREMENT	COMPLIANCE STATUS BY THE COMPANY	REMARKS
C.3.2	Public Listed companies should in addition comply with the disclosure requirements and shareholder approval by special resolution as required by the rules and regulations of the Securities and the Exchange Commission and by the Colombo Stock Exchange.	Complied	The Company Secretary ensures the disclosure requirements and shareholder approval by special resolution.
D. Accountability and Audit			
D.1 Financial and Business Reporting (The Annual Report)			
D.1.1	Board should present an annual report including financial statements that is true and fair, balanced and understandable and prepared in accordance with the relevant laws and regulations and any deviation being clearly explained.	Complied	Annual report is audited by the M/s KPMG and the same is being reviewed by the Board Audit Committee prior to obtain approval from the Board. Above mentioned process ensures the compliance with relevant laws, regulations and standards.
D.1.2	The Board's responsibility to present a balanced and understandable assessment extends to interim and other price-sensitive public reports and reports to regulators, as well as to information required to be presented by statutory requirements.	Complied	The review process of interim and other price sensitive public reports follows the same review and monitoring processes prior to publication.
D.1.3	The Board should before it approves the company's financial statements for a financial period, obtain from the CEO and CFO a declaration that, in their opinion, the financial records of the entity have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the company and that the system of risk management and internal control was operating effectively.	Complied	The declaration is obtained by the Board Audit Committee at the point of recommending financial statements for the approval of the Board.
D.1.4 Directors report	The Directors' Report, which forms part of the Annual Report, should contain declarations by the Directors to the effect that:	Complied	Please refer the Director declaration.
	the Company has not engaged in any activity, which contravenes laws and regulations;	Complied	
	the Directors have declared all material interests in contracts involving the Company and refrained from voting on matters in which they were materially interested;	Complied	
	the Company has made all endeavours to ensure the equitable treatment of shareholders;	Complied	
	the Directors have complied with best practices of corporate governance	Complied	
	Property, plant and equipment is reflected at fair value, where it is different from fair value adequate disclosures are made	Complied	

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SECTION	REGULATOR REQUIREMENT	COMPLIANCE STATUS BY THE COMPANY	REMARKS
D.1.4 Directors report	they have conducted a review of the internal controls, covering financial, operational and compliance controls and risk management and have obtained reasonable assurance of their effectiveness and successful adherence therewith,	Complied	
	The business is a going concern, with supporting assumption or qualifications as necessary (The matters to which the Board should give due consideration when adopting the going concern assumption are set out in Schedule H to this Code).	Complied	
D.1.5 Statement of directors and auditors responsibility for the financial statement	The Annual Report should contain a statement setting out the responsibilities of the Board for the preparation and presentation of financial statements, together with a statement by the Auditors about their reporting responsibilities. Further, the Annual Report should contain a Report/Statement on Internal Control (Containing information as set out in Schedule L).	Complied	The Statement of Directors' responsibility in preparation of the Financial Statements is given on page 122 while the Independent Auditor's report on pages 188 to 191 states the Auditor's responsibility for the Financial Statements.
D.1.6 Management discussion Analysis	The Annual Report should contain a "Management Discussion & Analysis", discussing, among other issues: ➤ Business model ➤ Industry structure and developments; ➤ Opportunities and threats; ➤ Risks management; ➤ Internal control systems and their adequacy; ➤ Governance ➤ Stakeholder relationships ➤ Social and environmental protection activities carried out by the Company; ➤ Financial performance; ➤ Investment in physical and intellectual capital ➤ Human resource/ industrial relations activities carried out by the Company ➤ Prospects for the future.	Complied	Please refer the Management Discussion and Analysis section Pages 83 to 117.
D.1.7 Summoning an extra ordinary general meeting (EGM) to notify serious loss of capital	In the event the net assets of the Company fall below 50% of the value of the Company's shareholders' funds, the Directors shall forthwith summon an Extraordinary General Meeting of the Company to notify shareholders of the position and of remedial action being taken. The directors should report periodically to the shareholders progress on these remedial action.	Not applicable	

SECTION	REGULATOR REQUIREMENT	COMPLIANCE STATUS BY THE COMPANY	REMARKS
D.1.8 Related party transactions	The Board should adequately and accurately disclose the related party transactions in its Annual Report: ➤ Each related party should submit signed and dated declaration quarterly mentioning whether they have related party transactions with the Company as defined in this Code; ➤ It should be the responsibility of the Company Secretary to keep a record on related party transactions and make necessary disclosures accordingly; ➤ There should be a process to capture related parties and related party transactions. This process needs to be operationalised and related party transactions should be properly documented. ➤ A record/ register either in hard or soft form on related party and related party transaction should be maintained by the Company; ➤ This record should ensure that the Company captures information to comply with the respective related party disclosure requirements imposed by SEC/Accounting Standards/ Auditing Standards and similar regulations.	Complied	The Company have system capability to identify Related Party transactions. Such reports can be generated through the system.
D.2 Risk management and internal control	The Board is responsible for determining the nature and extent of the principal risks, which are anticipated to be undertaken in achieving its strategic objectives. The Board should have a process of risk management and a sound system of internal control to safeguard shareholders' investments and the Company's assets. Broadly, risk management and internal control is a process, effected by an Entity's Board of Directors and management, designed to provide reasonable assurance regarding the achievement of Company's objectives.	Complied	The Board monitor the effectiveness of Risk Management processes and internal controls through the Risk Management Framework and reporting processes. Board Audit Committee and Enterprise Risk Management Committee are delegated to conduct this function and status of the same is being reported.
D.2.1 Monitor the computer's risk management and control internal control system	The Board should monitor the Company's risk management and internal control systems and, at least annually, carry out review of their effectiveness, and report on that review in the annual report. The monitoring and review should cover all material controls, including financial, operational and compliance controls.	Complied	
D.2.2 Review the need for internal audit function	The Directors should confirm in the annual report that they have carried out a robust assessment of the principal risks facing the company, including those that would threaten its business model, future performance, solvency or liquidity. The directors should describe those risks and explain how they are being managed or mitigated.	Complied	Please refer the Risk Management section Pages 172 to 184.

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SECTION	REGULATOR REQUIREMENT	COMPLIANCE STATUS BY THE COMPANY	REMARKS
D.2.3 Internal Audit function	Companies should have an internal audit function.	Complied	Internal Audit function of First Capital Treasuries PLC is outsourced to M/s Ernst and Young and other entities are outsourced to M/s PricewaterhouseCoopers.
D.2.4 Review of the process and effectiveness of risk management and internal controls	The Board should require the Audit Committee to carry out reviews of the process and effectiveness of risk management and internal controls, and to document to the Board and Board takes the responsibility for the disclosures on internal controls.	Complied	Responsibility has been assigned through the TOR of Board Audit Committee.
D.3. Audit Committee	The Board should establish formal and transparent arrangements for considering how they should; select and apply accounting policies for financial reporting, determine the structure and content of corporate reporting, implement internal control and risk management principles and for maintaining an appropriate relationship with the Company's Auditors.	Complied	
D.3.1 Composition of the audit committee	The Board should establish an audit committee exclusively of non-executive directors with a minimum of three non-executive directors of whom at least two should be independent. If there are more non-executive directors, the majority should be independent. The Committee should be chaired by an independent non- executive director. The board should satisfy itself that at least one member of the audit committee has recent and relevant experience in financial reporting and control.	Complied	The Audit Committee consists of Minette Perera – Chairperson – Independent Non-Executive Director Nishan Fernando – Independent Non-Executive Director Ramesh Schaffter – Non-Independent Non-Executive Director
D.3.2 TOR of the Audit committee	The Audit Committee should have a written TOR, dealing clearly with its authority and duties. The Audit Committee's written Terms of Reference must address: ➤ The Committee's purpose ➤ The duties and responsibilities of the Audit Committee	Complied	TOR of Board Audit Committee complies with all the requirements mentioned.
D.3.3 Disclosures	A separate section of the annual report should describe the work of the committee in discharging its responsibilities The Annual Report should contain a report by the Audit Committee, setting out the manner of compliance by the Company, in relation to the above, during the period to which the Annual Report relates.	Complied	Please refer the Audit Committee report Pages 165 to 166.
D.4. Related Party Transactions Review Committee	The Board should establish a procedure to ensure that the Company does not engage in transactions with "related parties" in a manner that would grant such parties "more favourable treatment" than that accorded to third parties in the normal course of business.	Complied	

SECTION	REGULATOR REQUIREMENT	COMPLIANCE STATUS BY THE COMPANY	REMARKS
D.4.1 Disclosures of related party transaction review committee	A related party and related party transactions will be as defined in LKAS 24.	Complied	
D.4.2	The Board should establish a Related Party Transactions (RPT) Review Committee consisting exclusively of Non- Executive Directors with a minimum of three Non- Executive Directors of whom the majority should be independent. Executive Directors may attend by invitation. The Chairman should be an Independent Non-Executive Director appointed by the Board.	Substantially complied	The RPT Review Committee comprises of ➤ Minette Perera-Independent Non-Executive Director (Chairperson) ➤ Nishan Fernando-Independent Non-Executive Director ➤ Dinesh Schaffter-Executive Director
D.4.3	RPT Review Committee should have written terms of reference dealing clearly with its authority and duties which should be approved by the Board of Directors. The RPT Review Committee's written terms of reference must address: ➤ A procedure for documenting related parties in accordance with the definitions in LKAS 24 and the CSE Listing Rules. ➤ A procedure to obtain a statement of related party interest from each such related party at least once in each quarter, when there's a change in the status and in any event prior to entering into any transaction between such related parties and the Company, its parent or any of subsidiaries, sub-subsidiaries, fellow subsidiaries, associates, joint ventures and any other entities which are considered related parties as defined in LKAS 24 unless they are exempted related party transactions as defined in CSE Listing Rules. ➤ Key Management Personnel of the company responsible for contracting, procurement, payments, and any other channel through which an inflow or outflow of resources can result, should have a list of all related parties and have a process in place to capture and report any related party transaction within their area of responsibility. ➤ A procedure to inform all related parties of what constitutes exempted related party transactions. ➤ A procedure to identify and for directors to report recurrent and non-recurrent related party transactions and to obtain Board or shareholder approval by special or ordinary resolution as required by the CSE Listing Rules.	Complied	The TOR of the Committee addresses the relevant requirements.

CORPORATE GOVERNANCE

SECTION	REGULATOR REQUIREMENT	COMPLIANCE STATUS BY THE COMPANY	REMARKS
D.4.3	➤ A procedure and guideline to delegate to Key Management Personnel to deal with recurrent related party transactions as defined in the CSE Listing Rules. ➤ A procedure for the RPT Review Committee to review and recommend to the board matters relating to such transactions. ➤ Any interested directors should not participate at the meeting at which the transaction relating to him/ her is discussed unless invited to seek clarification/ information. ➤ A procedure and definition of disclosures required to be made by the company on an annual basis, those requiring immediate disclosure and those requiring shareholder approval. ➤ A procedure to identify related party transactions which require immediate disclosure as per the CSE listing rules and to ensure that required disclosures are made by the Company to the Colombo Stock Exchange in accordance with the CSE Listing Rules. ➤ A procedure to identify related party transactions which require shareholder approval by special resolution at an extra-ordinary general meeting. ➤ The company secretary should maintain a permanent record in manual or electronic form of such statements, submissions, approvals and minutes. ➤ Review and recommend to the Board the related party disclosures to be made in the Annual Report of the Company.	Complied	The TOR of the Committee addresses the relevant requirements.
D.5. Code of Business Conduct & Ethics	Companies must adopt a Code of Business Conduct & Ethics for Directors, Key Management Personnel and all other employees' including but not limited to: dealing with shares of the company; compliance with listing rules; bribery and corruption; confidentiality; encouraging that any illegal, fraudulent and unethical behaviour be promptly reported to those charged with governance. The company must disclose waivers of the Code for Directors, if any.	Complied	Please refer Directors' disclosures.

SECTION	REGULATOR REQUIREMENT	COMPLIANCE STATUS BY THE COMPANY	REMARKS
D.5.1 Code of Business Conduct and ethics	All Companies must disclose whether they have a Code of Business Conduct & Ethics for Directors and Key Management Personnel and if they have such a Code, make an affirmative declaration in the Annual Report that all Directors and Key Management Personnel have declared compliance with such Code, and if unable to make that declaration, state why they are unable to do so. Each Company may determine its own policies in the formulation of such a Code, but all Companies should address the following important topics in their respective Codes: ➤ conflict of interest; ➤ bribery and corruption; ➤ entertainment and gifts; ➤ accurate accounting and record-keeping; ➤ fair and transparent procurement practices; ➤ corporate opportunities; ➤ confidentiality; ➤ fair dealing; ➤ protection and proper use of company assets including information assets; ➤ compliance with laws, rules and regulations (including insider trading laws); and ➤ encouraging the reporting of any illegal, fraudulent or unethical behavior.	Complied	The Company adopted the Code of Business Conduct and Ethics stipulated by the regulators.
D.5.2 Process in placed to ensure that material and price sensitive information	The Company should have a process in placed to ensure that material and price sensitive information is promptly identified and reported in accordance with the relevant regulations.	Complied	The Company has formulated a policy.
D.5.3 Policy, process for monitoring, and disclosure of shares purchased	The Company should establish a policy, process for monitoring, and disclosure of shares purchased by any director, Key Management Personnel or any other employee involved in financial reporting.	Substantially complied	Statement of corporate governance in accordance with the Listing Rules is made in annual report. Share transactions are being monitored and disclosed by the Company Secretary.
D.5.4 Affirmation by the chairman for no violation	The Chairman must affirm in the Company's Annual Report that a code of conduct and ethics has been introduced companywide and the procedure for disseminating, monitoring and compliance with that code. He must also disclose that he is not aware of any violation of any of the provisions of the Code of Business Conduct & Ethics.	Complied	Please refer Chairman's report.
D.6. Corporate Governance Disclosures	Directors should be required to disclose the extent to which the company adheres to establish principles and practices of good Corporate Governance	Complied	Please refer the Corporate Governance report Pages 123 to 158.

CORPORATE GOVERNANCE

SECTION	REGULATOR REQUIREMENT	COMPLIANCE STATUS BY THE COMPANY	REMARKS
D.6.1 Corporate Governance Report in Annual Report	The Directors should include in the Company's Annual Report, a Corporate Governance Report setting out the manner and extent to which the Company has complied with the principles and provisions of this Code.	Complied	Please refer the Corporate Governance report Pages 123 to 158.
Section E - Shareholders			
Section E - Institutional Investors			
E.1 Shareholder Voting	Institutional shareholders have a responsibility to make considered use of their votes and should be encouraged to ensure their voting intentions are translated into practice.	Complied	The shareholders are given sufficient opportunity at the AGM to discuss any matters with the Directors.
E.1.1 Views of shareholders	A listed company should conduct a regular and structured dialogue with shareholders based on a mutual understanding of objectives. Arising from such dialogue, the Chairman should ensure the views of shareholders are communicated to the Board as a whole.	Complied	The Company Secretary corresponds with the shareholders as and when the need arises.
E.2.Evaluation of Governance Disclosures (Principle)	When evaluating Companies' governance arrangements, particularly those relating to Board structure and composition, institutional investors should be encouraged to give due weight to all relevant factors drawn to their attention.	Complied	The Management and Board maintain regular dialogue with institutional shareholders with regard to key business transactions.
Section F - Other Investors			
F.1.Investing/ Divesting Decision (Principle)	Individual shareholders, investing directly in shares of companies should be encouraged to carry out adequate analysis or seek independent advice in investing or divesting decisions.	Complied	Required financial and non-financial information are being disseminated through Colombo Stock Exchange to facilitate this requirement.
F.2. Shareholder Voting (Principle)	Individual shareholders should be encouraged to participate in General Meetings of companies and exercise their voting rights.	Complied	Invitations are being circulated to all shareholders to participate to General meetings of the company.
Section G - Internet of Things and Cybersecurity			
G.1. (Principle)	The Board should have a process to identify how in the organisation's business model, IT devices within and outside the organisation can connect to the organisation's network to send and receive information and the consequent cybersecurity risks that may affect the business. Internal and external parties could have computing devices embedded in everyday objects which may enable them to interconnect with the company's network to send and receive data. Such access could be authorised or unauthorised	Complied	Based on the IT Policy Manual approved by the Board, Information and cyber security audits are being conducted and reports of the same are being reviewed by the Board Audit Committee and discussed at the Board meetings.

SECTION	REGULATOR REQUIREMENT	COMPLIANCE STATUS BY THE COMPANY	REMARKS
G.2 (Principle)	The Board should appoint a Chief Information Security Officer (CISO) with sufficient expertise, authority and budgetary allocation to introduce and implement a cybersecurity risk management policy which should be approved by the Board. The policy should include a robust cybersecurity risk management process, incident response system, vendor management system, disaster recovery plan and a governance structure to monitor effective implementation, reporting and the need for cybersecurity insurance.	Substantially complied	There is a dedicated team ensuring the IT Governance aspect under Head of IT even though there is no designated Chief Information Security Officer. As per the IT Policy of the company, periodic IT and cyber security audits are being conducted and it gives assurance to the same.
G.3 (Principle)	The Board should allocate regular and adequate time on the board meeting agenda for discussions about cyber- risk management. The matters taken up for the discussion on the board meeting agenda may include; ➤ Potential cybersecurity risks in the company's business model ➤ CISO's security strategy and status of the current projects ➤ Compliance with the cybersecurity risk management process and incident reports ➤ Findings and recommendations from independent reviewers	Complied	Risk register items related to Information security and cyber-security are being discussed at the Enterprise Risk Management Committee and at the Board meetings.
G.4 (Principle)	The Board should ensure the effectiveness of the cybersecurity risk management through independent periodic review and assurance. The scope and the frequency of the independent periodic reviews could be determined based on the industry vulnerability, company's business model and incident findings.	Complied	Based on the IT Policy approved by the Board, Information and cyber security audits are being conducted and reports of the same are being reviewed by the Board Audit Committee and discussed at the Board meetings.
G.5 (Principle)	The Board should disclose in the annual report, the process to identify and manage cyber security risks.	Complied	Please refer the Risk Management section

CORPORATE GOVERNANCE

SECTION	REGULATOR REQUIREMENT	COMPLIANCE STATUS BY THE COMPANY	REMARKS
Section H.1 - ESG Reporting			
H.1 ESG Reporting	The Company's annual report should contain sufficient information to enable investors and other stakeholders to assess how ESG risks and opportunities are recognized, managed, measured and reported. Environmental, social and governance considerations can affect a company's ability to execute its business strategy and create value. While many ESG factors are 'non-financial', their management and likely impact have financial consequences. Hence, they are important factors to be built into a company's business model, strategy, governance and risk management framework. ESG factors relevant to the company could impact the following: ➤ Access to financial capital ➤ Cost savings and productivity ➤ Brand value and reputation ➤ Employee recruitment ➤ Employee retention ➤ Access to markets ➤ License to operate ➤ Market capitalisation Integrating ESG policies and practices into a company's strategy, business model, governance and risk management, and reporting its likely impact and implications are increasingly seen by investors as material to their investment decisions. Further, investors want to understand how well companies are managing the risks associated with ESG issues, as this is seen as a key test of the long term sustainability of the company. They are also increasing interested in the opportunities presented by the low carbon economy, and are allocating capital to companies that are well equipped to benefit from this.	Substantially complied	
H.1.1	The companies should provide information in relation to: ➤ The relevance of environmental, social and governance factors to their business models and strategy. ➤ How ESG issues may affect their business, e.g. through legislation, reputational damage, employee turnover, license to operate, legal action or stakeholder relationships, and how these impacts may affect business strategy and financial and operational performance. ➤ How risks and opportunities pertaining to ESG are recognised, managed, measured and reported.	Substantially complied	

SECTION	REGULATOR REQUIREMENT	COMPLIANCE STATUS BY THE COMPANY	REMARKS
H.1.2 Environmental factors H.1.2.1 Environmental governance	Environmental governance of an organisation should adopt an integrated approach that takes into consideration the direct and indirect economic, social, health and environmental implications of their decisions and activities, including; ➤ pollution prevention, ➤ sustainable resource use (eg: water, energy), ➤ climate change, ➤ protection of environment, ➤ bio diversity, ➤ restoration of natural resources.	Partially complied	
H.1.3. Social Factors H.1.3.1 Social governance	Social governance of an organisation should include its relationship with the community, customers, employees, suppliers, outsourced providers and any other party that can influence or be influenced by the organisation's business model.	Partially complied	
	The organisation should adopt an integrated approach to building a relationship with the community and striving for sustainable development including responsible community engagement, fair competition, thereby demonstrating corporate social responsibility.	complied	
H.1.3. Social Factors H.1.3.1 Social governance	The organisation should adopt an integrated approach to building a relationship with customers. This includes establishing a process for customer engagement, product responsibility and product recall and other matters relevant to the organisation's business model.	complied	
	The labour practice related governance of an organisation should encompass all policies and practices in relation to work performed by or on behalf of the organisation in accordance with its business model, and should also include policies and practices such as equal opportunity, career development and training, reward and recognition, conditions of work, work-life balance and industrial relations.	complied	HR Policy Manual includes policies and procedures related to these aspects.
	The organisation should have policies and procedures to ensure that suppliers and outsourced providers comply with social governance norms of the company	Partially complied	As a Financial services provider with a large stakeholder base, we understand our responsibility towards the society and communities that we operate in. Ingrained within the organisation is a long history of good social governance as a responsible corporate citizen.

CORPORATE GOVERNANCE

SECTION	REGULATOR REQUIREMENT	COMPLIANCE STATUS BY THE COMPANY	REMARKS
H.1.4. Governance H.1.4.1. Governance structure	The companies should establish a governance structure to support its ability to create value and manage risks in the short, medium and long term, recognising managing and reporting on all pertinent aspects of ESG.	Substantially complied	The governance structure of the Company substantially supports the said aspects.
	The company should recognise the key resources/ capitals deployed in its business and establish financial and non-financial measures for resource/ capital management and related outputs and outcomes.	Substantially complied	The Company sets financial and nonfinancial goals through the strategic planning process and resources are allocated with the annual budgets.
H.1.4. Governance H.1.4.1. Governance structure	The company should have a process to ascertain, assess and manage risks which have an impact on the sustainability of the company.	Substantially complied	The company follows the 'Balance score card' method, which measures performance of financial and non financial objectives, in evaluating performance against objectives.
	The company should have a process to recognise material matters relating to significant stakeholders and a method of engagement relevant to their level of interest and influence.	complied	Please refer the Section related to Management Discussion and Assessment.
	The disclosures should deal with how the company has complied with the mandatory and voluntary codes of corporate governance and how its leadership structure, organisational culture, code of conduct and business model supports sustainability of the company in the short, medium and long term.	complied	
H.1.5 Board's Role on ESG Factors H.1.5.1. Board's responsibility on ESG reporting	ESG reporting is a Board's responsibility and it is designed to add value by providing a credible account of the Company's economic, social and environmental impact.	complied	
	ESG reporting and disclosure should be formalised as part of the Company's reporting process and take place on a regular basis.	complied	The Company adopted ESG reporting and related sections are incorporated to the financial statements (2021/22).
	ESG reporting should link sustainable issues more closely with strategy.	complied	ESG Reporting and Strategic Plan are linked and reported accordingly.

STATEMENT OF COMPLIANCE

REPORT ON COMPLIANCE WITH THE RULES ON THE CONTENT OF THE ANNUAL REPORT ACCORDING TO SECTION 7.6 OF THE LISTING RULES OF THE COLOMBO STOCK EXCHANGE (LISTING RULES)

Listing Rules of the Colombo Stock Exchange (CSE) aim to boost the confidence of investors of the companies by requiring the companies to publish accurate information on a timely basis to evaluate companies and assist investors to make wise decisions on investments. These rules also depict governance rules which should be adhered to by all listed companies. Level of compliance by First Capital Holdings PLC with such rules is presented in the following table:

LISTING RULE REFERENCE	LISTING RULE - DISCLOSURE REQUIREMENT	STATUS OF COMPLIANCE	DETAILS/REFERENCE
7.6 (i)	Name of persons who held the positions of Directors during the financial year	Complied	Refer the Pages 50 to 55
7.6 (ii)	Principal activities of the Entity and its Subsidiaries during the year and any changes therein	Complied	Refer the Pages 197
7.6 (iii)	The names and the number of shares held by the 20 largest holders of voting and non-voting shares and the percentages of such shares held	Complied	Refer the Page 276
7.6 (iv)	The public holding percentage	Complied	Refer the Page 275
7.6 (v)	A statement of each Director's and Chief Executive Officer's shareholding and the percentage of such shares held	Complied	Refer the Page 120
7.6 (vi)	Information pertaining to material foreseeable risk factors of the Entity	Complied	Refer the Pages 26
7.6 (vii)	Details of material issues pertaining to employees and industrial relations of the Entity	Not applicable	Not applicable
7.6 (viii)	Extent, locations, valuations, and the number of buildings of the Entity's land holdings and investment properties	Not applicable	Not applicable
7.6 (ix)	Number of shares representing the Entity's stated capital	Complied	Refer the Page 238 to the Financial Statements
7.6 (x)	A distribution schedule of the number of holders in each class of equity securities and the percentage of their total holdings	Complied	Refer the Page 274 to 276
7.6 (xi)	Ratios and market price information: Equity Debt Any changes in credit rating	Complied	Refer the Pages 21 and 279
7.6 (xii)	Significant changes in the Entity's or its subsidiaries' fixed assets and the market value of land, if the value differs substantially from the book value	Not applicable	Not applicable
7.6 (xiii)	Details of funds raised through Public Issues, Rights and Private Placements during the year	Complied	Refer the Page 119 and note 23.1 to the Financial Statements
7.6 (xiv)	Information in respect of Employee Share Option Schemes and Employee Share Purchase Schemes	Not applicable	Not applicable
7.6 (xv)	Disclosure pertaining to Corporate Governance Practices in terms of Rules 7.10.3, 7.10.5 c and 7.10.6 c of Section 7 of the Rules	Complied	Refer the Pages 160 to 161

STATEMENT OF COMPLIANCE

COMPLIANCE REQUIREMENTS ON CORPORATE GOVERNANCE RULE 7.10 OF THE LISTING RULES

The Continuing Listing Rule Section 7.10 of the Colombo Stock Exchange mandates companies listed on the Colombo Stock Exchange to publish a table in the Annual Report, confirming compliance with the Corporate Governance rules as at the date of the Annual Report. The Rule addresses the following aspects:

1. Non-Executive Directors
2. Independent Directors
3. Disclosures relating to Directors
4. Remuneration Committee
5. Audit Committee

LISTING RULE REFERENCE	LISTING RULE (DESCRIPTION)	STATUS OF COMPLIANCE	DETAILS/REFERENCE
7.10.1 Non - Executive Directors			
7.10.1(a)	Two or one third of the Directors, whichever is higher, should be Non-Executive Directors	Complied	Refer the Pages 50 to 55
7.10.2 Independent Directors			
7.10.2(a)	Two or one third of Non-Executive Directors, whichever is higher, should be independent	Complied	Refer the Pages 50 to 55
7.10.2(b)	Each Non-Executive Director should submit a declaration of independence/non independence in the prescribed format	Complied	The Independent Directors have submitted written declarations of their independence
7.10.3 (a)	Names of Independent Directors should be disclosed in the Annual Report	Complied	Refer the Pages 50 to 55
7.10.3 (b)	In the event a Director does not qualify as independent as per the rules on corporate governance but if the Board is of the opinion that the Director is nevertheless independent, it shall specify the basis of the determination in the Annual Report	Not applicable	Not applicable
7.10.3 (c)	A brief resume of each Director should be published in the Annual Report including the areas of expertise	Complied	Refer the Pages 50 to 55
7.10.3 (d)	A brief resume of any new Director appointed to the Board should be provided to the Exchange for dissemination to the public	Complied	Refer the Pages 50 to 55
7.10.4 Criteria for Defining Independence			
7.10.4 (a-h)	Requirements for meeting the criteria to be an Independent Director	Complied	Independence of the Directors has been determined based on listing rules 7.10.4 (a-h)
7.10.5 Remuneration Committee			
7.10.5 (a)	The Remuneration Committee shall comprise a minimum of two Independent Non-Executive Directors or a majority of Independent Non-Executive Directors, whichever is higher	Complied	Refer the Page 167
7.10.5 (c)	**The Annual Report shall set out:**		
	(i) The names of the Directors that comprise the Remuneration Committee	Complied	Refer the Page 167
	(ii) A statement of Remuneration Policy	Complied	Refer the Page 167
	(iii) Aggregate remuneration paid to Executive and Non- Executive Directors	Complied	Refer the note 12 to Financial Statements

LISTING RULE REFERENCE	LISTING RULE (DESCRIPTION)	STATUS OF COMPLIANCE	DETAILS/REFERENCE
7.10.6 Audit Committee			
7.10.6 (a)	(i) The Audit Committee shall comprise a minimum of two Independent Non-Executive Directors, or a majority of Independent Non-Executive Directors, whichever is higher	Complied	Refer the Pages 165 to 166
	(ii) The Chief Executive Officer and Chief Financial Officer shall attend Audit Committee meetings	Complied	Refer the Pages 165 to 166
	(iii) The Chairman or one member of the Committee should be a member of a recognised professional accounting body	Complied	Refer the Pages 165 to 166
7.10.6 (b)	**The functions of the Audit Committee;**		
	Overseeing of the preparation, presentation and adequacy of disclosures in the financial statements in accordance with SLFRS/ LKAS	Complied	Refer the Pages 165 to 166
	Overseeing the compliance with financial reporting requirements, information requirements as per laws and regulations	Complied	Refer the Pages 165 to 166
	Ensuring the internal and risk management controls, are adequate, to meet the requirements of the SLFRS/LKAS	Complied	Refer the Pages 165 to 166
	Assessment of the independence and performance of the Entity's External Auditors	Complied	Refer the Pages 165 to 166
	Make recommendations to the Board pertaining to External Auditors	Complied	Refer the Pages 165 to 166
7.10.6 (c)	**The Annual Report shall set out;**		
	(i) The names of the Directors who comprise the Audit Committee	Complied	Refer the Pages 165 to 166
	(ii) The Audit Committee shall make a determination of the independence of the Auditors and disclose the basis for such determination	Complied	Refer the Pages 165 to 166
	(iii) A report by the Audit Committee setting out the manner of compliance of the functions set out in Section 7.10 of the Listing Rules	Complied	Refer the Pages 165 to 166

STATEMENT OF COMPLIANCE

REPORT ON COMPLIANCE WITH THE RULES ON THE CONTENT OF THE ANNUAL REPORT AS PER SECTION 9.3.2 OF THE LISTING RULES (RELATED PARTY TRANSACTIONS)

The Related Party Transactions Review Committee (RPTR) has been appointed by the Board of Directors of the Company to ensure compliance with the rules and regulations governing related party transactions.

LISTING RULE REFERENCE	LISTING RULE (DESCRIPTION)	STATUS OF COMPLIANCE	DETAILS/REFERENCE
9.2 Related Party Transactions Review Committee			
9.2.1	Review of Related Party Transaction (RPT)	Complied	Refer the Page 170
9.2.2	The Committee should comprise a combination of Non- Executive Directors and Independent Non-Executive Directors, One Independent Non-Executive Director shall be appointed as Chairman	Complied	Refer the Page 170
9.3.2	**Disclosures in the Annual Report**		
	In the case of Non-recurrent Related Party Transactions, if aggregate value of the non-recurrent Related Party Transactions exceeds 10% of the Equity or 5% of the Total Assets, whichever is lower, of the Listed Entity as per the latest Audited Financial Statements the required information in the rule must be presented in the Annual Report	Not applicable There were no Non-recurrent Related Party Transactions exceeded 10% of the Equity or 5% of the Total Assets (2021/22)	
	In the case of Recurrent Related Party Transactions, if the aggregate value of the recurrent Related Party Transactions exceeds 10% of the gross revenue/income (or equivalent term in the Income Statement and in the case of group entity consolidated revenue) as per the latest Audited Financial Statements, the Listed Entity must disclose the aggregate value of recurrent Related Party Transactions entered into during the financial year in its Annual Report. The name of the Related Party and the corresponding aggregate value of the Related Party Transactions entered into with the same Related Party must be presented with the required information	Complied	Refer the Note 40.6
	Annual Report shall contain a report compiled by the Related Party Transaction Review Committee including followings: ➤ Names of the Directors who are in the committee ➤ Statement with regard to Related party transactions reviewed during the financial year ➤ Number of times the committee has met during the financial year ➤ Policies and procedures adopted by the RPT Committee	Complied	Refer the Page 170
	A declaration by the Board of Directors in the Annual Report as an affirmative statement of the compliance with these Rules pertaining to Related Party Transactions or a negative statement in the event the Entity has not entered into any Related Party Transaction/s.	Complied	Annual Report of the Board of Directors (page 119 to 121)

REPORT ON THE STATUS OF COMPLIANCE WITH SECTION 168 OF THE COMPANIES ACT NO. 07 OF 2007 IS PRESENTED BELOW.

REFERENCE TO THE COMPANIES ACT	INFORMATION REQUIRED TO BE DISCLOSED AS PER THE COMPANIES ACT	STATUS OF COMPLIANCE	DETAILS/REFERENCE
Section 168 (1) (a)	The nature of the business of the Company together with any change thereof during the accounting period	Complied	Refer the page 119.
Section 168 (1) (b)	Signed Financial Statements of the Company for the accounting period completed in accordance with Section 151 and 152	Complied	Financial Statements of the Group and the Company for the year ended 31 March 2022 have been prepared in accordance with the requirements of the Sri Lanka Accounting Standards and comply with the requirements of the Companies Act No. 07 of 2007 which were duly certified by the Chief Financial Officer (the person responsible for the preparation of the Financial Statements) and were approved by two members of the Board as appearing on pages from 192 to 272 form an integral part of this Report.
Section 168 (1) (c)	Auditors' Report on the Financial Statements of the Company	Complied	Refer pages 188 to 191 for the "Independent Auditors' Report"
Section 168 (1) (d)	Accounting policies of the Company and any change therein	Complied	Note to the Financial Statements: Significant Accounting Policies adopted in the preparation of the Financial Statements of the Group and the Company are given on pages from 197 to 212. There were no changes to the Accounting Policies adopted.
Section 168 (1) (e)	Particulars of the entries made in the Interests Register of the Company during the accounting period.	Complied	The Company maintains the Interest Registers. All Directors have made declarations as required by Sections 192 (1) and (2) of the Companies Act aforesaid and all related entries were made in the Interest Registers during the year under review. The Interest Registers are available for inspection by shareholders or their authorised representatives as required by Section 119 (1) (d) of the Companies Act No. 07 of 2007.

STATEMENT OF COMPLIANCE

REFERENCE TO THE COMPANIES ACT	INFORMATION REQUIRED TO BE DISCLOSED AS PER THE COMPANIES ACT	STATUS OF COMPLIANCE	DETAILS/REFERENCE
Section 168 (1) (f)	Remuneration and other benefits paid to Directors of the Company during the accounting period	Complied	Refer Note 12 to the Financial Statements on page 214. Further, refer the Remuneration Committee Report on page 167.
Section 168 (1) (g)	Total amount of donations made by the Company during the accounting period	Complied	Refer Note 12 to the Financial Statements on page 214.
Section 168 (1) (h)	Information on Directorate of the Company during and at the end of the accounting period	Complied	Refer the Pages 50 to 55.
Section 168 (1) (i)	Separate disclosure on amounts payable to the Auditors as Audit Fees and Fees for other services rendered during the accounting period by the Company	Complied	Note 12 to the Financial Statements on page 214.
Section 168 (1) (j)	Auditors' relationship or any interest with the Company	Complied	Refer the Page 188 to 191 for Auditors' Report.
Section 168 (1) (k)	Acknowledgement of the contents of this Report/Signatures on behalf of the Board	Complied	Refer the Page from 119 to 121.

AUDIT COMMITTEE REPORT

CHARTER OF THE COMMITTEE

The Board Audit Committee (BAC) assists the Board in the discharge of its responsibilities by overseeing financial reporting, internal/ external audits and internal control practices. The BAC Charter defines the Terms of Reference (TOR) of the Committee and regulates the composition, functions and responsibilities of the BAC. The Committee shall have the power to conduct or authorise investigations into any matters within the Committee's scope of responsibilities. The Committee shall have unrestricted access to members of management and other employees of the Group, as well as all information relevant to the carrying out of its responsibilities.

COMPOSITION

The Audit Committee consists of two Independent Non-Executive Directors and one Non-Independent Non-Executive Director of the Company. The Committee is chaired by Ms. Minette Perera.

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

Ms. Minette Perera
Chairperson – Independent Non-Executive Director
Mr. Nishan Fernando
Independent Non-Executive Director
Mr. Ramesh Schaffter
Non-Independent Non-Executive Director

Brief profiles of the members of the Board appointed Audit Committee are given on Pages 50 to 55 of the Annual Report.

Mr. Kapila Perera, AGM – Risk and Compliance functions as the Secretary to the Committee.

MEETINGS

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

The attendance of the Members for the Audit Committee meetings during year 2021/22 is as follows.

NAME OF DIRECTOR	ATTENDANCE IN 2021/22 (ATTENDED/ ELIGIBLE TO ATTEND)
Ms. Minette Perera	5/5
Mr. Nishan Fernando	5/5
Mr. Ramesh Schaffter	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 Group with particular reference to the following;

The preparation, presentation and adequacy of the disclosures in the Group'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 Group, except for First Capital Treasuries PLC has been outsourced to M/s. PricewaterhouseCoopers. The Internal Audit function of First Capital Treasuries PLC has been outsourced to M/s. Ernst & Young. 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.

AUDIT COMMITTEE REPORT

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 2021/22 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 and the objectivity.

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 2023, subject to the approval of the shareholders at the Annual General Meeting.

(Sgd.)
Ms. Minette Perera
Chairperson-Audit Committee
15 August 2022
Colombo

REMUNERATION COMMITTEE REPORT

COMPOSITION OF THE COMMITTEE

The Remuneration Committee was appointed by the Board of Directors of the company. As at 31 March 2022, the committee comprised the following directors.

Mr. Eardley Perera
Independent Non-Executive Director
(Chairman of the committee)
Mr. Chandan de Silva
Independent Non-Executive Director
(Member)

Brief profiles of the members of the Board appointed Remuneration Committee are given on Pages 50 to 55 of the Annual Report.

SCOPE OF THE REMUNERATION COMMITTEE

Scope of the remuneration committee entails the company's remuneration and benefits schemes are market competitive in order to attract and retain talent and it remunerates employees and all key management personnel (KMP) in a fair and equitable manner.

The Remuneration committee ensures the competency development of KMPs and their knowledge and expertise are in line with the business needs. Succession planning is a key element of the remuneration committee scope that ensures identification of successors and contingencies for all KMPs.

KEY RESPONSIBILITIES OF THE REMUNERATION COMMITTEE

- Ensuring the remuneration and benefits are decided on a fair and equitable manner
- Ensure a proper mechanism is in place for management development and succession planning and periodic reviews of the same.
- Authorise remuneration and incentive framework, including any proposed equity incentive awards including terminal benefits/pension rights for the Managing Director, Director/Chief Executive Officer and KMPs
- Approve annual increments, bonuses, incentives and any other compensation changes for the Managing Director and the Senior Management team including KMPs, based on corporate and individual performance against set targets and goals.
- Review information related to compensation time to time to ensure it is in par with the market/industry rates or as per the compensation philosophy of the company.
- Analyse market data on compensation and benefits and provide periodic recommendations to the board on market dynamics.
- Effective communication with shareholders on the remuneration policy and the committee's work on behalf of the Board through a remuneration committee report
- Assist in the recruitment and selection process of the KMPs based on the recommendations made by Managing Director and Director/Chief Executive Officer.
- Periodic review of the statutory obligations arising from employment including EPF/ETF, terminal benefits, etc
- Determining the terms of any compensation package in the event of early termination of the contract of any Executive Director
- Recommending and ensuring that the appropriate service contracts are available for Executive Directors
- Provide direction on disciplinary matters that involves KMPs or any other employee that could create a significant impact to the company

COMMITTEE MEETINGS

The Remuneration committee convened two times during the period under review.

OTHER MATTERS

The Remuneration committee is authorised by the Board to seek appropriate professional advice inside and outside the company as and when it considers this necessary.

(Sgd.)
Eardley Perera
Chairman – Remuneration Committee
15 August 2022
Colombo

ENTERPRISE RISK MANAGEMENT COMMITTEE REPORT

The Enterprise Risk Management Committee (ERMC) is responsible for establishing and maintaining a comprehensive Enterprise-wide Risk Management System for identifying, assessing and managing risk to assist the Group's Corporate Management Team in managing risk with reasonable assurance in a dynamic business environment.

CHARTER OF THE COMMITTEE

The Enterprise Risk Management Committee was formed in May, 2012. The Committee was formed by the Board of Directors based on the requirement mentioned in "Code of Best Practice on Corporate Governance" to conduct a review of the risks faced by the Group and the effectiveness of the system of internal controls. Although the responsibility was mentioned under Audit Committee, ERMC was formed independently considering the gravity of attention required in monitoring and assessing risk regularly for the Group. The charter of the ERMC was approved by the Board of Directors and is reviewed periodically. As part of the annual review process, the Committee last reviewed the charter in March 2022.

COMPOSITION OF THE COMMITTEE

The Enterprise Risk Management Committee consists of an Independent Non-Executive Director, an Executive Director and four members of Corporate Management Team. The Committee is chaired by Mr. Nishan Fernando. The members of the Board appointed Enterprise Risk Management Committee are as follows.

Mr. Nishan Fernando –
Chairman, Independent Non-Executive Director
Mr. Dilshan Wirasekara -
Director/ Chief Executive Officer
Mr. Tharusha Ekanayake -
Chief Operating Officer
Mr. Mangala Jayashantha -
Chief Financial Officer
Ms. Sujani Sellahewa -
Assistant General Manager – Operations
Mr. Kapila Perera -
Assistant General Manager – Risk & Compliance (Member Cum Secretary)

KEY RESPONSIBILITIES AND SCOPE OF WORK OF THE COMMITTEE

- Overall responsibility for the Enterprise Risk Management process, including developing and implementing the processes and procedures to identify, assess, respond to and report on the extreme/high/ significant risks identified in the risk assessment process.
- Monitor the risk management process which involves the systematic application of policies, procedures and practices to the activities of communicating and consulting, establishing the context and assessing, treating, monitoring, reviewing, recording and reporting risk.
- Ensure proper risk management by recommending to the board ownership, roles, responsibilities, and accountabilities related to risk management.
- Promote the Enterprise Risk Management model to the Corporate Management Team and educate them on the enterprise risk management process.
- Ensure that risk management is integrated into all organisational activities and should demonstrate leadership and commitment
- Ensure that the risk management framework remains appropriate to the context of the organisation.
- Work with business units on monitoring and reporting to ensure compliance with the regulatory standards and reporting of the risks identified and prioritised by the Committee, as well as those risks which are not included in the scope of the ERM Committee.
- Work with business units regarding their internal control aspect and ensuring that a dynamic monitoring, reporting and remedial process is in place.
- Report to the Audit Committee and the Board of Directors regarding the progression of enterprise risk management and its implementation.
- Identifying of significant and material risk exposures across FCG.
- Consolidated enterprise risk management plan encompassing analysis and recommendations.
- Request budget allocation for consulting, training, software, or other expenses determined necessary.
- Submit a risk assessment report/ risk register on weekly basis to the Board of Directors
- Take prompt corrective action to mitigate the effects of specific risks in the case such risks are at levels beyond the prudent levels decided by the Committee/Board on the basis of the company's policies and regulatory and supervisory requirements
- Ensured staffs are trained adequately on compliance related laws, regulations, policies and procedures as a tool in mitigating the Bank's compliance risk by educating employees and maintaining their ongoing awareness. The programmes include both formal training courses and ongoing communications

COMMITTEE MEETINGS

The Committee held 11 meetings during the year under review. The proceedings of the ERMC meetings are reported to the Board Audit Committee and the Board of Directors on a regular basis.

Attendance

NAME OF THE COMMITTEE MEMBER	ATTENDANCE IN 2021/22 (ATTENDED/ ELIGIBLE TO ATTEND)
Mr. Nishan Fernando	11/11
Mr. Dilshan Wirasekara	11/11
Mr. Tharusha Ekanayake	11/11
Mr. Mangala Jayashantha	10/11
Ms. Sujani Sellahewa	10/11
Mr. Kapila Perera	11/11

Regular Attendees by Invitation:

Mr. Anjelo Simmons - Chief Dealer – *First Capital Treasuries PLC*
Mr. Jaliya Wijeratne - Chief Executive Officer – *First Capital Equities (Private) Limited*
Ms. Nisansala Kothalawala - **Senior Manager** – *Risk & Compliance*
Ms. Anjalee Welhena - Manager – *Risk & Compliance*

MAJOR INITIATIVES IMPLEMENTED DURING THE YEAR

- The risk of the Covid-19 pandemic impacted across the financial industry during the year and the Committee oversaw the implementation of the following initiatives supporting management of related risks.
- The business strategy of the Group was reviewed by the Committee in line with the changes taken place in external economic factors of the country. Amidst the rising interest rates and liquidity shortage in the market, the Committee focused on identification of the priorities of the business strategy to optimise profitability and growth.
- Early Warning Signals (EWS) system aimed at maintaining the overall credit quality of the lending portfolio was initiated.
- Approval of parameters and limits set by the Management against various categories of risk upon ascertaining that they are in accordance with the relevant laws and regulations as well as the desired policy levels stipulated by the Board of Directors, were given attention in a very dynamic and challenging environment.
- Improvements were recommended to Group Risk Management Framework and related policies and procedures as deemed suitable, in consideration of anticipated changes in the economic and business environment, including consideration for emerging risks, legislative or regulatory changes and other factors considered relevant to the Group's risk profile.
- Developed a model to predict interest rates by changing economic variables so that the financial impact to the company can be anticipated in advance for future predictions of volatile economic conditions
- With the increase of online activities and implementation of work from home arrangements, the Committee identified the significant increase in receipt of spam (potential email phishing, Trojan and malware) emails and threat of fraudulent activities. Procured a web-based application (SignNow) to mitigate the risk of potential misuse of digital signatures of authorised signatories.
- New developments in terms of Information and Technology Risk management. (Two factor authentication to VPN, New firewall implementation)
- Internal online ethical hacking exercise and a complete VAPT was carried out covering all internal systems, online portal and company website and ensured the safety.
- Identifying the need to change and to strengthen the risk shield according to the new risk areas that develop over time, a digital signature policy was prepared and shared with the business units.
- Implemented roster plans to support uninterrupted business activities during lock down periods
- The company obtained the license of a Tier 1 client verification software - World-check, developed by Refinitiv (A LSEG Company)

OTHER RESPONSIBILITIES OF THE COMMITTEE

ERMC also supports the Board of Directors in fulfilling its oversight responsibilities relating to compliance matters. In this capacity, the Committee reviews the implementation of compliance programs, policies and procedures that are designed to respond to the various compliance and regulatory risks of the Group. The Committee is also responsible to review and refer for action to any subcommittee of Board matters that are either specifically referred to the attention of the Committee or that comes to the attention of the Committee from Board filings that impact systemic risks to the Company, with a clear objective of eliminating repeat findings or managing forward risks.

LOOKING AHEAD

The following initiatives have been identified for implementation in 2022

- Ensure "Risk Culture" is promoted throughout the group
- Support new and existing business developments ensuring risks related to those actions are identified, evaluated, reported and monitored while recommending risk mitigation plans

(Sgd.)
Nishan Fernando
Chairman- Enterprise Risk Management Committee
15 August 2022
Colombo

RELATED PARTY TRANSACTIONS REVIEW COMMITTEE REPORT

COMPOSITION OF THE COMMITTEE

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

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

Brief profiles of the members of the Board appointed Related Party Transactions Review Committee are given on pages 50 to 55 of the Annual Report.

The Company Secretary functions as the Secretary to the Committee.

SCOPE

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

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

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

POLICIES AND PROCEDURES

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

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

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

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

MEETINGS

The Committee held four quarterly meetings during the year under review. Director/ Chief Executive Officer, Chief Financial Officer and Deputy Chief Financial Officer attend the meetings by invitation. 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 2021/22 is as follows.

NAME OF DIRECTOR	ATTENDANCE IN 2021/22 (ATTENDED/ ELIGIBLE TO ATTEND)
Ms. Minette Perera	4/4
Mr. Nishan Fernando	4/4
Mr. Dinesh Schaffter	4/4

DURING THE YEAR UNDER REVIEW

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

There were no recurrent related party transactions that exceeded the thresholds that required the immediate market disclosure or shareholder approval as required under Section 9 of the Continuing Listing Requirements of the CSE. Recurrent related party transactions that require disclosure in the Annual Report are given in Note 40.6 of the Financial Statements.

DECLARATION BY THE BOARD OF DIRECTORS

A declaration by the Board of Directors relating to compliance under the listing rules is given on page 120 of the Annual Report.

(Sgd.)
Ms. Minette Perera
Chairperson-Related Party Transactions Review Committee
15 August 2022
Colombo

ENTERPRISE RISK MANAGEMENT

ENTERPRISE RISK MANAGEMENT **REPORT**

Effective risk management underpins the successful delivery of our strategy and longer-term sustainability of the business. Risk conduct and values are central to our business culture and are embedded in our approach to enterprise risk management.

OUR RISK CULTURE AND RISK GOVERNANCE

Our risk profile is consistent with the business model and core businesses of Government Securities, Corporate Finance and Advisory, Asset Management, and Stock Brokering. We have minimal exposure to non-core businesses and assets. As a provider of both fund-based and fee-based services we take informed risks in order to achieve targeted returns. In view of credit fundamentals, our robustness is reflected in a reaffirmed credit rating of [SL]A with Stable outlook by ICRA Lanka.

The Board is responsible for risk assessment, the enterprise risk management process and for the protection of the Group's reputation, long-term sustainability and the integrity of the First Capital brand. The operation of the enterprise risk management model is overseen as delegated by the Board, by a combination of the Enterprise Risk Management Committee, Board Audit Committee, Investment, Asset and Liability Committee and the Related Party Transactions Review Committee.

The group's enterprise risk management framework is designed to support the delivery of strategic objectives and the long- term sustainability of the business. Our risk appetite is defined by our strategic objectives. The Board approves the strategic objectives that determine the level and types of risk that we are prepared to accept. The Board reviews strategic objectives and risk appetite at least annually. Our risk appetite policy is built on rigorous and comprehensive procedures and conservative capital management.

We are supported by market leading in-house research in analysing the dynamics of the economic, political, and social environment to forecast the scenarios impacting our investments and to mitigate the risks encountered, in a cohesive manner. Research insights enable us to stress test our exposures in order to initiate timely mitigation measures.

STRATEGY AND RISK MANAGEMENT

Our objective is to generate attractive returns for our stakeholders through our business model. We create value through disciplined service delivery and the responsible management of our assets, driving sustainable growth through the value drivers of Financial Sustainability, Service Focus, Employee Focus, and Social Relationships. We carefully assess and manage material risks that impact us and opportunities embedded in such risks, as levers for value creation through our value drivers.

The Risk and Compliance division provides inputs, suggestions, solutions and remedial actions from a risk conduct and risk management perspective, to enhance the efficiency of the administrative process followed by the executive team in key decision making and corporate strategic planning.

By introducing risk-based-thinking early on, the division enables a smooth transition to execution of strategy by eliminating reactionary responses to risk. Without following the traditional compliance process which is postmortem in nature, we manage risk and lay down policies and procedures at the inception to effectively mitigate compliance risk while executing strategy.

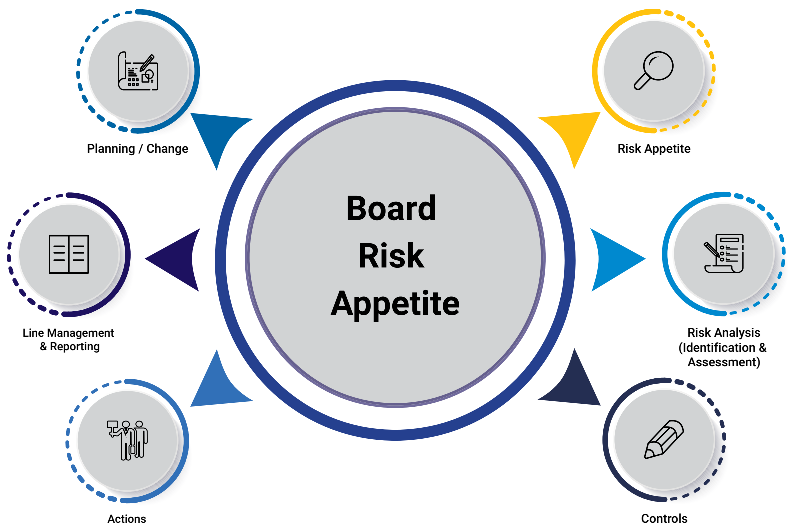
RISK CULTURE

Oversight
(Three Lines of Defence)

First Line
Operations

Second Line
Independent Risk and Compliance Division

Third Line
Internal / External Audit



OVERSIGHT (GOVERNANCE)

- Delegated Authority Manual
- Group Limit Structure
- Process Manuals
- Group Policies and Procedures

COMMITTEES

- Enterprise Risk Management Committee
- Board Audit Committee
- Related Party Transactions Review Committee
- Investment, Asset and Liability Committee

System and Control Infrastructure

Communication, Education, Training and Guidance

OUR ENTERPRISE RISK MANAGEMENT FRAMEWORK

Our enterprise risk management framework is based on ISO 31000:2018-Risk Management, which provides benchmark guidelines, principles and processes for managing risk.

Our enterprise risk management framework provides the governance structure and approach for our risk management discipline, directing us towards sound risk conduct. It defines our risk management universe, structure, policies and processes.

Within this framework, our risk management policy objective is to ensure all business risks are prudently identified, analysed and managed in accordance with the Principles for Managing Risks set out in the policy we have adopted.

No material changes were made to the framework this year and the focus remained on the several key strategic initiatives and the maturity of implementation.

ENTERPRISE RISK MANAGEMENT REPORT

Through the framework we continue to elicit higher levels of certainty and visibility about potential risks and clarity regarding how these risks are mitigated. It also ensures that information about risk derived from the risk management process is adequately reported and used as a basis for decision making and accountability at all relevant institutional levels.

This requires an integrated approach in all business areas to enable an effective risk management process from identification through to mitigation.

Integrating enterprise risk management into an institution is in itself a dynamic and iterative process, customised to the institution's needs and culture. In the current environment, we benefit from experience gained in weathering the difficulties of the pandemic. Although risk management plans were put to the test during the advent and progression of COVID-19, First Capital has proved to be effective and agile. We will continue to enhance our risk awareness, process and integration with compliance risk requirements business-wide in a dynamic regulatory setting. As we mature our business continuity plans, strategy and risk management activities we intend to gain an improved resilience to adverse risk events imminent in the current operating environment.

THREE LINES OF DEFENCE

First Line of Defence

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 procedures, internal controls and limits.

Front office and back office staff members engage in business operations and 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 risk awareness and risk culture across the group.

Second Line of Defence

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

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

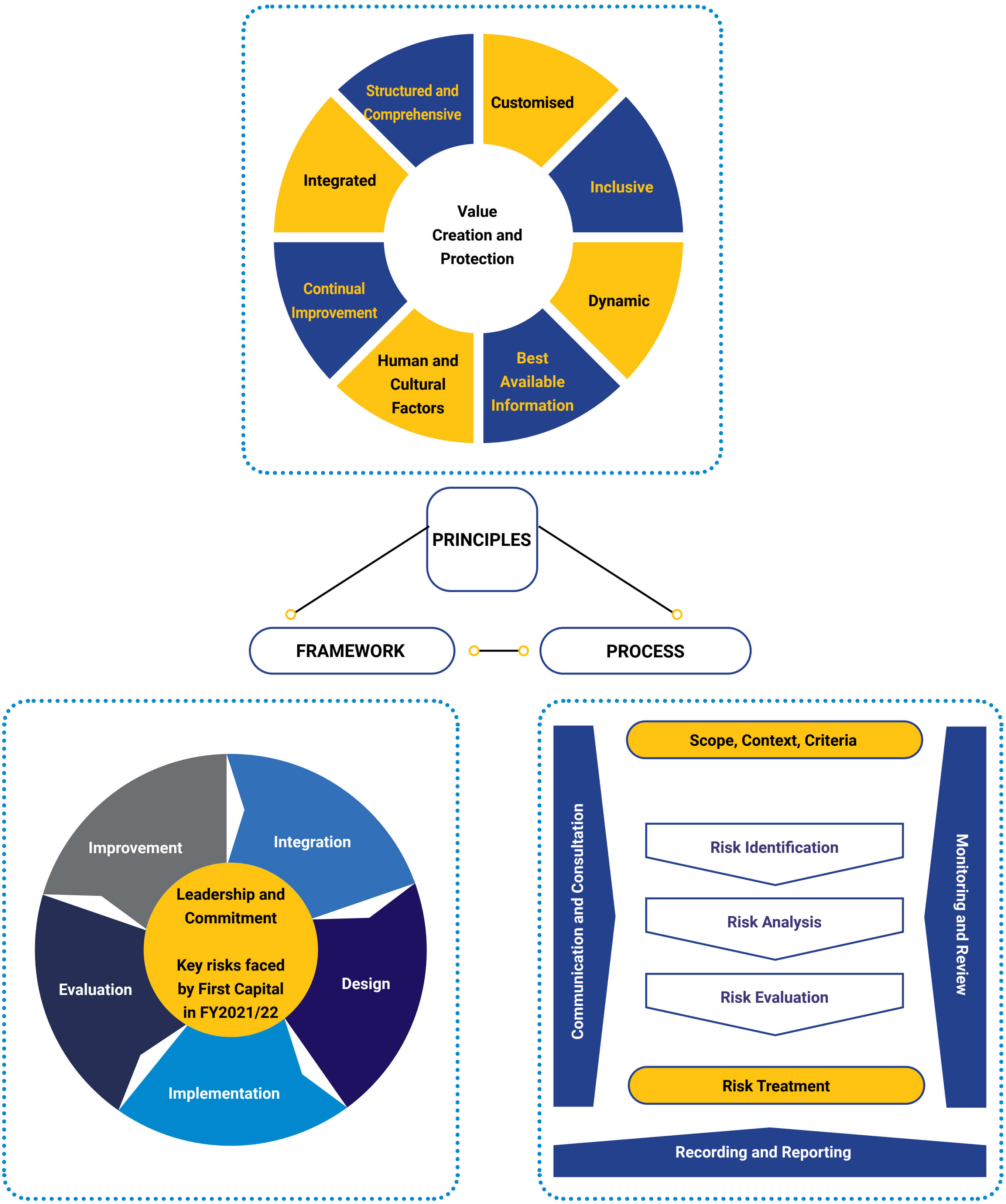
One of the salient features of First Capital is its segregated middle office. The division consists of staff members who are competent and experienced in validating all group transactions based on prevailing market rates/prices, economic conditions and counterparty quality. The middle office validates transaction risks across the group for price, limits, and approvals, where any exceptions encountered are escalated for higher approval.

The Investment, Asset and Liability Committee whilst directing investment strategy of the group takes a consistent approach to investment as well as asset and liability management across the business, determining limits and the controls applicable on predominantly market risks included under its general mandate.

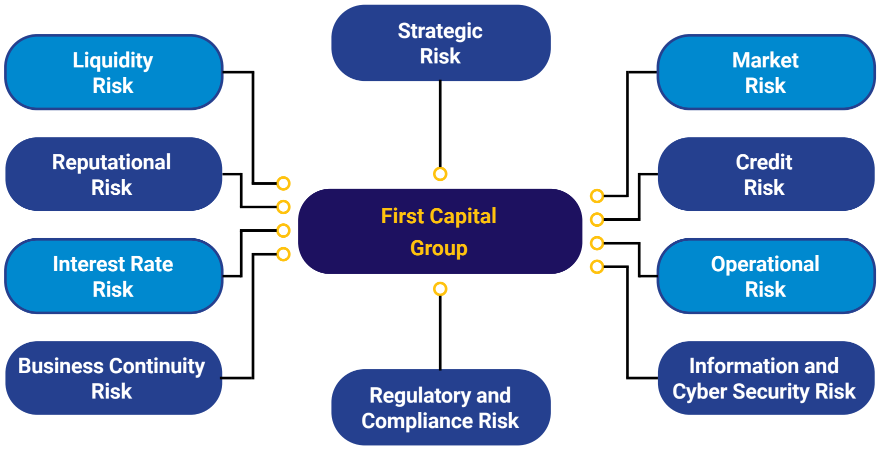
Third Line of Defence

The Internal and External Auditors form the last layer of control that provides an assurance of effective implementation of processes and controls. Internal Auditors convey assurance through their review reports to the Board Audit Committee on a semi-annual 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 rule-regime in place.

COMPONENTS OF THE ENTERPRISE RISK MANAGEMENT FRAMEWORK



ENTERPRISE RISK MANAGEMENT REPORT



Note: We consider the impact of Political and Policy Risk and Macro-Economic Risk as pervasive as these are systematic risks. As such, specific risks impacted by systematic risk have respective controls and processes in order to mitigate risk.

Market Risk

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

The Group 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 2022 (RS. '000)
Government securities	**27,473,623**
Debentures	**1,425,996**
Quoted shares	**735,279**
Unit trusts	**431,831**
TOTAL	**30,066,729**

The group engages in fee-based services such as structuring, placements, advisory services, and trustee services, which are indirectly impacted by fluctuations in interest rates and liquidity in the system. Non-traded interest rate risk is mitigated through a combination of business strategies and market risk mitigation activities.

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

Stress testing calculations are performed by the Risk and Compliance division to assess the impact of interest rate and market risk on group portfolio values, capital adequacy, earnings and net asset positions and also in flagging any potential threat to regulatory requirements/limits. As a step forward to such analysis, the Risk and Compliance division engaged in developing a model forecasting interest rate movement based on several variable economic factors. The Risk and Compliance division engages in continuous monitoring and upgrading of techniques used for interest rate risk assessment. Risk mitigation actions are identified and communicated to relevant business units as suggestions.

The robust middle office function ensures adherence to limits, the flagging of off-market rates applied to transactions and such exceptions are duly escalated for necessary approval. Middle office is empowered to review internal limits with the change of market conditions and provide analytical reports to the management.

Liquidity Risk

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

The Investment, Asset and Liability Committee reviews the liquidity position of the group on a fortnightly basis, and sets maturity mismatch concentration limits in order to manage liquidity risk effectively. Accordingly, the management of the group ascertains that its sources of funds are diversified, expanded and balanced to minimise over reliance on any one source.

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

Operational Risk

These are risks 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, and unexpected risk of operational losses through insurance.

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

The Risk and Compliance division develops and updates all process manuals, policies and procedures based on regulatory requirements, strategic plans and limits and circulates the same to relevant business units for execution. Extensive on-going training is provided to ensure that our teams are fully aware of their responsibility to comply with the correct operational procedures in order to optimise operational efficiency and individual accountability at all levels of the group.

The centralised Operations division 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 ERMC.

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

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

The Risk and Compliance division engages in preparing roster plans in collaboration with Head of Divisions (HoDs) and the HR division by identifying crucial business functions and availability of competent human resources to carrying out such tasks. Operational risks were carefully analysed at the times of lockdowns and implementation of the WFH environment and pro-active decisions were taken without disrupting the normal business process.

Regulatory and Compliance Risk

This is the risk due to non-compliance of regulatory requirements. These risks are a priority for the Board of Directors as our business lines are governed by the Central Bank of Sri Lanka (CBSL), the Securities and Exchange Commission of Sri Lanka (SEC) and the 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 concerned with proposed remedial action for their concurrence.

Reputational Risk

Reputational risk is the risk of damage to the group's corporate image in the public domain in relation to clients, 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. The robust complaint handling procedure is one such risk mitigating aspect.

An embedded system of shared values that includes ethicality, honesty and a transparent and performance driven culture is in effect. The whistle blower policy is in operation to strengthen the values and professionalism in managing the affairs of the group.

Implementation of a strong process driven culture is a key to holding the Group and its staff members responsible to safeguard the best interest of clients and other stakeholders. The Risk and Compliance division together with the individual business units have created business level process manuals, the 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.

Not only direct reputational risk, but also indirect reputational risks are prominently identified and treated well in advance.

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

The group's marketing team engages in strengthening stakeholder engagement including investor relations. Further, the Group conducts constant service level reviews and provides proactive responses to client and stakeholder feedback in mitigating reputational risk.

Strategic Risk

Strategic risk is the risk that 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.

ENTERPRISE RISK MANAGEMENT REPORT

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:

- The 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. The Risk and Compliance division gives comprehensive and continuous learning on identifying and valuing of different financial instruments. Risk and Compliance division also carries out periodical review of collateral valuations;
- Detailed credit appraisals are carried out as part of the lending/investment process;
- Individual and group concentration limits on lending/investments and counterparty credit limits are in place and reviewed periodically. Credit limits are set based on the counterparty credit rating, maturity baskets and instruments. Limits are reviewed on a weekly basis with exceptions being reported and approved. Credit ratings are periodically updated to enable identification of revisions and potential impact on credit quality.

Business Continuity Risk

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

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

The group invested in a fully-fledged Disaster Recovery (DR) site which facilitates seamless functioning of all the critical operations. Mirror databases and off-site back up databases are maintained in order to keep the safety of the critical data. The group carries out DR tests bi-annually to ensure the readiness of people, processes and equipment in the event of a disaster. A full disaster recovery drill was conducted successfully in December 2021, with post-test reviews reported to the Board and submitted to the CBSL.

A comprehensively documented Business Continuity Plan is in place, validated by external consultants. Our staff, including specific teams are fully trained in its operation in the event of a disaster. The Business Continuity Management Team and the Crisis Management Team appointed as a part of the Business Continuity Plan effectively manage potential risks that could adversely impact the normal course of business. Prompt actions taken by these teams helped the group in managing the contingencies due to the COVID-19 pandemic. The group managed to conduct all business functions with no disruption to client engagement. Further, impacts related to the current energy crisis and social unrest situation are being closely monitored and relevant actions are being taken to maintain uninterrupted services.

Information and Cyber Security Risk

The 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.

Cyber security risk is mitigated through investing in top-tier firewalls. The IT team conducts necessary awareness sessions frequently to educate and train staff members in identifying and taking actions for potential threats.

Continuous monitoring of and focus on emerging risks in relation to IT and cyber security is prevalent as there is a significant increase in usage of advanced and dynamic techniques for cyber-attacks.

HOW WE RESPOND TO CYBER SECURITY RISK IN REMOTE WORKING

As a financial services provider we are critically dependent on IT infrastructure that is increasingly exposed to Cyber Security Risk. With WFH arrangements implemented during the COVID-19 pandemic, the impact and probability of this risk increased significantly and the Group had to initiate several measures to mitigate risk levels.

- **Policies and procedures**
  Policies and procedures relating to cyber security risk related incident management have been properly documented in line with industry best practice.

- **Software update**
  Anti-virus and other firewall software are being updated expeditiously by the IT division. This task comes under the divisional Risk Register as a Key Risk Indicator and the same has been identified as a Key Performance Indicator of the IT division.
- **Senior Management, Board Accountability and Communication**
  Even though there is no standard regulatory framework stipulated by a regulator, First Capital follows industry best practices benchmarking the framework issued to Finance Companies by the CBSL. A Management Committee, the IT Steering Committee, is established at the group level to monitor the activities of IT Division and analyse the IT Risk Register. Follow-up reports to the IT Internal Audit action plans are being reported to the Board Audit Committee and Board oversight prevails via monitoring of progress.
- **Skills and resources**
  IT infrastructure, security and cyber security related functions are being managed by the IT Division. This centralised division consists of IT officers with adequate qualifications and experience.
- **Training**
  Staff members of IT division have undergone required training related to information and cyber security requirements. To mitigate risk at user level, training sessions are being conducted on a structured basis at the point of onboarding a staff member and periodically.

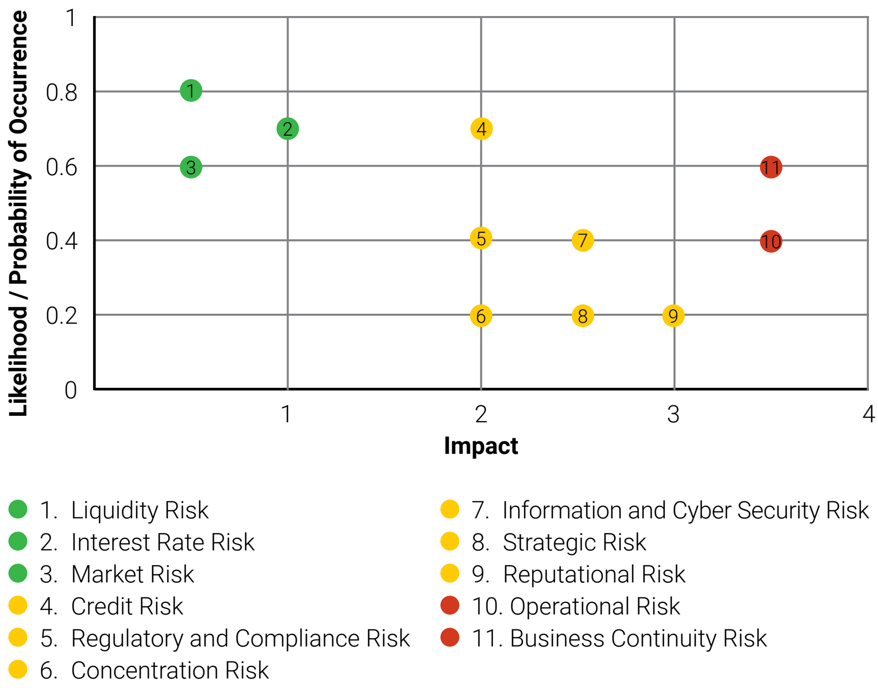
RISK MATRIX OF FIRST CAPITAL

Our risk matrix provides the impact and likelihood ratings that will be utilised for risk assessments. It also provides interpretative guidance on categorisation of impact and likelihood to foster institutional uniformity in classifying, rating and prioritising risks.

Risk ratings will be monitored periodically and are subject to change based on overall changes in impact to the Group and percentage of likelihood.

Risk rating matrix

Depending on the results obtained, risks will be positioned in the matrix given below;



Note: We consider the impact of Political and Policy Risk and Macro-Economic Risk as pervasive, as these are systematic risks. As such, specific risks impacted by systematic risk have respective controls and processes in order to mitigate risk.

ENTERPRISE RISK MANAGEMENT REPORT

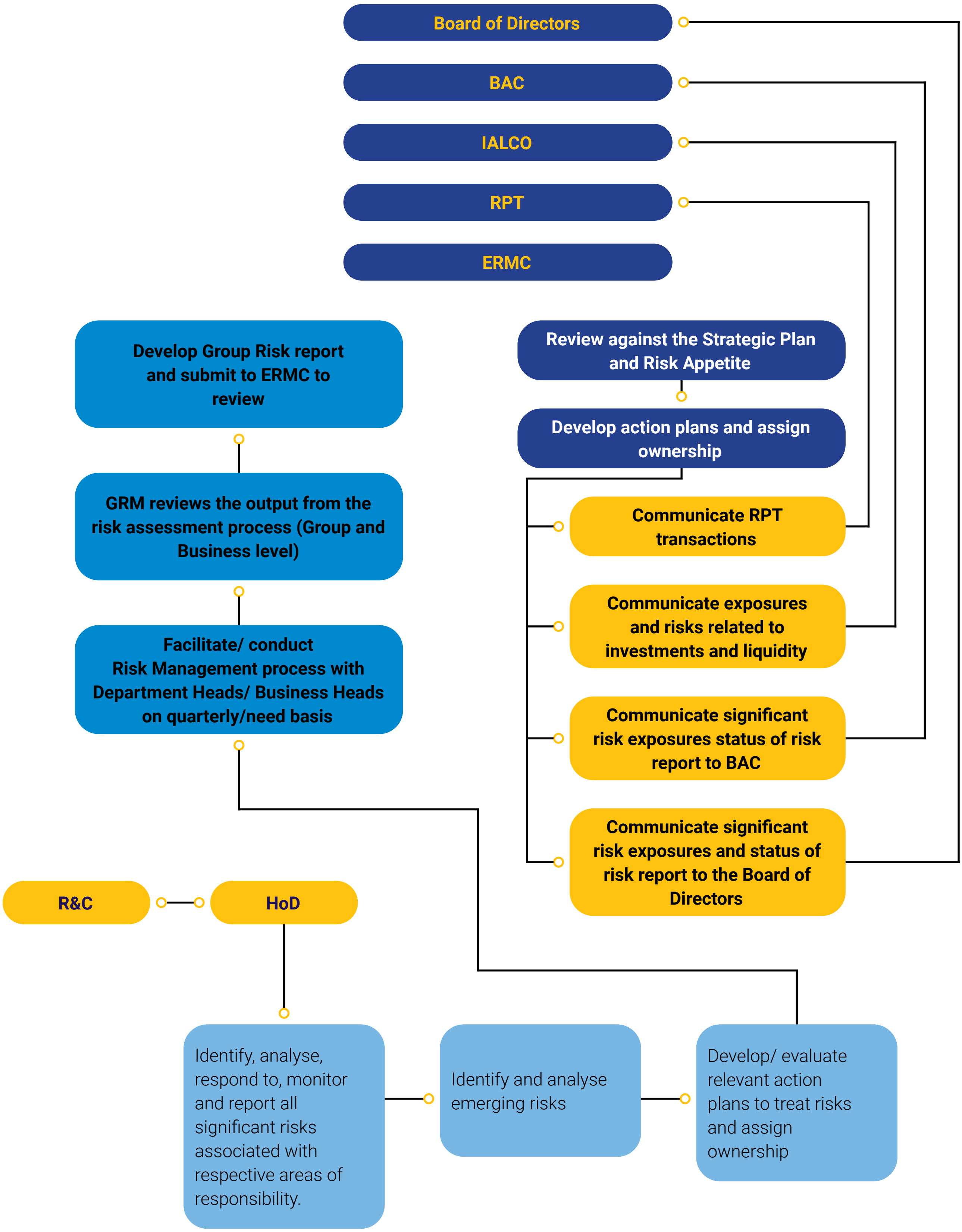
Low Medium High

RISK	IDENTIFICATION	ASSESSMENT (INCLUDING RISK GRADING)	CONTROL MEASURES	RISK RATING
Interest rate risk	Portfolio sensitivity as a percentage of net asset value of the portfolio.	Probability: Possible Impact: Low, based on the sensitivity measurement.	Portfolio composition was adjusted based on the direction of interest rates, internal controls and the risk appetite of the Company which is regularly reviewed by the Investment, Asset and Liability Committee. We conducted continuous forecasting and assessed the likelihood of occurrence, taking optimal mitigatory action.	
Market risk	Portfolio sensitivity as a percentage of net asset value.	Probability: Possible Impact: Low, as sensitivity changes against the market index (ASPI) change is negligible.	Monitoring of stop loss limits and managing the portfolio composition accordingly.	
Liquidity risk	Interest spread.	Probability: Possible Impact: Low, as the company maintains a healthy level of interest spread.	Suitable funding arrangements were selected in order to maintain the spread within the levels stipulated by the Management. We monitored liquidity levels according to regulatory requirements. Contingency funding lines are in place.	
Credit risk	Collateral of loans and exposure to counterparties; Credit exposure of Stock Brokering clients; Related party exposure.	Probability: Remote Impact: Medium	Required approvals on loans were obtained from the relevant authorities according to the Investment Policy Guideline of the Company. Client accounts of the Stock Brokering business were monitored by the Risk and Compliance division and non-compliances against the internally set limit was regularised in order to avoid regulatory non-compliance. Internal limit structure was strictly adhered to.	
Regulatory and compliance risk	Compliance of laws rules and directives issued by the CBSL, the CSE, the SEC, the FIU, and other statutory bodies, if not complied with, could result in loss of licenses and penalties being imposed, resulting in reputational loss and loss of profits to the Company.	Probability: Remote Impact: Medium	Adherence to internal controls and regulatory requirements by the business units and monitoring of the same by the Risk and Compliance division. All regulatory deadlines were met without any delay. Internal controls were in place to avoid regulatory non-compliances.	
Concentration risk	Exposure to the counterparties in investments and borrowings.	Probability: Possible Impact: Medium	Internally set counterparty limit structure was followed by the business units and monitored by the Risk and Compliance division. Limit structures are reviewed regularly to adopt timely changes. Unhealthy concentrations were reported to the Board of Directors and Board sub-committees.	
Operational risk	Operational effectiveness.	Probability: Low Impact: High, as operational risk directly impacts the reputation of the Company through its varied sub-components.	All operational areas were given priority in the allocation of resources during the COVID–19 pandemic and power interruptions. Incident and near-miss policy was in place to escalate operational misconduct or control lapses to the Management and the Board of Directors.	

RISK	IDENTIFICATION	ASSESSMENT (INCLUDING RISK GRADING)	CONTROL MEASURES	RISK RATING
Reputational risk	Non-compliances and low level of service quality.	Probability: Low Impact: High	Service standards were increased in all business units. All business units engage in improving service quality. Integrated risk management was in place and the Risk and Compliance division reviewed and monitored all processes and regulatory compliances. Indirect reputational risk was carefully analysed and monitored.	
Macro-economic risk	Impact of macro-economic factors on operations.	Probability: Medium Impact: High	Macro-economic facts were continuously monitored, analysed and forecasted in identifying the impact to the Company and to take measures to lower or mitigate specific risks that are implicitly impacted.	
Information and cyber security risk	Risk of losing data and threat of passing sensitive information to a third party	Probability: Medium Impact: Medium	All IT controls were strengthened including IT infrastructure and systems. Continuous education was provided to staff on cyber security risks. Vulnerability assessments and audits were carried out together with external consultants. We monitored the status of the antivirus systems on a continuous basis.	
Political and policy risk	Assess political stability and change in policies.	Probability: Medium Impact: High	Forecasting of political and policy risk and escalating to the Board of Directors to effect timely change in business strategy.	
Business continuity risk	Consistency of conducting business.	Probability: Low Impact: High	Ensured minimal disruption to the normal course of business during COVID-19 pandemic. All employees were working from home with the support of required infrastructure facilities provided under secure VPN connections. Safety precautions and protocols were instated prior to the 'return to work' by employees with the deceleration of the pandemic, to ensure health and safety. Took measures to ensure uninterrupted operations under conditions of fuel shortage in the country by keenly managing the maintenance of fuel reserves.	
Strategic Risk	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.	Probability: Low Impact: High	➤ Management Committee meetings are held fortnightly to review business performance ➤ Monthly Board review and quarterly Board meetings are held to review the business performance against budgeted. Also, updates of the initiatives of the Strategic Plan are also being reviewed. ➤ Investment, Asset Liability Committee review the status of the investment positions of the Group at the meetings held fortnightly.	

ENTERPRISE RISK MANAGEMENT REPORT

ENTERPRISE RISK GOVERNANCE HIERARCHY



Board Audit Committee (BAC)

- Overall monitoring and reviewing effectiveness of the enterprise risk framework (ERM Framework)
- Identify principal risks and ensure the implementation of appropriate system to manage these risks
- Review the integrity and adequacy of the group's internal control process

Enterprise Risk Management Committee (ERMC)

- Ensure risk management process is transparent to stakeholders
- Ensure risk and risk management are incorporated into strategic planning process, performance measurement systems and day-to-day operations
- Ensure understanding of risk tolerance and how risk management affects daily decisions are cascaded from Board of Directors to line managers
- Ensure all significant risks are prudently identified, analysed, evaluated and treated

Related Party Transaction Review Committee (RPT)

- Overall monitoring of Related party transactions and exposures
- Ensure such transactions are conducted in line with the regulatory guidelines and other standards applicable

Investment, Asset and Liability Committee (IALCO)

- Overall monitoring of risk exposures related to investments and liquidity positions
- Ensure such transactions are conducted in line with the Board approved investment policy

Head of Departments (HoD)

- Identify, analyse, respond to, monitor, and report all significant risks associated with in respective areas of responsibility

Group Risk and Compliance Division (R&C)

- Promote cross functional sharing of risk information
- Providing guidance and tools relevant to subsidiaries - risk management function
- Monitor compliance to;
  - ERM Framework
  - Regulatory requirements
  - Status of the action plans (group and subsidiary level)
- Coordinate and promote risk management culture and implementation
- Review the internal controls of the group

ENTERPRISE RISK MANAGEMENT REPORT

KEY INITIATIVES UNDERTAKEN TO STRENGTHEN RISK MANAGEMENT AND COMPLIANCE IN FY2021/22

- Policies and procedures related to group subsidiaries have been reviewed in light of pervasive regulatory change introduced to securities markets law via the Securities and Exchange Commission of Sri Lanka Act No. 19 of 2021(the SEC Act); Suggestions for the draft Market Intermediary rules have been provided after conducting an analysis on the same;
- The Direction on Minimum Capital Requirement for Primary Dealer Companies issued by the CBSL was conformed to, with minimal impact to reserves of our Government Securities business;
- After a comprehensive analysis of potential risks due to manmade disasters and their impacts to the business operation, measures have been taken to ensure normal course of business;
- After carrying out analyses and forecasts on equity market conditions, the Company took measures to develop a credit risk management model. It has protected the Company from adverse impacts arising from inadequate security (in the form of underlying value of collateral) for loans granted against shares;
- Non-face-to-face, digitalised client identification and verification process was implemented by First Capital for the regulated business units. An appropriate process and functional segregation was put in place and procedures were implemented in line with the Direction issued by the (FIU) of the CBSL. Necessary awareness sessions were conducted to inform staff members;
- Compliance monitoring and risk reporting processes relating to First Capital Limited and First Capital Asset Management Limited were automated with the ongoing system revamping;
- The group procured Refinitiv World-Check, a Risk Intelligence system for the purpose of KYC screening and due diligence. This will enable the group in complying with Anti-Money Laundering and Combatting the Financing of Terrorism (AML/CFT) Guidelines stipulated by the FIU.

KEY PRIORITY AREAS IN FY2022/23

- The group will update the risk management framework with the recent changes to the ISO 31000:2018 - Risk Management framework thereby strengthening the governance and reporting structure;
- Compliance monitoring and risk reporting processes will be fully automated through the core-application system with the completion of system revamping;
- Policies and procedures related to market intermediary business units of the group will be updated with the publication of new rules promulgated under the SEC Act; New licensing requirements applicable to market intermediaries will be adhered to;
- Risk and Compliance division, as a member of the Digitalisation Strategy Team, will review all digitalisation initiatives to be implemented in line with regulatory guidelines and the risk appetite set by the Board of Directors.

FINANCIAL INFORMATION

FINANCIAL **REPORTS**

185 FINANCIAL INFORMATION

273 SUPPLEMENTARY INFORMATION

FINANCIAL
CALENDAR 2021/22

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 2021/22 Interim Financial Report (unaudited)	16 August 2021
2nd Quarter 2021/22 Interim Financial Report (unaudited)	01 November 2021
3rd Quarter 2021/22 Interim Financial Report (unaudited)	17 February 2022
4th Quarter 2021/22 Interim Financial Report (unaudited)	18 May 2022

INDEPENDENT AUDITOR'S **REPORT**

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TO THE SHAREHOLDERS OF FIRST CAPITAL HOLDINGS PLC

Report on the Audit of the Financial Statements

OPINION

We have audited the financial statements of First Capital Holdings PLC ("the Company") and the consolidated financial statements of the Company and its subsidiaries ("the Group"), which comprise the statement of financial position as at 31 March 2022, 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 192 to 272.

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 2022, and of their financial performance and their 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 year. 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. Carrying amount of financial assets

Refer to the significant accounting policy in note 4.3 and explanatory notes 17,18 and 19 to the financial statements.

RISK DESCRIPTION

As at 31 March 2022, the Group's financial assets portfolio consists with quoted and unquoted equity investments, debentures, investment in unit trusts, short term investments, treasury bills and treasury bonds measured at fair value and amortised cost. Further, these financial assets make up 94% of total assets (by value) and is considered to be the key driver of the Group's capital and revenue performance.

Further, the Group's business operations are sensitive to the market conditions, the carrying amount of financial assets is considered to be an area of higher risk for the current financial year considering the uncertainties and volatilities existed during the year that are still prevailing. Due to rapid changes in the macro-economic environment, the composition of the investment portfolio of the Group and the observability of the market data were affected making the investment decisions and measurement more challenging and significant.

Accordingly, due to their materiality in the context of the financial statements as a whole and the prevailing uncertain and volatile macro-economic environment, the carrying value of financial assets are considered to be an area which had a great effect on our overall audit strategy and allocation of resources in planning and completing our audit.

OUR RESPONSE

Our audit procedures included:

- Obtaining an understanding of and assessing the design, implementation and operating effectiveness of the management's key internal controls over identification, measurement and management of valuation risk as well as evaluating the methodologies and input parameters used by the Group in determining fair values.
- Comparing observable inputs against independent sources and externally available market data and re-performing independent valuations considering the macro-economic environment.

- Making inquiries of the management on the market conditions and reviewing the minutes of the enterprise risk management committee meetings.
- Testing mathematical accuracy and verifying the appropriateness and completeness of the data used.
- 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.
- Obtaining consultation from internal specialists on appropriateness and results of the valuation models.
- 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. Recognition of gains/ losses on sales and interest income on financial assets

Refer to the significant accounting policy in note 4.15 and 4.16 and explanatory note 6 and 7 to the financial statements.

RISK DESCRIPTION

As described in Notes 6 and 7, the Group has recognised a consolidated direct income of Rs. 2,124 Mn during the year. The gains/ losses on sales and interest income on financial assets amounted to Rs. 1,438 Mn which constituted 68% of the total direct income. Based on the Group's business model, this arise from different types of financial instrument

In addition, the Group considers gains/ losses on sales and interest income on financial assets as an important element in the preparation of budgets and measuring management performance. Further, during the year, business operations of the Group was significantly affected due to the changes in the prevailing uncertain and volatile macro-economic environment and policy decisions with the depressed economic conditions existed throughout the year. This has resulted a significant drop in total direct income by 63% including a loss on sales of financial assets recognized at FVTPL of Rs. 795 Mn. These factors could create situations for direct income to be recognised in contrary to the recognition criteria.

Considering above factors, we identified recognition of gains/ losses on sales and interest income on financial assets as a key audit matter because it is a significant audit risk which elevated with the prevailing uncertain and volatile macro-economic environment which may result in non-recurring and unusual impact on the direct income and also it being one of the key performance indicators of the Group and therefore there is an inherent risk of misstatement of the timing of recognition by management to meet specific targets or expectations.

OUR RESPONSE

Our audit procedures included:

- Obtaining an understanding of and assessing the design, implementation and operating effectiveness of the management's key internal controls over the gains/ losses on sales and interest income recognition and measurement.
- Testing the operating effectiveness of key IT application controls over gains/ losses on sales and interest income, in addition to evaluating the integrity of the general IT control environment.
- Making inquiries of the management on the market conditions and reviewing the minutes of the enterprise risk management committee meetings.
- Evaluating the appropriateness of the Group's gains/ losses on sales and interest income recognition policies, including the recognition, measurement and classification criteria as well as disclosure requirements as per relevant SLFRSs.
- Performing sophisticated test of details by inspecting a sample of transactions, recomputation of gains/ losses on sales and interest income and testing of cut off transactions in order to ensure such direct income is recognised and measured in accordance with the applicable financial reporting requirements and the Group accounting policies.

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.

INDEPENDENT AUDITOR'S REPORT

RESPONSIBILITIES OF MANAGEMENT AND THOSE CHARGED WITH GOVERNANCE FOR THE FINANCIAL STATEMENTS

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

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

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

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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 auditors' 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

KPMG

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

CA Sri Lanka membership number of the engagement partner responsible for signing this independent auditor's report is 3544.

KPMG

Chartered Accountants
Colombo
15 August 2022

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

		Group		Company	
For the year ended 31 March	**Note**	**2022 Rs. '000**	**2021 Rs. '000**	**2022 Rs. '000**	**2021 Rs. '000**
Income	6	**2,273,088**	6,033,353	**961,516**	856,176
Direct income	7	**2,123,867**	5,787,915	**961,369**	856,176
Direct expenses	8	**(1,899,557)**	(2,114,213)	**(783,153)**	(677,163)
Net trading income		**224,310**	3,673,702	**178,216**	179,013
Other income	9	**149,221**	245,438	**147**	-
Loss on fair valuation of financial assets recognised through profit or loss - measured at fair value	10	**(190,477)**	(216,104)	**(40,849)**	-
		183,054	3,703,036	**137,514**	179,013
Operating expenses					
Personnel expenses	11.1	**(414,363)**	(623,864)	**(38,181)**	(38,782)
Premises, equipment and establishment expenses	11.2	**(59,675)**	(38,857)	**(11,351)**	(8,885)
Other operating expenses	11.3	**(416,107)**	(122,439)	**(43,391)**	(29,397)
(Provision)/ reversal for impairment of financial assets at amortised cost		**(63,453)**	(9,800)	**(2,834)**	23,154
		(953,598)	(794,960)	**(95,757)**	(53,910)
Operating profit/ (loss)		**(770,544)**	2,908,076	**41,757**	125,103
Share of profit/ (loss) from equity accounted investee (net of tax)	23	**-**	-	**(556,389)**	1,900,366
Profit/ (loss) before tax	12	**(770,544)**	2,908,076	**(514,632)**	2,025,469
Income tax expenses	13.1	**118,272**	(814,579)	**(16,628)**	(35,037)
Profit/ (loss) for the year		**(652,272)**	2,093,497	**(531,260)**	1,990,432
Other comprehensive income					
Items that will never be reclassified to profit or loss					
Actuarial gain/ (loss) on retirement benefit obligations	33	**22,939**	(9,923)	**-**	-
Loss on financial assets fair value through other comprehensive income	18.1	**(5,638)**	(144,350)	**-**	-
Tax effect on other comprehensive income	13.1	**(4,601)**	2,370	**-**	-
Share of other comprehensive income/ (loss) from equity accounted investees (net of tax)	23	**-**	-	**11,868**	(151,776)
Other comprehensive income/ (loss)		**12,700**	(151,903)	**11,868**	(151,776)
Total comprehensive income/ (loss) for the year		**(639,572)**	1,941,594	**(519,392)**	1,838,656
Profit/ (loss) attributable to:					
Equity holders of the parent		**(608,405)**	1,990,432	**(531,260)**	1,990,432
Non - controlling interests	50	**(43,867)**	103,065	**-**	-
		(652,272)	2,093,497	**(531,260)**	1,990,432
Total comprehensive income/ (loss) attributable to:					
Equity holders of the parent		**(596,537)**	1,838,656	**(519,392)**	1,838,656
Non - controlling interests	50	**(43,035)**	102,938	**-**	-
		(639,572)	1,941,594	**(519,392)**	1,838,656
Basic and diluted earnings/ (loss) per share (Rs.)	14	**(1.50)**	4.91	**(1.31)**	4.91

Figures in brackets indicate deductions.
The notes disclosed on pages 197 to 272 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		Group		Company	
As at,	Note	31.03.2022 Rs. '000	31.03.2021 Rs. '000	31.03.2022 Rs. '000	31.03.2021 Rs. '000
ASSETS					
Cash at banks and in hand	15	**526,987**	242,053	**39,417**	42,187
Derivative financial instruments	16	**5,190**	2,315	**-**	-
Financial assets recognised through profit or loss - measured at fair value	17	**30,066,729**	28,047,361	**3,220,443**	611,801
Financial assets - fair value through other comprehensive income	18	**34,635**	40,273	**-**	-
Financial assets at amortised cost	19	**9,059,275**	7,035,641	**8,784,857**	9,032,886
Amounts due from related companies	30	**750**	903	**8,473**	30,372
Trade and other receivables	20	**1,423,170**	909,606	**10,161**	4,203
Non - current assets held for sale	21	**42,416**	42,416	**-**	-
Taxes receivable	22	**72,126**	88,798	**56,811**	74,388
Investment in subsidiary	23	**-**	-	**3,482,855**	4,027,376
Deferred tax asset	24	**122,497**	19,228	**986**	37
Property, plant and equipment and right of use assets	25	**38,322**	50,088	**17,437**	14,860
Intangible assets	26	**122,532**	124,746	**5,281**	7,630
TOTAL ASSETS		**41,514,629**	36,603,428	**15,626,721**	13,845,740
LIABILITIES					
Bank overdrafts	15	**1,245,741**	3,451	**1,245,696**	1,316
Derivative financial instruments	27	**2,622**	824	**-**	-
Securities sold under re-purchase agreements	28	**23,799,838**	20,223,286	**-**	-
Short term borrowings	29	**8,139,888**	6,660,363	**8,250,158**	6,660,363
Amounts due to related companies	30	**5,571**	861	**2,096**	57
Trade and other payables	32	**959,271**	1,182,894	**47,543**	553,338
Taxes payable	22	**78,132**	840,696	**-**	-
Long term borrowings	31	**-**	50,204	**-**	50,204
Retirement benefit obligations	33	**37,404**	55,369	**-**	-
Borrowings on debentures	34	**2,780,890**	2,763,001	**2,030,553**	2,010,395
TOTAL LIABILITIES		**37,049,357**	31,780,949	**11,576,046**	9,275,673
EQUITY					
Stated capital	35	**227,500**	227,500	**227,500**	227,500
Risk reserve	36	**1,239,478**	1,308,818	**1,239,478**	1,308,818
Retained earnings		**2,881,654**	3,326,168	**2,881,654**	3,326,168
Fair valuation reserve	37	**(297,957)**	(292,419)	**(297,957)**	(292,419)
Equity attributable to the equity holders of the parent		**4,050,675**	4,570,067	**4,050,675**	4,570,067
Non - controlling interests	50	**414,597**	252,412	**-**	-
TOTAL EQUITY		**4,465,272**	4,822,479	**4,050,675**	4,570,067
TOTAL EQUITY AND LIABILITIES		**41,514,629**	36,603,428	**15,626,721**	13,845,740
Net assets per share (Rs.)		**40.01**	45.14	**40.01**	45.14

Figures in brackets indicate deductions.

The notes disclosed on pages 197 to 272 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

15 August 2022
Colombo

CONSOLIDATED STATEMENT OF CHANGES IN **EQUITY**

		Attributable to equity holders of parent						
For the year ended 31 March 2022	**Note**	**Stated Capital Rs. '000**	**Risk Reserve Rs. '000**	**Retained Earnings Rs. '000**	**Fair Valuation Reserve Rs. '000**	**Total Rs. '000**	**Non-controlling Interest Rs. '000**	**Total Equity Rs. '000**
Balance as at 1 April 2020		**227,500**	**1,135,297**	**2,529,183**	**(148,069)**	**3,743,911**	**209,372**	**3,953,283**
Total comprehensive income for the year								
Profit for the year		-	-	1,990,432	-	1,990,432	103,065	2,093,497
Other comprehensive loss for the year		-	-	(7,426)	(144,350)	(151,776)	(127)	(151,903)
Total comprehensive income/ (loss)		**-**	**-**	**1,983,006**	**(144,350)**	**1,838,656**	**102,938**	**1,941,594**
Transactions with equity holders								
Distribution to equity holders								
Dividend paid - 2nd Interim for 2019/20		-	-	(506,250)	-	(506,250)	-	(506,250)
Dividend declared - Interim for 2020/21	38			(506,250)	-	(506,250)	-	(506,250)
Dividend paid to shareholders with NCI*	50	-	-	-	-	-	(59,898)	(59,898)
Total distribution to equity holders		**-**	**-**	**(1,012,500)**	**-**	**(1,012,500)**	**(59,898)**	**(1,072,398)**
Transfers to risk reserve		-	173,521	(173,521)	-	-	-	-
Balance as at 31 March 2021		**227,500**	**1,308,818**	**3,326,168**	**(292,419)**	**4,570,067**	**252,412**	**4,822,479**
Balance as at 1 April 2021		**227,500**	**1,308,818**	**3,326,168**	**(292,419)**	**4,570,067**	**252,412**	**4,822,479**
Total comprehensive income for the year								
Loss for the year		-	-	(608,405)	-	(608,405)	(43,867)	(652,272)
Other comprehensive income/ (loss) for the year		-	-	17,506	(5,638)	11,868	832	12,700
Total comprehensive loss		**-**	**-**	**(590,899)**	**(5,638)**	**(596,537)**	**(43,035)**	**(639,572)**
Transactions with equity holders								
Distribution to equity holders		-	-	-	-	-	-	-
Adjustment due to change in share ownership	23.1	-	(69,340)	146,385	100	77,145	205,220	282,365
Total transactions with equity holders		**-**	**(69,340)**	**146,385**	**100**	**77,145**	**205,220**	**282,365**
Transfers to risk reserve		-	-	-	-	-	-	-
Balance as at 31 March 2022		**227,500**	**1,239,478**	**2,881,654**	**(297,957)**	**4,050,675**	**414,597**	**4,465,272**

** Non controlling interest*

Figures in brackets indicate deductions.
The notes disclosed on pages 197 to 272 form an integral part of these consolidated financial statements.

STATEMENT OF CHANGES IN **EQUITY**

For the year ended 31 March 2022	Note	Stated Capital Rs. '000	Risk Reserve Rs. '000	Retained Earnings Rs. '000	Fair Valuation Reserve Rs. '000	Total Rs. '000
Balance as at 1 April 2020		**227,500**	**1,135,297**	**2,529,183**	**(148,069)**	**3,743,911**
Total comprehensive income for the year						
Profit for the year		-	-	1,990,432	-	1,990,432
Other comprehensive loss for the year		-	-	(7,426)	(144,350)	(151,776)
Total comprehensive income/ (loss)		**-**	**-**	**1,983,006**	**(144,350)**	**1,838,656**
Transactions with equity holders						
Distribution to equity holders						
Dividend paid - 2nd Interim for 2019/20		-	-	(506,250)	-	(506,250)
Dividend declared - Interim for 2020/21	38	-	-	(506,250)	-	(506,250)
Total distribution to equity holders		**-**	**-**	**(1,012,500)**		**(1,012,500)**
Transfers to risk reserve		-	173,521	(173,521)	-	-
Balance as at 31 March 2021		**227,500**	**1,308,818**	**3,326,168**	**(292,419)**	**4,570,067**
Balance as at 1 April 2021		**227,500**	**1,308,818**	**3,326,168**	**(292,419)**	**4,570,067**
Total comprehensive income for the year						
Loss for the year		-	-	(531,260)	-	(531,260)
Other comprehensive income/ (loss) for the year		-	-	17,506	(5,638)	11,868
Total comprehensive loss		**-**	**-**	**(513,754)**	**(5,638)**	**(519,392)**
Transactions with equity holders						
Distribution to equity holders		-	-	-	-	-
Adjustment due to change in share ownership	23.1	-	(69,340)	69,240	100	-
Total transactions with equity holders		**-**	**(69,340)**	**69,240**	**100**	**-**
Transfers to risk reserve		-	-	-	-	-
Balance as at 31 March 2022		**227,500**	**1,239,478**	**2,881,654**	**(297,957)**	**4,050,675**

Figures in brackets indicate deductions.
The notes disclosed on pages 197 to 272 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

		Group		Company	
For the year ended 31 March	Note	2022 Rs. '000	2021 Rs. '000	2022 Rs. '000	2021 Rs. '000
Cash flows from operating activities					
Interest receipts and gains realised		**2,120,115**	5,769,256	**957,997**	854,158
Interest payments and other direct cost		**(1,784,505)**	(1,767,708)	**(760,133)**	(667,246)
Other receipts		**98,353**	245,051	**114**	-
Cash payments to employees and suppliers		**(626,258)**	(423,348)	**(81,808)**	(56,234)
Operating profit/ (loss) before changes in operating assets and liabilities		**(192,295)**	3,823,251	**116,170**	130,678
(Increase)/ Decrease in financial assets - fair value through profit or loss		**(2,210,922)**	10,275,509	**(2,649,491)**	(611,801)
(Increase)/ Decrease in financial assets - at amortised cost		**(2,083,335)**	(1,674,901)	**248,567**	(2,239,547)
Increase in trade and other receivables		**(508,434)**	(310,934)	**(8,881)**	(2,785)
(Increase)/ Decrease in group balance receivables		**154**	4,729	**21,274**	(20,440)
Increase/ (Decrease) in trade and other payables		**57,066**	(364,446)	**1,080**	(23,350)
Increase/ (Decrease) in group balances payables		**(1,329)**	130	**2,039**	57
Increase in short term borrowings		**1,476,460**	732,257	**1,586,730**	832,788
Increase/ (Decrease) in securities sold under re-purchase agreements		**3,482,249**	(13,172,759)	**-**	-
Cash generated from/ (used in) operations		**19,614**	(687,164)	**(682,512)**	(1,934,400)
Tax (paid)/ refund	22	**(735,490)**	1,736	**-**	227
Gratuity paid	33	**(1,564)**	(4,153)	**-**	-
Net cash used in operating activities		**(717,440)**	(689,581)	**(682,512)**	(1,934,173)
Cash flows from investing activities					
Acquisition of property, plant, equipment and intangible assets	25 & 26	**(17,694)**	(23,161)	**(8,745)**	(8,010)
Proceeds on sale of property, plant, equipment		**942**	279	**357**	-
Dividend received		**50,721**	9,632	**-**	1,012,284
Net disposal proceeds from equity stake in subsidiary	23	**282,365**	-	**-**	-
Net cash generated from/ (used in) investing activities		**316,334**	(13,250)	**(8,388)**	1,004,274
Cash flows from financing activities					
Dividend paid	38	**(506,250)**	(506,250)	**(506,250)**	(506,250)
Dividend paid to shareholders with non-controlling interest	50	**-**	(58,568)	**-**	-
Borrowings on debentures	34	**-**	2,000,000	**-**	2,000,000
Repayment of long term borrowings	31	**(50,000)**	(100,000)	**(50,000)**	(100,000)
Net cash generated from/ (used in) financing activities		**(556,250)**	1,335,182	**(556,250)**	1,393,750
Net increase/ (decrease) in cash and cash equivalents for the year		**(957,356)**	632,351	**(1,247,150)**	463,851
Cash and cash equivalents at the beginning of the year		**238,602**	(393,749)	**40,871**	(422,980)
Cash and cash equivalents at the end of the year		**(718,754)**	238,602	**(1,206,279)**	40,871

Figures in brackets indicate deductions.
The notes disclosed on pages 197 to 272 form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1. REPORTING ENTITY

First Capital Holdings PLC ("the Company/ FCH,") 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 2022 is 90 (2021 – 95).

The Consolidated Financial Statements for the year 2021/22 include the Company and its Subsidiaries (together referred to as the "Group" and individually as "Group entities").

The Financial Statements of all companies in the Group have a common financial year which ends on 31 March. The ultimate parent undertaking and controlling party (Parent company) is Janashakthi Limited which is incorporated in Sri Lanka.

1.1 Principal Activities

1.1.1 Company

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

1.1.2 Subsidiaries

NAME OF THE SUBSIDIARY	PRINCIPAL ACTIVITY
First Capital Limited (FCL)	Engages in debt structuring, corporate finance and advisory services and investment in and management of subsidiaries.
First Capital Treasuries PLC (FCT)	Engages in business operations as a Primary Dealer in Government Securities.
First Capital Markets Limited (FCM)	Engages in general investments (Fixed income securities) activities.
First Capital Asset Management Limited (FCAM)	Engages in management of clients' investment portfolios and management of Unit Trusts.
First Capital Equities (Private) Limited (FCE)	Engages in stock brokering of Listed Securities.
First Capital Trustee Services (Private) Limited (FCTS)	Engage in trustee services in corporate debt securities.

The registered office and place of business of subsidiary companies is No. 2, Deal Place, Colombo 03.

2. BASIS OF PREPARATION

2.1 Statement of Compliance

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

Further, the tax liability arising from the Surcharge Tax Act No: 14 of 2022 has been accounted as recommended by the Statement of Alternative Treatment (SoAT) issued by the Institute of Chartered Accountants of Sri Lanka as disclosed under the note 43.

2.2 Presentation of Financial Statements

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

2.3 Approval of Financial Statements by Directors

The Consolidated Financial Statements for the year ended 31 March 2022 were authorised for issue by the Board of Directors on 15 August 2022.

2.3.1 Directors' Responsibility for the Financial Statements

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

2.4 Basis of Measurement

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

CATEGORY	BASIS OF MEASUREMENT	NOTE
Investment in subsidiaries	Equity method of accounting	Note 4.1.3
Derivative financial assets/ liabilities	Fair value	Note 4.3.3
Financial assets measured at fair value though profit or loss	Fair value	Note 4.3.4.1
Financial assets measured at fair value though other comprehensive income	Fair value	Note 4.3.4.3
Financial assets at amortised cost	Amortised cost	Note 4.3.4.2
Right of use of assets	Discounted future lease rental payments	Note 4.8.1
Retirement benefit obligations	Projected unit credit method	Note 4.14.2

2.5 Functional and Presentation Currency

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

2.6 Use of Significant Judgments, Estimates and Assumptions

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

Estimates and underlying assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results which form the basis of making the judgments about the carrying amount of assets and liabilities that are not readily apparent from other sources.

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

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

CRITICAL ACCOUNTING ESTIMATE/JUDGMENT	DISCLOSURE NOTE
Going concern	Note 3
Classification of financial assets and liabilities	Note 4.3.2
Non-current assets held for sale	Note 4.7
Fair value of financial instruments	Note 4.3.11
Useful lives of intangible assets	Note 4.4
Useful lives of property, plant and equipment	Note 4.5.3
Retirement benefit obligation	Note 4.14.2
Deferred tax on unutilised tax losses	Note 4.9.2
Impairment losses on financial assets	Note 4.3.7
Impairment of non-financial assets	Note 4.6
Provisions for liabilities, commitments and contingencies	Note 4.24

2.7 Comparative Information

Comparative information including quantitative, narrative and descriptive information is disclosed in respect of the previous period in the Consolidated Financial Statements in order to enhance the understanding of the current period's Financial Statements and to enhance the inter period comparability. The presentation and classification of the Consolidated Financial Statements of the previous year are amended, where relevant for better presentation and to be comparable with those of the current year.

2.8 Materiality, Presentation and aggregation

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

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

2.9 Offsetting

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

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

2.11 Events after Reporting Date
Events after the reporting date are those events, favorable and unfavorable, that occur between the reporting date and the date when the Financial Statements are authorised for issue. In this regard, all material and important events that occurred after the reporting period are considered and appropriate disclosures are made where necessary (Note 43).

3. GOING CONCERN

The Board of Directors is satisfied that the Company has adequate resources to continue its operations in the foreseeable future and management is not aware of any material uncertainties that may cast significant doubt upon the Company's ability to continue as a going concern. Therefore, going concern basis has been adopted in preparing these Financial Statements.

4. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these financial statements and have been applied consistently by the Company unless otherwise stated. Comparative information has where necessary been reclassified to confirm the current year`s presentation.

4.1 Basis of Consolidation

4.1.1 General

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

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.

4.1.2 Business Combinations

Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the Group.

As required by SLFRS 3 - Business Combinations and amendments to SLFRS 3, when the Group acquires a business, it assesses the financial assets and liabilities assumed under classifications or designations on the basis of the contractual terms, economic conditions, its operating or accounting policies and other pertinent conditions that exist as at the acquisition date. The Group applies Definition of a Business (Amendments to SLFRS 3) to business combinations whose acquisition dates are on or after 1 January 2020 in assessing whether it had acquired a business or a group of assets.

The Group measures goodwill at the acquisition date as:

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

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

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

Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred. Any contingent consideration payable is measured at fair value at the acquisition date. If the contingent consideration is classified as equity, then it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes in the fair value of the contingent consideration are recognised in profit or loss.

4.1.3 Subsidiaries

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

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

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

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

Where Subsidiaries have been sold or acquired during the year, their operating results have been included to the date of disposal or from the date of acquisition. Upon the loss of control, the Group

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derecognises the assets and liabilities of the subsidiary, any non-controlling interest and the other components of equity related to the subsidiary.

4.1.4 Step Acquisitions

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

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

Previously held interests will in almost all cases have been fair value through other comprehensive income investments and therefore already at fair value and as a result, no remeasurement in the statement of financial position arises in practice, but because the investment is treated as sold there is reclassification to profit or loss of the fair valuation reserve.

4.1.5 Non-Controlling Interests

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

For each business combination, the Group elects to measure any noncontrolling 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.

4.1.6 Acquisitions of Non-Controlling Interest

Acquisition of non-controlling interest is accounted for as transactions with equity holders. Therefore, no goodwill is recognised as a result of such transactions. A list of Subsidiaries within the Group is provided on page 197.

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

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

4.1.8 Loss of Control

On the loss of control, the Group derecognises the assets and liabilities of the subsidiary, any non-controlling interests and the other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognised in profit or loss.

If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently that retained interest is accounted for as an equity accounted investee or in accordance with the Group's accounting policy for financial instruments depending on the level of influence retained.

4.1.9 Transactions Eliminated on Consolidation

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

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

4.1.10 Interest in Associate

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

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

4.1.11 Material Gains or Losses, Provisional Values or Error Corrections

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

4.1.12 Unconsolidated Structured Entities

The Group manages and administrates assets held in unit trusts on behalf of investors. These are entities which are not consolidated because the Group does not control them through voting rights, contract, funding agreements, or other means. The extent of the Group's interests to unconsolidated structured entities will vary depending on the type of structured entities.

The details relating to unconsolidated structured Entities are disclosed in Note 39 to the financial statements.

4.2 Foreign Currency

4.2.1 Foreign Currency Transactions

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

Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the middle rate of exchange prevailing at the reporting date. The foreign currency gain or loss on monetary items are the difference between amortised cost in the functional currency at the beginning of the year, adjusted for effective interest and payments during the year, and the amortised cost in foreign currency translated at the exchange rate at the end of the year.

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

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

4.3 Financial Instruments

4.3.1 Initial Recognition, Classification and Subsequent Measurement

4.3.1.1 Date of Recognition

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

4.3.1.2 Initial Measurement of Financial Instruments

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

4.3.2 Classification and Subsequent Measurement of Financial Instruments

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

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

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

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

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

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in fair value in OCI. This election is made on an investment by investment basis. All other financial assets are classified as measured at FVTPL.

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

4.3.2.1 Business Model Assessment

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

The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. In particular, whether Management's strategy focuses on earning contractual interest revenue, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realising cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Group's Management;

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- the risks that affect the performance of the business model (and the financial assets held within that business model) and its strategy for how those risks are managed;
- how managers of the business are compensated (e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected); and
- the frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Group's stated objective for managing the financial assets is achieved and how cash flows are realised.

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

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

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

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

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

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

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

4.3.3 Derivatives recorded at fair value through profit or loss

4.3.3.1 Derivatives held for risk management purposes

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

4.3.3.2 Other Derivatives

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

4.3.4 Financial Assets

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

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

4.3.4.1 Financial Assets measured at - fair value through profit or loss

A financial asset is classified at fair value through Profit or Loss if it is classified as held for trading or is designated as such upon initial recognition. Financial assets are designated at fair value through Profit or Loss if the Group manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Group's documented risk management or investment strategy. Upon initial recognition, transaction costs are recognised in Profit or Loss as incurred.

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

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

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

4.3.4.2 Financial Assets at amortised cost

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

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

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

- Lending
- Investment in corporate debt Securities
- Investment in government securities
- Investment in re-sale agreements
- Fixed deposits
- Staff loans

4.3.4.3 Financial Assets measured at fair value through other comprehensive income

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

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

Financial assets at FVTOCI comprise investments in unquoted equities.

4.3.4.4 Cash and Cash Equivalents

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

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

4.3.5 Financial Liabilities

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

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

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

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

4.3.5.1 Recognition and Measurement of Financial Liabilities

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,

A financial liability is measured initially at fair value plus, transaction costs that are directly attributable to its acquisition or issue. Subsequent measurement of financial liability is at fair value or amortised cost. The amortised cost of a financial liability is the amount at which the financial liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initial amount and the maturity amount.

4.3.5.1.1 Classification and Subsequent Measurement of Financial Liabilities

The subsequent measurement of financial liabilities depends on their classification.

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

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

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

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

4.3.7 Impairment of Financial Assets
4.3.7.1 Recognition and Measurement of ECL
The Group recognises allowances for Expected Credit Losses (ECL) on the following financial instruments that are not measured at FVTPL:

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

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

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

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

The Group assesses financial assets under three stages in determining ECL.

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

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

- financial assets that are not credit impaired at the reporting date: as the present value of all cash shortfalls (i.e, the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive);
- financial assets that are credit impaired at the reporting date: as the difference between the gross carrying amount and the present value of estimated future cash flows;
- undrawn loan commitments: as the present value of the difference between the contractual cash flows that are due to the Group if the commitment is drawn down and the cash flows that the Group expects to receive; and
- financial guarantee contracts: the expected payments to reimburse the holder less any amounts that the Group expects to recover.

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

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

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

- the disappearance of an active market or a security because of financial difficulties.

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

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

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

4.3.7.4 Write-off

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

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

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

4.3.8 Derecognition of Financial Assets and Financial Liabilities

4.3.8.1 Financial Assets

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

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

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass–through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. In that case, the Group also recognises an associated liability.

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

4.3.8.2 Financial Liabilities

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

4.3.9 Offsetting financial instruments

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

4.3.10 Amortised Cost Measurement

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

4.3.11 Fair Value Measurement

'Fair value' is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Group has access at that date. The fair value of a liability reflects its non-performance risk.

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

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

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

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

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

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

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

4.4 Intangible Assets

4.4.1 Goodwill

Goodwill that arises on the acquisition of subsidiaries is presented with intangible assets. For the measurement of goodwill at initial recognition see Note 4.1.7 Subsequent to initial recognition, goodwill is measured at cost less accumulated impairment losses.

4.4.2 Software

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

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

Software is amortised on a straight-line basis in profit or loss over its estimated useful life, from the date on which it is available for use. The estimated useful life of software is 5 – 6 years.

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

4.4.3 Business License

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

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

Business License is measured at cost.

4.5 Property, Plant and Equipment

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

4.5.1 Recognition and Measurement

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

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

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

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

4.5.2 Subsequent Cost

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

4.5.3 Depreciation

Depreciation is calculated to write off the cost of items of property and equipment less their estimated residual values using the straight-line method over their estimated useful lives, and is generally recognised in profit or loss. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term. Land is not depreciated.

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

TYPE OF ASSET	LIFE TIME (YEARS)
Computer equipment	5 – 6
Fixtures and fittings	5
Furniture	5
Office equipment	5
Motor vehicle	5

4.5.4 Derecognition

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

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

4.6 Impairment of Non-Financial Assets

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

Goodwill is tested annually for impairment.

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

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

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

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

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.

4.7 Non-current Assets held for Sale

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

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

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

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

4.8 SLFRS 16 – Leases

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

To assess whether a contract conveys the right to control the use of an identified asset, the Group use the definition of a lease in SLFRS 16. This is applicable for leases entered after 1 April 2019.

NOTES TO THE FINANCIAL STATEMENTS

4.8.1 Group acting as a Lessee

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

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

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

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

Lease payments included in the measurement of lease liability includes

- Fixed payments
- Variable lease payments that depend on an index or rate
- Amount expected to be payable under residual value guarantee
- The exercise price under a purchase option that the Company is reasonably certain to exercise

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

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

The Group presents the right-of-use asset and the lease liability in Note 25 and Note 32 respectively.

Short term leases and leases of low value assets

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

4.9 Tax Expense

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

4.9.1 Current tax expense

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

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

4.9.2 Deferred Tax

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for:

- Temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- Temporary differences related to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future; and
- Taxable temporary differences arising on the initial recognition of goodwill.
- Taxable temporary differences arising on subsidiaries, associates or joint ventures who have not distributed their entire profits to the parent or investor.

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

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

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

Deferred tax assets and liabilities are not discounted.

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

4.9.3 Uncertainty Over Income Tax Treatments

The Group accounts for the uncertainty over tax treatments under IFRIC 23. An 'uncertain tax treatment' is a tax treatment for which there is uncertainty over whether the relevant taxation authority will accept the tax treatment under tax law.

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

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

VAT on Financial Services is calculated in accordance with the amended VAT Act No. 7 of 2003 and subsequent amendments thereto. VAT on financial services is computed on the prescribed rate. The rate of 15% is applicable for the period from April 2021 to December 2021 and revised rate of 18% is applicable for the period from January 2022 to March 2022.

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

4.10 Borrowings

Repo borrowings, borrowing on debentures, Commercial papers, securitised papers and bank borrowing are the Group's sources of debt funding. When the Group sells a financial asset and simultaneously enters into an agreement to repurchase the asset (or a similar asset) at a fixed price on a future date (sale and repurchase agreement), the arrangement is accounted for as a borrowing, and the underlying asset continues to be recognised in the Group's financial statements. The Group classifies capital instruments as financial liabilities or equity instruments in accordance with the substance of the contractual terms of the instruments.

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

4.11 Provisions

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

4.12 Dividends Payable

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

4.13 Other Liabilities

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

4.14 Employee Benefits

4.14.1 Defined Contribution Plan

A defined contribution plan is a postemployment 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.

4.14.1.1 Employees' Provident Fund

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

4.14.1.2 Employees' Trust Fund

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

4.14.2 Defined Benefit Plans

A defined benefit plan is a postemployment benefit plan other than a defined contribution plan.

Gratuity

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

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

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

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

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognised immediately in profit or loss. The Group recognises gains and losses on the settlement of a defined benefit plan when the settlement occurs.

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4.14.3 Short-term Employee Benefits

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

Statement of Profit or Loss and Other Comprehensive Income.

4.15 Interest Income and Expense

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

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

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

- interest on financial assets and financial liabilities measured at amortised cost calculated on an effective interest basis; and
- interest on financial assets measured at fair value through other comprehensive income are calculated on an effective interest basis.

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

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

4.16 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 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.

4.17 Gain/(Loss) on Redemption of Units

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

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

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

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

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

4.20 Fee and Commission Income

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

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

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

4.21 Dividend Income

Dividend income from equity investments 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.

4.22 Expenses Recognition

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

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

4.23 Earnings per Share (EPS)

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

Diluted EPS is determined by adjusting the profit or loss attributable to the ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

4.24 Commitments and Contingencies

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

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

4.25 Statement of Cash Flows

The Statement of Cash Flow has been prepared using the "Direct Method" of preparing Cash Flows in accordance with the Sri Lanka Accounting Standard - (LKAS 7) "Statement of Cash Flows".

Cash and cash equivalents comprise short term, highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value.

5. NEW AMENDMENTS TO THE SRI LANKA ACCOUNTING STANDARDS ISSUED BUT NOT EFFECTIVE AS AT REPORTING DATE

The Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) has issued following new amendments to the Sri Lanka Accounting Standards which will become applicable for financial periods beginning after on or after 1 April 2022. Accordingly, the Group has not applied the following new amendments to the standard in preparing these Financial Statements.

The following new amendments to the standards are not expected to have a significant impact on the Group's financial statements.

5.1 Proceeds before intended use (amendments to LKAS 16 - Property, plant and equipment)

The amendment prohibits deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the cost of producing those items, in profit or loss.

The above amendment to Standard will be effective for annual reporting periods beginning on or after 1 January 2022.

5.2 Onerous Contracts – Cost of fulfilling the contract (Amendments to LKAS 37 - Provisions, Contingent Liabilities and Contingent Assets)

The amendment specifies that the 'cost of fulfilling' a contract comprises the 'costs that relate directly to the contract.' Costs that relate directly to a contract can either be incremental costs of fulfilling that contract (direct labour, materials) or an allocation of other costs that relate directly to fulfilling contracts (allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).

The above amendment to Standard will be effective for annual reporting periods beginning on or after 1 January 2022.

5.3 Amendments to "Business Combinations" (SLFRS 3): Updating a reference to conceptual framework

On 23 March 2021, CA Sri Lanka issued amendments to "Business Combinations" (SLFRS 3) - Updating a Reference to the "Conceptual Framework for Financial Reporting". The amendments are intended to replace a reference to the Framework for the Preparation and Presentation of Financial Statements, issued in 1989, with a reference to the "Conceptual Framework for Financial Reporting" issued in March 2018 without significantly changing its requirements.

An exception was also added to the recognition principle of SLFRS 3 to avoid the issue of potential 'day 2' gains or losses arising for liabilities and contingent liabilities that would be within the scope of LKAS 37 or IFRIC 21 Levies, if incurred separately.

At the same time, it was decided to clarify existing guidance in SLFRS 3 for contingent assets that would not be affected by replacing the reference to the Framework for the Preparation and Presentation of Financial Statements.

The above amendment to Standard will be effective for annual reporting periods beginning on or after 1 January 2022.

5.4 Amendments to "First-time Adoption of Sri Lanka Financial Reporting Standards" (SLFRS 1): Subsidiary as a first-time adopter

As part of its 2018-2020 annual improvements to SLFRS standards process, CA Sri Lanka issued an amendment to "First-time Adoption of International Financial Reporting Standards" (SLFRS 1). The amendment

NOTES TO THE FINANCIAL STATEMENTS

permits a subsidiary that elects to apply paragraph D16(a) of SLFRS 1 to measure cumulative translation differences using the amounts reported by the parent, based on the parent's date of transition to SLFRS. This amendment is also applied to an associate or joint venture that elects to apply paragraph D16(a) of SLFRS 1.

The above amendment to Standard will be effective for annual reporting periods beginning on or after 1 January 2022 with earlier adoption permitted.

5.5 Amendments to "Financial Instruments" (SLFRS 9) – Fees in the '10 per cent' test for derecognition of financial liabilities

As part of its 2018-2020 annual improvements to SLFRS standards process, the CA Sri Lanka issued an amendment to "Financial Instruments" (SLFRS 9). The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

The above amendment to Standard will be effective for annual reporting periods beginning on or after 1 January 2022 with earlier adoption permitted.

5.6 Amendments to "Leases" (SLFRS 16)

As part of its 2018-2020 annual improvements to SLFRS standards process, the CA Sri Lanka issued an amendment to "Leases" (SLFRS 16). The amendment removes the illustration of payments from the lessor relating to leasehold improvements. As currently drafted, this example is not clear as to why such payments are not a lease incentive.

The above amendment to Standard will be effective for annual reporting periods beginning on or after 1 January 2022 with earlier adoption permitted.

5.7 Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to Sri Lanka Accounting Standard LKAS 12 – "Income Taxes")

The amendments narrow the scope of the initial recognition exemption to exclude transactions that give rise to equal and offsetting temporary differences – e.g. leases and decommissioning liabilities. For leases and decommissioning liabilities, the associated deferred tax asset and liabilities will need to be recognised from the beginning of the earliest comparative period presented, with any cumulative effect recognised as an adjustment to retained earnings or other components of equity at that date. For all other types of transactions, the amendments apply to transactions that occur after the beginning of the earliest period presented.

The above amendment to Standard will be effective for annual reporting periods beginning on or after 1 January 2023.

5.8 Disclosure of accounting policies (Amendments to LKAS 1)

Disclosure of Accounting Policies (Amendments to LKAS 1) with amendments that are intended to help preparers in deciding which accounting policies to disclose in their financial statements.

The above amendment to Standard will be effective for annual reporting periods beginning on or after 1 January 2023. This amendment is not yet adopted in Sri Lanka.

5.9 Definition of accounting estimates (Amendments to LKAS 8)

The amendments introduced the definition of accounting estimates and included other amendments to LKAS 8 to help entities distinguish changes in accounting estimates from changes in accounting policies.

The above amendment to Standard will be effective for annual reporting periods beginning on or after 1 January 2023. This amendment is not yet adopted in Sri Lanka.

6 INCOME

		Group		Company	
For the Year ended 31 March,	Note	2022 Rs. '000	2021 Rs. '000	2022 Rs. '000	2021 Rs. '000
Direct income	7	**2,123,867**	5,787,915	**961,369**	856,176
Other income	9	**149,221**	245,438	**147**	-
		2,273,088	6,033,353	**961,516**	856,176

7 DIRECT INCOME

Interest income on financial assets recognised through profit or loss - measured at fair value	**1,591,882**	2,036,071	**130,007**	7,296
Interest income on financial assets at amortised cost	**641,120**	540,007	**799,409**	786,068
Gain/ (loss) on sale of financial assets recognised through profit or loss - measured at fair value	**(794,567)**	2,662,410	**9,844**	448
Fee and commission income	**195,811**	308,570	**22,109**	62,364
Brokering income	**438,637**	204,250	**-**	-
Dividend income	**50,984**	36,607	**-**	-
	2,123,867	5,787,915	**961,369**	856,176

7.1 Timing of Income Recognition

Income/ (loss) generated at a point in time	**(260,554)**	3,083,894	**31,953**	62,812
Income generated over the period	**2,384,421**	2,704,021	**929,416**	793,364
	2,123,867	5,787,915	**961,369**	856,176

8 DIRECT EXPENSES

Interest expenses on re-purchase agreements	**999,461**	1,311,934	**36**	-
Interest expenses on corporate debt securities	**567,487**	654,834	**575,003**	644,053
Brokerage cost	**9,459**	19,832	**1,687**	81
Interest expenses on listed debentures	**293,869**	98,692	**203,419**	27,357
Other direct expenses	**29,281**	28,921	**3,008**	5,672
	1,899,557	2,114,213	**783,153**	677,163

9 OTHER INCOME

Gain/ (loss) on disposal of property, plant and equipment	**147**	(286)	**33**	-
Exchange gain	**54,921**	206,831	**-**	-
Miscellaneous income	**94,153**	38,893	**114**	-
	149,221	245,438	**147**	-

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

Government securities	**(81,779)**	(387,808)	**(4,416)**	-
Debentures	**(51,788)**	(23,238)	**(36,433)**	-
Listed shares	**(177,021)**	82,162	**-**	-
Unit trusts	**119,034**	110,905	**-**	-
Derivative financial instruments - government securities	**1,077**	1,875	**-**	-
	(190,477)	(216,104)	**(40,849)**	-

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

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11 OPERATING EXPENSES

11.1 Personnel expenses

For the Year ended 31 March,	Note	Group 2022 Rs. '000	Group 2021 Rs. '000	Company 2022 Rs. '000	Company 2021 Rs. '000
Salaries		**227,143**	185,108	**26,800**	20,231
Bonus		**-**	308,303	**-**	9,812
Employer's contribution to EPF & ETF		**35,275**	29,175	**4,120**	3,106
Retirement benefit cost	33	**12,100**	9,787	**-**	-
Commission		**76,287**	40,808	**-**	-
Staff welfare		**1,868**	6,515	**56**	1,087
Other personnel expenses		**61,690**	44,168	**7,205**	4,546
		414,363	623,864	**38,181**	38,782

11.2 Premises, equipment and establishment expenses

Building maintenance		**25,580**	5,457	**772**	1,224
Depreciation and amortisation		**24,623**	25,015	**6,741**	5,813
Electricity		**3,307**	3,926	**480**	528
Miscellaneous expenses		**6,165**	4,459	**3,358**	1,320
		59,675	38,857	**11,351**	8,885

11.3 Other operating expenses

Professional services expenses		**58,863**	27,735	**10,200**	9,088
Sales promotion expenses		**27,503**	21,915	**1,263**	6,141
Value added tax and nation building tax on financial services		**246,702**	3,126	**22,260**	2,015
Communication and information technology expenses		**27,543**	23,730	**1,231**	2,043
Travelling expenses		**8,408**	8,695	**5,806**	5,612
Fund transfer charges/ bank charges		**23,112**	20,474	**840**	1,116
Provision for economic service charge	22.1	**-**	1,442	**-**	-
Miscellaneous expenses		**23,976**	15,322	**1,791**	3,382
		416,107	122,439	**43,391**	29,397

12 PROFIT/ (LOSS) BEFORE TAX

Profit/ (loss) before taxation is stated after charging all expenses including the following :

Directors' emoluments		**54,650**	164,793	**8,317**	30,686
Auditors' remuneration - Audit services		**2,102**	1,940	**485**	440
Auditors' remuneration - Other services		**300**	790	**-**	350
Salaries		**227,143**	185,108	**26,800**	20,231
Depreciation of property, plant and equipment & right of use assets	25	**22,818**	24,951	**8,593**	8,082
Amortisation of intangible assets	26	**6,179**	4,485	**2,522**	2,105
Employer's contribution to EPF & ETF		**35,275**	29,175	**4,120**	3,106
Retirement benefit cost	33	**12,100**	9,787	**-**	-
Legal fees		**4,097**	995	**398**	-
Donations		**7,814**	9,755	**1,448**	2,950
Specific allowance for impairment of trade and other receivables		**163**	255	**163**	-
Provision/ (reversal) for impairment of financial assets at amortised cost		**63,453**	9,800	**2,834**	(23,154)

13 INCOME TAX EXPENSES

The Company is liable to pay income tax at the rate of 24% in accordance with the Inland Revenue Act No. 24 of 2017 and subsequent amendments thereto.

13.1 Income tax expenses

		Group		Company	
For the Year ended 31 March,	**Note**	**2022 Rs. '000**	**2021 Rs. '000**	**2022 Rs. '000**	**2021 Rs. '000**
Recognised in Profit or Loss					
Current tax expenses	22.1 & 22.2	**(128,741)**	(522,621)	**(18,612)**	(28,626)
Over/ (under) provision for taxes	22.1 & 22.2	**139,143**	(9,041)	**1,035**	235
Deferred tax recognised/ (expense)	24	**107,870**	(282,917)	**949**	(6,646)
		118,272	(814,579)	**(16,628)**	(35,037)
Recognised in Other Comprehensive Income					
Deferred tax assets recognised/ (reversed) during the year	24	**(4,601)**	2,370	**-**	-
		113,671	(812,209)	**(16,628)**	(35,037)
Reconciliation of accounting profit to income tax					
Profit/ (loss) before tax		**(770,544)**	2,908,076	**(514,633)**	2,025,469
Less : Income from other sources		**(115,775)**	(37,791)	**(33)**	-
Less : Exempted income		**152,253**	(459,059)	**556,390**	(1,900,366)
Add : Disallowable expenses		**551,068**	220,293	**42,292**	835
Less : Allowable expenses		**(24,737)**	(32,259)	**(6,465)**	(6,663)
Adjusted profit/ (loss) for the year		**(207,735)**	2,599,260	**77,551**	119,275
Add: Other Income		**-**	-	**-**	-
Add: Investment Income		**25,610**	1,233,537	**-**	-
Add: Adjusted business losses		**719,719**	-	**-**	-
Total statutory income		**537,594**	3,832,797	**77,551**	119,275
Tax loss claimed during the year		**-**	(1,147,647)	**-**	-
Taxable income		**537,594**	2,685,150	**77,551**	119,275
Income tax expense					
Tax at 10% on Gain on realisation of Investment Assets		**-**	(187)	**-**	-
Tax at 14% on Dividend income		**(396)**	(170,175)	**-**	-
Tax at 24% on Balance taxable income		**(128,345)**	(352,259)	**(18,612)**	(28,626)
		(128,741)	(522,621)	**(18,612)**	(28,626)

NOTES TO THE FINANCIAL STATEMENTS

13 INCOME TAX EXPENSES (CONTD.)

13.2 Accumulated tax losses

	Group		Company	
For the Year ended 31 March,	2022 Rs. '000	2021 Rs. '000	2022 Rs. '000	2021 Rs. '000
Balance at the beginning of the year	**7,387,098**	8,562,054	**-**	-
Loss incurred during the year	**719,719**	-	**-**	-
Loss utilised during the year	**-**	(1,147,647)	**-**	-
Adjustment with respect of previous year	**260,277**	(6,877)	**-**	-
Over/ (under) utilisation of loss for past tax assessments	**113,704**	(20,432)	**-**	-
Loss disallowed by Inland Revenue Department	**(7,709,522)**	-	**-**	-
Balance at the end of the year	**771,276**	7,387,098	**-**	-

14 BASIC AND DILUTED EARNINGS/ (LOSS) PER SHARE (RS.)

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

	Group		Company	
For the Year ended 31 March,	2022	2021 (Restated)	2022	2021 (Restated)
Profit/ (loss) attributable to equity holders of the parent (Rs. '000)	**(608,405)**	1,990,432	**(531,260)**	1,990,432
Weighted average number of ordinary shares in issue (Note 43 (b))	**405,000,000**	405,000,000	**405,000,000**	405,000,000
Basic and diluted earnings/ (loss) per share (Rs.)	**(1.50)**	4.91	**(1.31)**	4.91

There were no potentially dilutive ordinary shares outstanding at anytime during the year, hence diluted earnings/ (loss) per share is equal to the basic earnings/ (loss) per share.

15 CASH AT BANKS AND IN HAND

15.1 Favourable balances

		Group		Company	
As at,	Note	31.03.2022 Rs. '000	31.03.2021 Rs. '000	31.03.2022 Rs. '000	31.03.2021 Rs. '000
Cash in hand		**293**	283	**-**	-
Cash at banks	46.4.1	**526,694**	241,770	**39,417**	42,187
		526,987	242,053	**39,417**	42,187

15.2 Unfavourable balances

Bank overdraft	**1,245,741**	3,451	**1,245,696**	1,316
	1,245,741	3,451	**1,245,696**	1,316

16 DERIVATIVE FINANCIAL INSTRUMENTS

		Group		Company	
As at,	Note	31.03.2022 Rs. '000	31.03.2021 Rs. '000	31.03.2022 Rs. '000	31.03.2021 Rs. '000
Forward sale contracts	10	**1,900**	-	**-**	-
Forward purchase contracts	10	**3,290**	2,315	**-**	-
		5,190	2,315	**-**	-

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

		Group		Company	
As at,	Note	31.03.2022 Rs. '000	31.03.2021 Rs. '000	31.03.2022 Rs. '000	31.03.2021 Rs. '000
Listed shares	17.1	**735,279**	1,142,774	**-**	-
Government securities	17.2	**27,473,623**	23,085,413	**2,472,961**	-
Debentures	17.3	**1,425,996**	1,440,465	**747,482**	611,801
Investment in unit trusts	17.4	**431,831**	2,378,709	**-**	-
		30,066,729	28,047,361	**3,220,443**	611,801

17.1 Listed shares - Group

	No. of shares		Fair Value		Cost	
As at,	31.03.2022	31.03.2021	31.03.2022 Rs. '000	31.03.2021 Rs. '000	31.03.2022 Rs. '000	31.03.2021 Rs. '000
Janashakthi Insurance Company PLC	**13,099,471**	13,099,471	**294,738**	391,674	**324,708**	324,708
National Development Bank PLC	**1,584,684**	900,359	**88,267**	72,749	**149,090**	97,766
John Keells Holdings PLC	**933,177**	629,527	**135,311**	93,485	**148,260**	105,982
Peoples Leasing and Finance PLC	**-**	1,412,717	**-**	16,670	**-**	24,023
Orient Finance PLC	**2,138,299**	2,138,299	**27,798**	29,722	**32,671**	32,671
Commercial Bank of Ceylon PLC	**1,534,207**	1,500,000	**96,195**	128,250	**124,950**	121,950
Seylan Bank PLC	**-**	1,321,306	**-**	57,080	**-**	38,862
Hatton National Bank PLC	**-**	1,275,000	**-**	123,930	**-**	147,275
Melstacorp PLC	**85,575**	1,012,667	**3,517**	44,557	**4,631**	54,807
Royal Ceramics Lanka PLC	**249,456**	400,000	**10,153**	102,800	**8,076**	129,500
Vallibel One PLC	**-**	524,096	**-**	24,685	**-**	30,495
Tokyo Cement Company (Lanka) PLC	**500,000**	500,000	**13,150**	30,300	**33,980**	33,980
Access Engineering PLC	**1,175,000**	1,175,000	**17,625**	25,968	**28,200**	28,200
Sampath Bank PLC	**-**	16,800	**-**	904	**-**	907
Dipped Products PLC	**1,493,063**	-	**48,525**	-	**86,083**	-
Total			**735,279**	1,142,774	**940,649**	1,171,126

NOTES TO THE FINANCIAL STATEMENTS

17 FINANCIAL ASSETS RECOGNISED THROUGH PROFIT OR LOSS -MEASURED AT FAIR VALUE (CONTD.)

17.2 Government securities - Group

	Market Value		Face values	
As at,	31.03.2022 Rs. '000	31.03.2021 Rs. '000	31.03.2022 Rs. '000	31.03.2021 Rs. '000
Treasury bills	**26,372,441**	37,358	**26,849,819**	37,641
Treasury bonds	**1,101,182**	20,348,816	**1,171,084**	19,179,238
Sri Lanka Development Bonds	**-**	2,699,239	**-**	2,488,580
	27,473,623	23,085,413	**28,020,903**	21,705,459
Government securities - Company				
Treasury bills	**2,472,961**	-	**2,500,000**	-
	2,472,961	-	**2,500,000**	-

17.2.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.

		Group			
		Market Value		Face Values	
As at,	Note	31.03.2022 Rs. '000	31.03.2021 Rs. '000	31.03.2022 Rs. '000	31.03.2021 Rs. '000
Treasury bills		**20,809,592**	37,358	**21,265,113**	37,641
Treasury bonds		**3,331,928**	19,132,435	**3,514,607**	18,074,032
		24,141,520	19,169,793	**24,779,720**	18,111,673

17.3 Debentures

		Group		Company	
	Note	31.03.2022 Rs. '000	31.03.2021 Rs. '000	31.03.2022 Rs. '000	31.03.2021 Rs. '000
Listed Debentures	17.3.1	**972,234**	867,600	**747,482**	611,801
Unlisted Debentures	17.3.2	**453,762**	572,865	**-**	-
		1,425,996	1,440,465	**747,482**	611,801

17.3.1 Listed Debentures

	Group		Company	
As at,	31.03.2022 Rs. '000 Note 17.3.1.a	31.03.2021 Rs. '000	31.03.2022 Rs. '000 Note 17.3.1.a	31.03.2021 Rs. '000
LOLC Holdings PLC	**485,194**	611,801	**485,194**	611,801
Softlogic Capital PLC	**31,459**	34,881	**-**	-
Commercial Leasing & Finance PLC	**-**	12,033	**-**	-
Asia Asset Finance PLC (Maturity 2023)	**193,293**	208,885	**-**	-
Asia Asset Finance PLC (Maturity 2026)	**262,288**		**262,288**	
	972,234	867,600	**747,482**	611,801

17.3.1.a Listed Debentures

As 31 March 2022	Number of Debentures	Invested Date	Maturity Date	Coupon Rate	Credit Rating	Fair Value Rs. '000
Group						
Softlogic Capital PLC	286,000	19 December 2019	19 December 2024	15.00%	BBB+	**31,459**
Asia Asset Finance PLC (Maturity 2023)	2,000,000	5 October 2020	5 October 2023	10.28%	A-	**193,293**
Asia Asset Finance PLC (Maturity 2026)	2,826,500	20 August 2021	20 August 2026	9.43%	A-	**262,288**
LOLC Holdings PLC	4,798,000	24 February 2021	24 February 2031	12.00%	A	**485,194**
						972,234
Company						
Asia Asset Finance PLC (Maturity 2026)	2,826,500	20 August 2021	20 August 2026	9.43%	A-	**262,288**
LOLC Holdings PLC	4,798,000	24 February 2021	24 February 2031	12.00%	A	**485,194**
						747,482

17.3.2 Unlisted Debentures

	Group		Company	
As at,	31.03.2022 Rs. '000 Note 17.3.2.a	31.03.2021 Rs. '000	31.03.2022 Rs. '000	31.03.2021 Rs. '000
Group				
Janashakthi Limited	**211,809**	572,865	**-**	-
Kelsey Homes (Pvt) Limited	**241,953**	-	**-**	-
	453,762	572,865	**-**	-

17.3.2.a Unlisted Debentures

as 31 March 2022	Number of Debentures	Invested Date	Maturity Date	Coupon Rate	Credit Rating	Fair Value Rs. '000
Janashakthi Limited	747,000	28 December 2020	28 December 2022	13.50%	BB+	**75,270**
Janashakthi Limited	640,000	8 January 2021	28 December 2022	12.00%	BB+	**64,489**
Janashakthi Limited	720,000	28 December 2020	28 December 2023	12.25%	BB+	**72,050**
Kelsey Homes (Pvt) Limited	2,338,500	10 June 2021	10 June 2024	11.50%	N/A	**241,953**
						453,762

17.3.3 Securities pledged as collateral - Group

Debentures classified as financial assets recognised through profit or loss - measured at fair value amounting to Rs. 364 Mn have been pledged as collateral for re-purchase agreements and margin facility entered into by the Group (31 March 2021 - Rs. 223 Mn) .

NOTES TO THE FINANCIAL STATEMENTS

17 FINANCIAL ASSETS RECOGNISED THROUGH PROFIT OR LOSS -MEASURED AT FAIR VALUE (CONTD.)

17.4 Investment in unit trusts

		Group		Company	
As at,	Note	31.03.2022 Rs. '000	31.03.2021 Rs. '000	31.03.2022 Rs. '000	31.03.2021 Rs. '000
First Capital Equity Fund		**59,045**	51,630	**-**	-
First Capital Money Market Fund		**306,137**	1,768,765	**-**	-
First Capital Wealth Fund		**9,999**	-	**-**	-
JB Vantage Money Market Fund		**-**	505,451	**-**	-
Softlogic Money Market Fund		**56,650**	52,863	**-**	-
		431,831	2,378,709	**-**	-

18 FINANCIAL ASSETS - FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

		Group		Company	
As at,	Note	31.03.2022 Rs. '000	31.03.2021 Rs. '000	31.03.2022 Rs. '000	31.03.2021 Rs. '000
Equity investments of Kanrich Finance Limited	18.1	**34,635**	40,273	**-**	-
		34,635	40,273	**-**	-

18.1 Investment in Kanrich Finance Limited

Balance at the beginning of the year	**40,273**	184,623	**-**	-
Loss on fair valuation	**(5,638)**	(144,350)	**-**	-
Balance at the end of the year	**34,635**	40,273	**-**	-

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

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

No strategic investment were disposed during the year 2021/22 and there were no any transfer cumulative gain or loss within equity related to these investments.

19 FINANCIAL ASSETS AT AMORTISED COST

		Group		Company	
As at,	Note	31.03.2022 Rs. '000	31.03.2021 Rs. '000	31.03.2022 Rs. '000	31.03.2021 Rs. '000
Government securities	19.1	**2,368,982**	-	**-**	-
Corporate debt securities	19.2	**2,262,299**	2,249,139	**895,370**	1,107,886
Investments under re-sale agreements	19.3	**1,086,846**	2,417,798	**477,689**	172,594
Investments in fixed deposits	19.4	**40,842**	35,179	**28,031**	22,993
Short term lending	19.5	**3,237,533**	2,002,093	**7,383,767**	7,729,413
Long term lending	19.6	**-**	249,347	**-**	-
Staff loan		**62,773**	82,085	**-**	-
		9,059,275	7,035,641	**8,784,857**	9,032,886

19.1 This reflects investment in Treasury Bonds by First Capital Treasuries PLC (subsidiary) with the objective of holding till maturity (2021 - Nil).

19.2 Corporate debt securities

		Group		Company	
As at,	**Note**	**31.03.2022 Rs. '000**	**31.03.2021 Rs. '000**	**31.03.2022 Rs. '000**	**31.03.2021 Rs. '000**
Investment in commercial papers		**705,168**	450,786	**-**	-
Investment in securitised papers		**1,564,196**	1,802,178	**899,020**	1,110,145
Provision for impairment	19.2.1	**(7,065)**	(3,825)	**(3,650)**	(2,259)
		2,262,299	2,249,139	**895,370**	1,107,886

19.2.a Securities pledged as Collateral

Investment in Securitised Papers classified as financial assets at amortised cost amounting to Rs. 415 Mn have been pledged as collateral for re-purchase agreements and margin facility entered into by the Group (31 March 2021- Rs. 621 Mn).

19.2.1 Movement in provision for expected credit loss on corporate debt securities

		Group		Company	
As at,	**Note**	**31.03.2022 Rs. '000**	**31.03.2021 Rs. '000**	**31.03.2022 Rs. '000**	**31.03.2021 Rs. '000**
Balance as at the beginning of the year		**(3,825)**	(4,444)	**(2,259)**	-
Reversal/ (Charge) for the year		**(3,240)**	619	**(1,391)**	(2,259)
Balance as at the end of the year	19.2.1.1.a	**(7,065)**	(3,825)	**(3,650)**	(2,259)

19.2.1.1 **Group** - This represents expected loss on corporate debt securities classified as “Stage 1” and “Stage 2” amounting to Rs. 7,013,068 and Rs. 52,116 (2021 - “Stage 1” - Rs. 3,515,784 and “Stage 2” - Rs. 309,062) respectively in accordance with SLFRS 9.

Company - This represents expected loss on corporate debt securities classified as “Stage 1” amounting to Rs. 3,649,780 (2021 - Rs. 2,259,205) in accordance with SLFRS 9.

19.2.1.1.a Movement in Impairment during the year

	Group		Company	
As at,	**2022 Rs. '000**	**2021 Rs. '000**	**2022 Rs. '000**	**2021 Rs. '000**
Stage 1				
Balance as at 1 April	**(3,516)**	(4,280)	**(2,259)**	-
Net impairment (charge)/ reversal for the year	**(3,497)**	764	**(1,391)**	(2,259)
Balance as at 31 March	**(7,013)**	(3,516)	**(3,650)**	(2,259)
Stage 2				
Balance as at 1 April	**(309)**	(164)	**-**	-
Net impairment (charge)/ reversal for the year	**257**	(145)	**-**	-
Balance as at 31 March	**(52)**	(309)	**-**	-

NOTES TO THE FINANCIAL STATEMENTS

19 FINANCIAL ASSETS AT AMORTISED COST (CONTD.)

19.3 Investments under re-sale agreements

		Group		Company	
As at,	Note	31.03.2022 Rs. '000	31.03.2021 Rs. '000	31.03.2022 Rs. '000	31.03.2021 Rs. '000
Government securities	19.3.a	**1,048,616**	2,361,444	**477,689**	172,594
Corporate debt securities		**38,230**	56,354	**-**	-
		1,086,846	2,417,798	**477,689**	172,594

19.3.a Securities received as Collateral by the Group

	Group			
	Market Value		Face Values	
	31.03.2022 Rs. '000	31.03.2021 Rs. '000	31.03.2022 Rs. '000	31.03.2021 Rs. '000
Treasury bills	**460,731**	-	**470,327**	-
Treasury bonds	**683,892**	2,474,184	**733,005**	2,171,672
	1,144,623	2,474,184	**1,203,332**	2,171,672

	Company			
	Market Value		Face Values	
	31.03.2022 Rs. '000	31.03.2021 Rs. '000	31.03.2022 Rs. '000	31.03.2021 Rs. '000
Treasury bills	**331,809**	-	**336,781**	-
Treasury bonds	**191,939**	186,939	**202,400**	183,000
	523,748	186,939	**539,181**	183,000

The Group is entitled to repledge the same for borrowings (repos). Fair value of collateral amounting to Rs. 562.25 Mn has been repledged for the borrowings (repos) as at 31 March 2022 and the Group is required to return the said collateral to the respective counterparties with the settlement of outstanding (reverse repos).

19.4 Investments in fixed deposits

		Market Value		Face Values	
	Note	31.03.2022 Rs. '000	31.03.2021 Rs. '000	31.03.2022 Rs. '000	31.03.2021 Rs. '000
Fixed deposits	19.4.1	**45,845**	40,180	**33,033**	27,994
Provision for impairment	19.4.2	**(5,003)**	(5,001)	**(5,002)**	(5,001)
		40,842	35,179	**28,031**	22,993

19.4.1 Group investments in fixed deposits amounting to Rs. 38.9 Mn (Company - Rs. 33 Mn) have been pledged as collateral for banking facilities (As at 31 March 2021 - Group Rs. 33.5 Mn, Company - Rs. 28 Mn).

19.4.2 Movement in provision for expected credit loss on fixed deposits

		Market Value		Face Values	
	Note	31.03.2022 Rs. '000	31.03.2021 Rs. '000	31.03.2022 Rs. '000	31.03.2021 Rs. '000
Balance as at the beginning of the year		**(5,001)**	(5,007)	**(5,001)**	(5,006)
(Charge) /reversal for the year		**(2)**	6	**(1)**	5
Balance as at the end of the year	19.4.2.1.a	**(5,003)**	(5,001)	**(5,002)**	(5,001)

19.4.2.1 **Group** - This represents expected loss on investment in fixed deposits classified as "Stage 1" and "Stage 3" amounting to Rs. 2,503 and Rs. 5,000,000 (2021 - "Stage 1" - Rs. 961 and "Stage 3" - Rs. 5,000,000) respectively in accordance with SLFRS 9.

Company - This represents expected loss on investment in fixed deposits classified as "Stage 1" and "Stage 3" amounting to Rs. 2,012 and Rs. 5,000,000 (2021 - "Stage 1" - Rs. 898 and "Stage 3" - Rs. 5,000,000) respectively in accordance with SLFRS 9.

19.4.2.1.a Movement in Impairment during the year

	Group		Company	
As at,	2022 Rs. '000	2021 Rs. '000	2022 Rs. '000	2021 Rs. '000
Stage 1				
Balance as at 1 April	**(1)**	(7)	**(1)**	(6)
Net impairment (charge)/ reversal for the year	**(2)**	6	**(1)**	5
Balance as at 31 March	**(3)**	(1)	**(2)**	(1)
Stage 3				
Balance as at 1 April	**(5,000)**	(5,000)	**(5,000)**	(5,000)
Net impairment (charge)/ reversal for the year	**-**	-	**-**	-
Balance as at 31 March	**(5,000)**	(5,000)	**(5,000)**	(5,000)

19.5 Short term lending

		Group		Company	
As at,	Note	31.03.2022 Rs. '000	31.03.2021 Rs. '000	31.03.2022 Rs. '000	31.03.2021 Rs. '000
Short term lending (Gross)		**3,385,861**	2,072,007	**7,386,568**	7,730,772
Provision for impairment	19.5.1	**(133,800)**	(69,914)	**(2,801)**	(1,359)
Less : Interest suspension during the year		**(14,528)**	-	**-**	-
		3,237,533	2,002,093	**7,383,767**	7,729,413

NOTES TO THE FINANCIAL STATEMENTS

19.5.1 Movement in provision for expected credit loss on short term lending

		Group		Company	
As at,	**Note**	**31.03.2022 Rs. '000**	**31.03.2021 Rs. '000**	**31.03.2022 Rs. '000**	**31.03.2021 Rs. '000**
Balance as at the beginning of the year		**(69,914)**	(56,934)	**(1,359)**	(26,766)
(Charge) /reversal for the year		**(63,886)**	(12,980)	**(1,442)**	25,407
Write off during the year		**-**	-	**-**	-
Balance as at the end of the year	19.5.1.1.a	**(133,800)**	(69,914)	**(2,801)**	(1,359)

19.5.1.1 **Group** - This represents expected loss on short term lending classified as "Stage 1", "Stage 2" and Stage 3" amounting to Rs. 13,617,685, Rs. 2,062,574 and Rs. 118,119,678 respectively (2021 - "Stage 1" - Rs. 9,567,938 "Stage 2" - Rs. 1,212,822 and "Stage 3" - Rs. 59,133,040) in accordance with SLFRS 9.

Company - This represents expected loss on short term lending classified as "Stage 1" and "Stage 2" amounting to Rs. 2,010,246 and Rs. 790,837 respectively (2021 - Nil) in accordance with SLFRS 9.

19.5.1.1.a Movement in Impairment during the year

	Group		Company	
As at,	**31.03.2022 Rs. '000**	**31.03.2021 Rs. '000**	**31.03.2022 Rs. '000**	**31.03.2021 Rs. '000**
Stage 1				
Balance as at 1 April	**(9,568)**	(3,302)	**(1,359)**	(26,766)
Net impairment (charge)/ reversal for the year	**(4,050)**	(6,266)	**(651)**	25,407
Balance as at 31 March	**(13,618)**	(9,568)	**(2,010)**	(1,359)
Stage 2				
Balance as at 1 April	**(1,213)**	(8,873)	**-**	-
Net impairment (charge)/ reversal for the year	**(850)**	7,660	**(791)**	-
Balance as at 31 March	**(2,063)**	(1,213)	**(791)**	-
Stage 3				
Balance as at 1 April	**(59,133)**	(44,759)	**-**	-
Net impairment charge for the year	**(58,986)**	(14,374)	**-**	-
Balance as at 31 March	**(118,119)**	(59,133)	**-**	-

19.6 Long term lending

		Group		Company	
As at,	**Note**	**31.03.2022 Rs. '000**	**31.03.2021 Rs. '000**	**31.03.2022 Rs. '000**	**31.03.2021 Rs. '000**
Long term lending (Gross)		**363,436**	253,022	**-**	-
Provision for impairment	19.6.1	**-**	(3,675)	**-**	-
Transferred to short term lending		**(363,436)**	-	**-**	-
		-	249,347	**-**	-

19.6.1 Movement in provision for expected credit loss on long-term lending

As at,	Note	Group 31.03.2022 Rs. '000	Group 31.03.2021 Rs. '000	Company 31.03.2022 Rs. '000	Company 31.03.2021 Rs. '000
Balance as at the beginning of the year		**(3,675)**	(6,230)	**-**	-
Reversal for the year		**3,675**	2,555	**-**	-
Balance as at the end of the year	19.6.1.1.a	**-**	(3,675)	**-**	-

19.6.1.1 There is no expected loss on long-term lending as at 31 March 2022 (2021 - "Stage 1" - Rs. 3,674,757) in accordance with SLFRS 9.

19.6.1.1.a Movement in Impairment during the year

As at,	Group 2022 Rs. '000	Group 2021 Rs. '000	Company 2022 Rs. '000	Company 2021 Rs. '000
Stage 1				
Balance as at 1 April	**(3,675)**	(6,074)	**-**	-
Net impairment reversal for the year	**3,675**	2,399	**-**	-
Balance as at 31 March	**-**	(3,675)	**-**	-
Stage 3				
Balance as at 1 April	**-**	(156)	**-**	-
Net impairment (charge)/ reversal for the year	**-**	156	**-**	-
Balance as at 31 March	**-**	-	**-**	-

20 TRADE AND OTHER RECEIVABLES

As at,	Note	Group 2022 Rs. '000	Group 2021 Rs. '000	Company 2022 Rs. '000	Company 2021 Rs. '000
Trade receivables	20.1	**925,049**	516,081	**-**	-
Other receivable	20.2	**498,121**	393,525	**10,161**	4,203
		1,423,170	909,606	**10,161**	4,203

20.1 Trade receivables

As at,	Note	Group 2022 Rs. '000	Group 2021 Rs. '000	Company 2022 Rs. '000	Company 2021 Rs. '000
Margin trading debtors	20.1.a	**-**	-	**-**	-
Stock broking debtors	20.1.b	**925,049**	516,081	**-**	-
		925,049	516,081	**-**	-

NOTES TO THE FINANCIAL STATEMENTS

20 TRADE AND OTHER RECEIVABLES (CONTD.)

20.1.(a) Margin trading debtors

	Group		Company	
	2022 Rs. '000	2021 Rs. '000	2022 Rs. '000	2021 Rs. '000
Margin trading debtors	**63,508**	63,508	**-**	-
Less : provision for impairment	**(63,508)**	(63,508)	**-**	-
	-	-	**-**	-

20.1.(b) Stock broking debtors

	Group		Company	
	2022 Rs. '000	2021 Rs. '000	2022 Rs. '000	2021 Rs. '000
Stock broking debtors	**925,049**	516,081	**-**	-
Less : provision for impairment	**-**	-	**-**	-
	925,049	516,081	**-**	-

20.2 Other receivable

		Group		Company	
	Note	2022 Rs. '000	2021 Rs. '000	2022 Rs. '000	2021 Rs. '000
Rent deposit		**270**	3,893	**-**	-
Dividend receivable		**11,738**	21,978	**-**	-
Deposit with CSE		**11,040**	3,290	**-**	-
Advance paid for land and premises	42	**77,300**	77,300	**-**	-
Fee receivable		**2,886**	2,326	**694**	621
Prepayment		**15,190**	17,447	**2,297**	1,839
Coupon receivable		**12,697**	12,220	**-**	-
Staff advances		**-**	3,904		
Net investment in sub leased asset		**-**	133	**-**	-
Advance paid for Building	42	**220,000**	220,000	**-**	-
Guarantee Claims Receivables		**86,250**	-	**-**	-
Miscellaneous		**60,750**	31,034	**7,170**	1,743
		498,121	393,525	**10,161**	4,203

21 NON-CURRENT ASSETS HELD FOR SALE - GROUP

		Group		Company	
	Note	2022 Rs. '000	2021 Rs. '000	2022 Rs. '000	2021 Rs. '000
Investments in equities	21.1	**42,416**	42,416	**-**	-
		42,416	42,416	**-**	-

21.1 Investments in equities - Group

	No. of shares	31.03.2022 Rs. '000	31.03.2021 Rs. '000
Ceyspence (Private) Limited	2,861,856	**71,432**	71,432
Ceyaki Shipping (Private) Limited	3,116,600	**29,928**	29,928
		101,360	101,360
Less : 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. 58.94 Mn has been accounted for the estimated liability on income tax, settlement of creditors and the impairment of investment to reflect the recoverable amount.

22 TAXES RECEIVABLE/ PAYABLE

		Group		Company	
As at,	Note	31.03.2022 Rs. '000	31.03.2021 Rs. '000	31.03.2022 Rs. '000	31.03.2021 Rs. '000
Tax receivable	22.1	**72,126**	88,798	**56,811**	74,388
Tax payable	22.2	**78,132**	840,696	**-**	-

22.1 Taxes receivables

		Group		Company	
As at,	Note	31.03.2022 Rs. '000	31.03.2021 Rs. '000	31.03.2022 Rs. '000	31.03.2021 Rs. '000
Balance as at 1 April		**88,798**	271,610	**74,388**	103,006
Over/ (under) provision with respect to previous year		**3,553**	(275)	**1,035**	235
Payment made during the year		**530**	156	**-**	-
WHT refunds received		**-**	(2,471)	**-**	(227)
Provision for income tax	13.1	**(20,755)**	(178,780)	**(18,612)**	(28,626)
Provision for economic service charge	11.3	**-**	(1,442)	**-**	-
Balance at the end of the year		**72,126**	88,798	**56,811**	74,388

22.2 Taxes payables

		Group		Company	
As at,	Note	31.03.2022 Rs. '000	31.03.2021 Rs. '000	31.03.2022 Rs. '000	31.03.2021 Rs. '000
Balance as at 1 April		**840,696**	488,668	**-**	-
(Over)/ under provision for the previous year	22.2.a	**(135,590)**	8,766	**-**	-
Provision for the year	13.1	**107,986**	343,841	**-**	-
Payment made during the year		**(734,960)**	(579)	**-**	-
Balance at the end of the year		**78,132**	840,696	**-**	-

NOTES TO THE FINANCIAL STATEMENTS

22 TAXES RECEIVABLE/ PAYABLE (CONTD.)

22.2 Taxes payables (Contd.)

22.2.a This reflects reversal of over provision for income tax following the settlement of income tax assessments up to 2017/18 as per the Inland Revenue Act No. 10 of 2006 and subsequent amendments thereto (previous tax legislation).

23 INVESTMENT IN SUBSIDIARY - COMPANY

	No. of shares		Value of shares	
As at,	**31.03.2022**	**31.03.2021**	**31.03.2022 Rs. '000**	**31.03.2021 Rs. '000**
Investment in subsidiary - Company				
First Capital Limited				
Balance at the beginning of the year	**11,700,005**	11,700,005	**4,027,376**	3,291,070
Share of profit/ (loss) during the year	**-**	-	**(556,389)**	1,900,366
Share of other comprehensive income/ (loss) during the year	**-**	-	**11,868**	(151,776)
Dividend received	**-**	-	**-**	(1,012,284)
Balance at the end of the year	**11,700,005**	11,700,005	**3,482,855**	4,027,376
Holding percentage	**100.0%**	100.0%	**100.0%**	100.0%

23.1 Sale of shares of First Capital Treasuries PLC (subsidiary)

The Company divested 5% of equity stake held in First Capital Treasuries PLC equivalent to 7,695,000 shares at Rs. 39/- per share amounting to Rs. 300 Mn during the year.

Net sales proceeds from sale of 5% of equity stake of First Capital Treasuries PLC	**2021/22 Rs. '000**
Sale Proceeds	300,105
Less: IPO related expense inclusive of tax	(17,740)
Net Sales proceeds	282,365
Net increase in NCI as a result of sale of 5% of equity stake of First Capital Treasuries PLC	
Net Assets of First Capital Treasuries PLC - prior to the IPO (offer for sale)	4,104,390
Divested stake	5%
Net increase in Non-controlling interest	**205,220**
Net increase in equity attributable to equity holders of parent on sale of 5% of equity stake in First Capital Treasuries PLC	
Net sales proceeds	282,365
Less: Net assets sold	(205,220)
Net increase in equity attributable to equity holders of parent	**77,145**

Net increase in equity attributable to equity holders of parent	**Group 2021/22 Rs. '000**	**Company 2021/22 Rs. '000**
Risk reserve	(69,340)	(69,340)
Retained earnings	146,385	69,240
Fair valuation reserve	100	100
Net increase in equity attributable to equity holders of parent	**77,145**	**-**

24 DEFERRED TAX ASSET

		Group		Company	
	Note	2022 Rs. '000	2021 Rs. '000	2022 Rs. '000	2021 Rs. '000
Balance at 1 April		**19,228**	299,775	**37**	6,683
Impact of change in income tax rate recognised in profit or loss	13.1	**13**	(41,233)	**-**	(955)
Impact of change in income tax rate recognised in other comprehensive income	13.1	**(1,984)**	(1,592)	**-**	-
Recognised/ (charged) in other comprehensive income	13.1	**(2,617)**	3,962	**-**	-
Recognised/ (charged) in statement of profit and loss	13.1	**107,857**	(241,684)	**949**	(5,691)
Balance as at 31 March		**122,497**	19,228	**986**	37

Deferred tax is recognised for both deductible and taxable differences arising from assets and liabilities while considering the current 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 has been computed on the basis of 24% except for First Capital Treasuries PLC-14%. Deferred tax asset on the loss of fair valuation of investment in Kanrich Finance Limited (Note 18.1) has not been recognised considering the uncertainty in timing of the realisation.

24.1 The provision for deferred tax is attributable to the following;

As at,	31.03.2022		31.03.2021	
	(Taxable)/ Deductible temporary difference Rs. '000	Tax effect Rs. '000	(Taxable)/ Deductible temporary difference Rs. '000	Tax effect Rs. '000
Group				
On Property, Plant and Equipment	**(4,117)**	**(988)**	(8,814)	(2,115)
On Leasehold assets	**(1,208)**	**(290)**	-	-
On Provision for impairment of Financial assets	**97,017**	**23,284**	33,564	8,055
On Retirement Benefit Obligations	**37,404**	**7,821**	55,369	13,288
On Accumulated tax losses	**661,930**	**92,670**	-	-
	791,026	**122,497**	80,119	19,228
Company				
On Property, Plant and Equipment	**(2,463)**	**(591)**	(3,464)	(831)
On Provision for impairment of Financial assets	**6,453**	**1,549**	3,617	868
On Leasehold assets	**117**	**28**	-	-
	4,107	**986**	153	37

Deferred tax asset has not been recognised in respect of the Group's tax losses as at 31 March 2022 amounting to Rs. 87.6 Mn (31 March 2021 - Rs. 7,387 Mn) due to the uncertainty in claiming such losses as a result of tax assessments raised (Company - Nil).

NOTES TO THE FINANCIAL STATEMENTS

25 PROPERTY, PLANT AND EQUIPMENT AND RIGHT OF USE ASSETS - GROUP

	Office Equipment Rs. '000	Furniture Rs. '000	Fixtures and Fittings Rs. '000	Motor Vehicles Rs. '000	Right of Use Assets Rs. '000	Total 2022 Rs. '000
Cost						
As at 1 April 2021	65,393	11,391	30,090	22,115	45,676	**174,665**
Additions during the year	13,729	-	-	-	6,438	**20,167**
Disposals during the year	(680)	(852)	(3,256)	-	(17,037)	**(21,825)**
As at 31 March 2022	**78,442**	**10,539**	**26,834**	**22,115**	**35,077**	**173,007**
Accumulated depreciation/ Accumulated impairment losses						
As at 1 April 2021	50,092	10,151	27,164	13,343	23,827	**124,577**
Charge for the year	6,928	590	1,400	4,374	9,526	**22,818**
Disposals during the year	(413)	(745)	(2,835)	-	(8,717)	**(12,710)**
As at 31 March 2022	**56,607**	**9,996**	**25,729**	**17,717**	**24,636**	**134,685**
Carrying values						
As at 31 March 2022	**21,835**	**543**	**1,105**	**4,398**	**10,441**	**38,322**

Property, plant and equipment - Group 2020/21

	Office Equipment Rs. '000	Furniture Rs. '000	Fixtures and Fittings Rs. '000	Motor Vehicles Rs. '000	Right of Use Assets Rs. '000	Total 2021 Rs. '000
Cost						
As at 1 April 2020	53,655	11,641	30,724	22,115	49,180	167,315
Additions during the year	12,033	250	341	-	-	12,624
Disposals during the year	(295)	(500)	(975)	-	(3,504)	(5,274)
As at 31 March 2021	65,393	11,391	30,090	22,115	45,676	174,665
Accumulated depreciation/ Accumulated impairment losses						
As at 1 April 2020	44,311	9,841	26,128	8,969	12,816	102,065
Charge for the year	5,945	686	1,701	4,374	12,245	24,951
Disposals during the year	(164)	(376)	(664.51)	-	(1,234)	(2,439)
As at 31 March 2021	50,092	10,151	27,164	13,343	23,827	124,577
Carrying values						
As at 31 March 2021	15,301	1,240	2,926	8,772	21,849	50,088

Based on the assessment of potential impairment carried out by the Group as at 31 March 2022, no provision was required to be made in the Financial Statements (Provision for impairment losses as at 31 March 2021 - Nil).

Group's Property, Plant and Equipment included fully-depreciated assets having a gross amount of Rs. 94.51 Mn as at 31 March 2022 (2021 - Rs. 88.04 Mn).

There were no capitalised borrowing costs relating to the acquisition of Property, Plant and Equipment during the year (2021 - Nil).

There were no restrictions on the title of the Property, Plant and Equipment as at 31 March 2022 (2021 - Nil).

There were no items of Property, Plant and Equipment pledged as security as at 31 March 2022 (2021 - Nil).

There were no temporary idle items of Property, Plant and Equipment as at 31 March 2022 (2021 - Nil).

25 PROPERTY, PLANT AND EQUIPMENT AND RIGHT OF USE ASSETS - COMPANY

	Office Equipment Rs. '000	Furniture Rs. '000	Fixtures and Fittings Rs. '000	Motor Vehicles Rs. '000	Right of Use Assets Rs. '000	Total 2022 Rs. '000
Cost						
As at 1 April 2021	5,285	863	2,010	21,900	6,741	36,799
Additions during the year	8,572	-	-	-	2,920	11,492
Disposals during the year	(418)	(710)	(959)	-	-	(2,087)
As at 31 March 2022	**13,439**	**153**	**1,051**	**21,900**	**9,661**	**46,204**
Accumulated depreciation/ Impairment losses						
As at 1 April 2021	2,441	639	1,229	13,128	4,502	21,939
Charge for the year	2,026	109	329	4,374	1,755	8,593
Disposals during the year	(319)	(630)	(816)	-	-	(1,765)
As at 31 March 2022	**4,148**	**118**	**742**	**17,502**	**6,257**	**28,767**
Carrying values						
As at 31 March 2022	**9,291**	**35**	**309**	**4,398**	**3,404**	**17,437**

Property, plant and equipment - Company 2020/21

	Office Equipment Rs. '000	Furniture Rs. '000	Fixtures and Fittings Rs. '000	Motor Vehicles Rs. '000	Right of Use Assets Rs. '000	Total 2021 Rs. '000
Cost						
As at 1 April 2020	3,053	863	1,998	21,900	6,741	34,555
Additions during the year	2,232	-	12	-	-	2,244
Disposals during the year	-	-	-	-	-	-
As at 31 March 2021	5,285	863	2,010	21,900	6,741	36,799
Accumulated depreciation/ Impairment losses						
As at 1 April 2020	1,514	488	850	8,754	2,251	13,857
Charge for the year	927	151	379	4,374	2,251	8,082
Disposals during the year	-	-	-	-	-	-
As at 31 March 2021	2,441	639	1,229	13,128	4,502	21,939
Carrying values						
As at 31 March 2021	2,844	224	781	8,772	2,239	14,860

Based on the assessment of potential impairment carried out by the Company as at 31 March 2022, no provision was required to be made in the Financial Statements (2021 - Nil).

Company’s Property, Plant and Equipment included fully-depreciated assets having a gross amount of Rs. 1.30 Mn as at 31 March 2022 (2021 - Rs. 0.01 Mn).

There were no capitalised borrowing costs relating to the acquisition of Property, Plant and Equipment during the year (2021 - Nil).

There were no restrictions on the title of the Property, Plant and Equipment as at 31 March 2022 (2021 - Nil).

There were no items of Property, Plant and Equipment pledged as security as at 31 March 2022 (2021 - Nil).

There were no temporary idle items of Property, Plant and Equipment as at 31 March 2022 (2021 - Nil).

NOTES TO THE FINANCIAL STATEMENTS

26 INTANGIBLE ASSETS - GROUP

	Software	Business License (Note 26.1)	Goodwill (Note 26.2)	Total	
				2022	2021
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Gross value					
Balance as at 1 April	52,833	28,800	80,872	**162,505**	151,968
Additions during the year	3,965	-	-	**3,965**	10,537
Balance as at 31 March	**56,798**	**28,800**	**80,872**	**166,470**	162,505
Amortisation/ Impairment losses					
Balance as at 1 April	37,759	-	-	**37,759**	33,274
Amortisation during the year	6,179	-	-	**6,179**	4,485
Balance as at 31 March	**43,938**	**-**	**-**	**43,938**	37,759
Carrying Values as at 31 March 2022	**12,860**	**28,800**	**80,872**	**122,532**	
Carrying Values as at 31 March 2021	15,074	28,800	80,872		124,746

Note 26.1
The Business License represents stock broking license which derived through acquisition of First Capital Equities (Private) Limited during year 2013/14.

Note 26.2
For the purpose of impairment testing Goodwill has been allocated to following cash generating units (subsidiaries).

As at,	Gross Goodwill Rs.'000	Impairment provision Rs.'000	Carrying value 31.03.2022 Rs.'000	Carrying value 31.03.2021 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 amounts of cash generating units do not exceed their recoverable amounts. Accordingly, the management of the company conducted an assessment and concluded that there are no indications of impairment of the goodwill as at 31 March 2022.

Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use (VIU). The recoverable amounts of cash generating units are based on value in use. The value in use calculations are based on a discounted cash flow model. The cash flows are derived from the budget for the next five years that will enhance the asset's performance of the cash generating units being tested. The key assumptions used are given below;

- **Gross margins** - The basis used to determine the value assigned to the budgeted gross margins is the gross margins achieved in the year preceding the budgeted year adjusted for projected market conditions.
- **Inflation** - The basis used to determine the value assigned to the budgeted cost. inflation rate is based on projected economic conditions.
- **Discount rates** - The discount rate used is the risk free rate, adjusted by the addition of an appropriate risk premium. The discount rate is considered at 16% (2020/21 - 15%) with the perspective of long term basis.
- **Volume growth** - Volume growth has been budgeted on a reasonable and realistic basis by taking into account the industry position.

26 INTANGIBLE ASSETS - COMPANY

	Software Rs. '000	Total 2022 Rs. '000	2021 Rs. '000
Gross value			
Balance as at 1 April	**12,796**	**12,796**	7,030
Additions during the year	**173**	**173**	5,766
Disposals during the year	**-**	**-**	-
Balance as at 31 March	**12,969**	**12,969**	12,796
Amortisation/ Impairment losses			
Balance as at 1 April	**5,166**	**5,166**	3,061
Amortisation during the year	**2,522**	**2,522**	2,105
Disposals during the year	**-**	**-**	-
Balance as at 31 March	**7,688**	**7,688**	5,166
Carrying Values as at 31 March 2022	**5,281**	**5,281**	
Carrying Values as at 31 March 2021	**7,630**		7,630

27 DERIVATIVE FINANCIAL INSTRUMENTS

		Group		Company	
As at	**Note**	**31.03.2022 Rs. '000**	**31.03.2021 Rs. '000**	**31.03.2022 Rs. '000**	**31.03.2021 Rs. '000**
Forward sale contracts	10	**2,622**	824	**-**	-
		2,622	824	**-**	-

NOTES TO THE FINANCIAL STATEMENTS

28 SECURITIES SOLD UNDER REPURCHASE AGREEMENTS

	Group		Company	
As at	31.03.2022 Rs. '000	31.03.2021 Rs. '000	31.03.2022 Rs. '000	31.03.2021 Rs. '000
Against government securities	**23,028,781**	19,157,878	**-**	-
Against corporate debt instruments	**771,057**	1,065,408	**-**	-
	23,799,838	20,223,286	**-**	-

29 SHORT TERM BORROWINGS

		Group		Company	
As at	Note	31.03.2022 Rs. '000	31.03.2021 Rs. '000	31.03.2022 Rs. '000	31.03.2021 Rs. '000
Borrowings on corporate debt securities		**7,059,357**	5,576,600	**7,169,627**	5,576,600
Other short term borrowings		**1,080,531**	1,083,763	**1,080,531**	1,083,763
		8,139,888	6,660,363	**8,250,158**	6,660,363

30 AMOUNTS DUE FROM/ DUE TO RELATED COMPANIES

		Group		Company	
As at	Note	31.03.2022 Rs. '000	31.03.2021 Rs. '000	31.03.2022 Rs. '000	31.03.2021 Rs. '000
Amounts due from related companies	30.1	**750**	903	**8,473**	30,372
Amounts due to related companies	30.2	**5,571**	861	**2,096**	57

30.1 Amounts due from related companies

Janashakthi Limited	**650**	233	**492**	53
Kelsey Homes (Private) Limited	**42**	670	**15**	540
Nextventures Limited	**13**	-	**13**	-
Janashakthi Corporate Services Limited	**45**	-	**45**	-
First Capital Limited	**-**	-	**1,927**	4,299
First Capital Equities (Private) Limited	**-**	-	**1,778**	3,678
First Capital Treasuries PLC	**-**	-	**3,111**	16,982
First Capital Asset Management Limited	**-**	-	**1,063**	4,673
First Capital Trustee Services (Pvt) Limited	**-**	-	**29**	147
	750	903	**8,473**	30,372

30.2 Amounts due to related companies

Janashakthi Limited	**512**	735	**-**	-
Janashakthi Business Services Limited	**5,059**	-	**-**	-
Janashakthi Corporate Services Limited	**-**	126	**-**	57
First Capital Markets Limited	**-**	-	**2,096**	-
	5,571	861	**2,096**	57

31 LONG TERM BORROWINGS - GROUP/ COMPANY

Bank	As at 01.04.2021 Rs. '000	Facility obtained Rs. '000	Repayment Capital Rs. '000	Repayment Interest Rs. '000	Accrued interest Rs. '000	As at 31.03.2022 Rs. '000	Tenure of the Loan	Security offered
Bank of Ceylon	50,204	-	(50,000)	(863)	659	-	5 Years	- Corporate guarantee of Janashakthi Limited and First Capital Limited

32 TRADE AND OTHER PAYABLES

As at	Note	Group 31.03.2022 Rs. '000	Group 31.03.2021 Rs. '000	Company 31.03.2022 Rs. '000	Company 31.03.2021 Rs. '000
Trade payables		**345,057**	117,989	**-**	-
Accrued expenses		**84,214**	305,202	**6,670**	13,741
Advance against non-current assets held for sale		**80,218**	80,218	**-**	-
Provision for statutory liabilities		**335,483**	114,973	**1,083**	375
Dividend payable		**38,176**	538,565	**36,689**	537,124
Lease liabilities	32.1	**2,185**	10,702	**2,185**	618
Advanced received from clients		**14,989**	-	**-**	-
Staff insurance claim payable		**6,800**	-	**-**	-
Tax consultancy fee		**15,000**	-	**-**	-
Other liabilities		**37,149**	15,245	**916**	1,480
		959,271	1,182,894	**47,543**	553,338

32.1 Lease Liabilities

Balance as at 1 April	**10,702**	17,429	**618**	1,961
Interest charged	**1,053**	2,256	**180**	191
Lease liability recognised during the year	**2,297**	-	**2,297**	-
Lease payments during the period	**(11,867)**	(8,983)	**(910)**	(1,534)
Balance as at 31 March	**2,185**	10,702	**2,185**	618

32.2 Amounts Recognised in Profit or Loss

Leases under SLFRS 16

Interest on lease liabilities	**(1,053)**	(2,256)	**(180)**	(191)
Depreciation on right-of-use assets	**(9,526)**	(12,245)	**(1,755)**	(2,251)
Income from sub-leasing right-of-use assets presented in "other income"	**5**	382	**-**	-

32.3 Amounts Recognised in Statement of Cash Flows

Total cash outflow for leases	**(11,867)**	(8,983)	**(910)**	(1,534)

NOTES TO THE FINANCIAL STATEMENTS

33 RETIREMENT BENEFIT OBLIGATIONS

		Group		Company	
As at	Note	31.03.2022 Rs. '000	31.03.2021 Rs. '000	31.03.2022 Rs. '000	31.03.2021 Rs. '000
Balance at the beginning of the year		**55,369**	39,812	**-**	-
Amount recognised in Profit or loss for the year					
Gratuity charge for the year		**6,237**	6,731	**-**	-
Impact of change in retirement age		**(1,847)**	-	**-**	-
Interest charge for the year		**7,710**	3,056	**-**	-
Amount recognised in Other comprehensive income for the year					
Actuarial (gain)/loss for the year		**(22,939)**	9,923	**-**	-
Transfers made during the year		**(5,562)**	-	**-**	-
Benefits paid during the year		**(1,564)**	(4,153)	**-**	-
Balance at the end of the year		**37,404**	55,369	**-**	-

As required by Sri Lanka Accounting Standard - LKAS 19 - "Employee Benefits", gratuity liabilities are provided for based on the Projected Unit Credit Method. During 2021/2022, the retirement benefit obligations were adjusted to reflect new legal requirements in the country regarding the retirement age. Accordingly, Group's defined benefit obligation decreased by Rs. 1,847,100 and same was recognised in profit or loss during the year 2021/22.

The principal assumptions used are as follows:

	Group	
	2021/22	2020/21
Expected annual average salary increment:	**8.0%**	7.5%
Discount rate / interest rate:	**16.0%**	8.50%
Staff turnover factor:	**10%**	10%
Retirement age of employees :	**60 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.

	2021/22 Rs. '000	2020/21 Rs. '000
Increase in discount rate by 1%	**(2,422)**	(3,329)
Decrease in discount rate by 1%	**2,619**	3,595
Increase in salary increment by 1%	**2,795**	3,596
Decrease in salary increment by 1%	**(2,617)**	(3,389)

34 BORROWING ON DEBENTURES

		Group		Company	
As at,	Note	31.03.2022 Rs. '000	31.03.2021 Rs. '000	31.03.2022 Rs. '000	31.03.2021 Rs. '000
Balance at the beginning of the year		**2,763,001**	517,641	**2,010,395**	-
Add: Issued during the year		**-**	2,000,000	**-**	2,000,000
Less: Transaction cost		**-**	(4,676)	**-**	(17,099)
Adjustment on inter-company (investment)/ sales		**10,028**	230,229	**-**	-
Accrual of interest		**293,869**	98,692	**203,419**	27,494
		3,066,898	2,841,886	**2,213,814**	2,010,395
Less: Settlement of interest (Coupon)		**(286,008)**	(78,885)	**(183,261)**	-
Balance at the end of the year	34.1	**2,780,890**	2,763,001	**2,030,553**	2,010,395

34.1 Debentures issued

First Capital Holdings PLC	**2,030,553**	2,010,395	**2,030,553**	2,010,395
First Capital Treasuries PLC	**750,337**	752,606	**-**	-
	2,780,890	2,763,001	**2,030,553**	2,010,395

Debentures issued by First Capital Holdings PLC (Company)

Total debentures represent 20,000,000 Rated, Senior, Unsecured, Redeemable 5 year (2021/2026) debentures at a face value of Rs. 100/- interest payable annually, which consist of 13,247,500 debentures at a rate of 10% and 6,752,500 debentures at a rate of weekly AWPLR + 2% (Cap of 12% and Floor of 9%).

The debentures are quoted on the Colombo Stock Exchange.

Tenure	No. of Debentures	Face value 31.03.2022 Rs. '000	Carrying value 31.03.2022 Rs. '000	Carrying value 31.03.2021 Rs. '000	Allotment Date	Maturity Date	Rate of Interest	Frequency on interest
5 years	13,247,500	**1,324,750**	**1,344,250**	1,331,770	8-Feb-21	7-Feb-26	10% (AER - 10%)	Annually
5 years	6,752,500	**675,250**	**686,303**	678,625	8-Feb-21	7-Feb-26	Weekly AWPLR + 2% (Cap of 12% & Floor of 9%)	Annually
	20,000,000	**2,000,000**	**2,030,553**	2,010,395				

Debentures issued by First Capital Treasuries PLC (Subsidiary)

The debentures represent 7,500,000 Rated, Subordinated, Unsecured, Redeemable 5 year (2020/2025) debentures at a face value of Rs. 100/- interest payable at a rate of 12.75% semi - annually.

The debentures are quoted on the Colombo Stock Exchange.

Tenure	No. of Debentures	Face value 31.03.2022 Rs. '000	Carrying value 31.03.2022 Rs. '000	Carrying value 31.03.2021 Rs. '000	Allotment Date	Maturity Date	Rate of Interest	Frequency on interest
5 years	7,500,000	**7,500,000**	**760,577**	759,255	30-Jan-20	30-Jan-25	12.75% (AER-13.16%)	Semi-annually
	7,500,000	**7,500,000**	**760,577**	759,255				

Inter-Company investments in Listed Debentures of First Capital Treasuries PLC, face value amounting to Rs. 22.5 Mn; including amortised interest cost has been eliminated (As at 31 March 2021 - Rs. 22.8 Mn).

NOTES TO THE FINANCIAL STATEMENTS

35 STATED CAPITAL

	Group		Company	
As at,	**31.03.2022 Rs. '000**	**31.03.2021 Rs. '000**	**31.03.2022 Rs. '000**	**31.03.2021 Rs. '000**
Ordinary shares of 101,250,000 (Note 43 (b))	**227,500**	227,500	**227,500**	227,500

Ordinary shares in the Company are recognised at the amount paid per ordinary share net of directly attributable issue costs. The shares of the Company are quoted on the Colombo Stock Exchange. The holders of ordinary shares are entitled to receive dividends declared from time to time and are entitled to one vote per share at General Meetings of the Company.

36 RISK RESERVE

	Group		Company	
As at,	**31.03.2022 Rs. '000**	**31.03.2021 Rs. '000**	**31.03.2022 Rs. '000**	**31.03.2021 Rs. '000**
Balance at the beginning of the year	**1,308,818**	1,135,297	**1,308,818**	1,135,297
Transfers made during the year	**-**	173,521	**-**	173,521
Adjustment due to change in share ownership	**(69,340)**	-	**(69,340)**	-
Balance at the end of the year	**1,239,478**	1,308,818	**1,239,478**	1,308,818

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.

37 FAIR VALUATION RESERVE

		Group		Company	
As at,	**Note**	**31.03.2022 Rs. '000**	**31.03.2021 Rs. '000**	**31.03.2022 Rs. '000**	**31.03.2021 Rs. '000**
Balance at the beginning of the year		**(292,419)**	(148,069)	**(292,419)**	(148,069)
Loss on financial assets fair value through other comprehensive income	18.1	**(5,638)**	(144,350)	**(5,638)**	(144,350)
Adjustment due to change in share ownership		**100**	-	**100**	-
Balance at the end of the year		**(297,957)**	(292,419)	**(297,957)**	(292,419)

The above reserve is relating to the First Capital Treasuries PLC's (subsidiary) equity investment in Lanka Financial Services Bureau Limited amounting to Rs. 2 Mn (at cost) and First Capital Limited's equity investment in Kanrich Finance Limited (subsidiary) amounting Rs. 331 Mn (at cost) which is accounted for "Financial Assets - fair value through other comprehensive income." Carrying value of the said investments as at 31 March 2022 is Rs. 34.6 Mn (31 March 2021 - Rs. 40.3 Mn).

38 DIVIDEND

The Board of Directors of the Company did not declare dividend for 2021/22 (2020/21 - total dividend of Rs. 506.25 Mn was paid, which represented Rs. 5/- per share - before executing the sub - division of shares).

39 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	9,999	2,795
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	306,137	105,279
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	-	274
First Capital Fixed Income Fund	The Unit Trust engages in investment in fixed income securities (i.e. Government Securities and Corporate Debt Securities) on behalf of its clients.	25 April 2014	First Capital Asset Management Limited	-	4,849
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	59,045	2,548

NOTES TO THE FINANCIAL STATEMENTS

39 INVOLVEMENT WITH UNCONSOLIDATED STRUCTURED ENTITIES (CONTD.)

The carrying amounts of assets and liabilities held in unconsolidated structured entities by the Group and the Company are as follows.

	Group		Company	
As at 31 March	**2022 Rs.'000**	**2021 Rs.'000**	**2022 Rs.'000**	**2021 Rs.'000**
Assets				
Financial assets recognised through profit or loss - measured at fair value	**375,181**	1,820,395	**-**	-
Trade and other receivables	**7,948**	-	**-**	
	383,129	1,820,395	**-**	-
Liabilities				
Securities sold under re-purchase agreements	**1,143,102**	4,800,034	**-**	
	1,143,102	4,800,034	**-**	-

The Group's maximum exposure to its interest in unconsolidated structured entities is limited to the amount of investments made by the Group in such entities.

Summarised financial performance of the above unit trusts for the year ended 31 March 2022 are as follows.

Name of the Fund	Income Rs. '000	Profit after tax for the year Rs. '000	Total Equity (Net Asset Value) Rs. '000	Net Asset per Unit Rs.
First Capital Wealth Fund	24,265	15,248	256,774	1,088
First Capital Money Market Fund	1,713,286	1,527,661	15,431,165	2,077
First Capital Gilt-Edged Fund	3,147	2,611	56,224	1,575
First Capital Fixed Income Fund	104,968	56,203	995,664	1,986
First Capital Equity Fund	30,065	11,442	91,589	1,554

Group had not provided financial or other support to an unconsolidated structured entity.

40 RELATED PARTY DISCLOSURES

40.1 Directorships in other companies

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

Name of the company	Relationship	Mr. Nishan Fernando	Mr. Dinesh Schaffter	Mr. Dilshan Wirasekara	Mr. Eardley Perera	Ms. Minette Perera	Mr. Chandana Lal de Silva	Dr. Nishan De Mel	Mr. Ramesh Schaffter
Janashakthi Limited	Parent	-	Director	-	Director	-	Chairman	-	Managing Director/ Group CEO
Janashakthi Insurance PLC	Subsidiary of the Parent	-	Director	-	-	-	-	-	Director*
Janashakthi Capital Limited	Subsidiary of the Parent	-	-	-	-	-	-	-	Director
Janashakthi Business Services (Private) Limited	Subsidiary of the Parent	-	-	-	-	-	-	-	Director
Janashakthi Corporate Services Limited (formerly KHL Corporate Services Limited)	Subsidiary of the Parent	-	Director	-	-	-	-	-	Director
Orient Finance PLC	Subsidiary of the Parent	-	-	-	-	Director	-	-	-
First Capital Limited	Subsidiary	Chairman	Managing Director	Director/ CEO	Director	Director	Director	Director	-
First Capital Asset Management limited	Subsidiary	Chairman	Managing Director	Director/ CEO	Director	Director	Director	Director	-
First Capital Treasuries PLC	Subsidiary	Chairman	Managing Director	Director/ CEO	-	Director	Director	Director	Director
First Capital Markets Limited	Subsidiary	Chairman	Managing Director	Director/ CEO	Director	Director	Director	Director	-
First Capital Equities (Private) Limited	Subsidiary	Chairman	Managing Director	Director	Director	Director	Director	Director	-
First Capital Trustee Services (Private) Limited	Subsidiary	-	Managing Director	Director/ CEO	-	-	-	-	-
Kelsey Developments PLC	Subsidiary of the Parent	-	-	-	Chairman/ Director	-	-	-	Director*
Kelsey Homes (Private) Limited	Subsidiary of the Parent	-	-	-	Director	-	-	-	Director*
Kelsey Homes (Central Park) Limited	Subsidiary of the Parent	-	-	-	Director	-	-	-	Director*
Premier Synthetic Leather Manufacturers (Private) Limited	Related party through KMP	-	Director	-	-	-	-	-	-
Nextventures Limited	Related party through KMP	-	Director	-	-	-	-	-	-

KMP - Key Management Personnel
** Alternate Director*

NOTES TO THE FINANCIAL STATEMENTS

40 RELATED PARTY DISCLOSURES (CONTD.)

40.1 Directorships in other companies

Mr. Prakash Schaffter has stepped down from the Board of Directors of First Capital Holdings PLC and acts as alternate Director to Mr. Ramesh Schaffter with effect from 2 September 2021. He has also stepped down from the Board of Directors of Janashakthi Insurance PLC, Kelsey Developments PLC, Premier Synthetic Leather Manufacturers (Pvt) Ltd, K H L Corporate Services Limited, First Capital Treasuries PLC with effect from 11 August 2021, 2 September 2021, 26 November 2021, 26 November 2021 and 10 January 2022 respectively.

Mr. Prakash Schaffter has been appointed to the Board of Directors of Kelsey Homes (Pvt) Ltd and Kelsey Homes (Central Park) Limited with effect from 1 January 2022. Mr. Ramesh Schaffter acts as alternate Director to Mr. Prakash Schaffter in Kelsey Homes (Pvt) Ltd and Kelsey Homes (Central Park) Ltd.

Mr. Ramesh Schaffter has stepped down from the Board of Directors of Janashakthi Insurance PLC and Kelsey Developments PLC and appointed as alternate Director to Mr. Prakash Schaffter with effect from 11 August 2021 and 2 September 2021 respectively. He has stepped down from the Board of Directors of Orient Finance PLC with effect from 6 September 2021 and the position of Alternate Director (to Mr. Prakash Schaffter) from the Board of Orient Finance PLC with effect from 2 March 2022. He has also stepped down from the Board of Directors of Premier Synthetic Leather Manufacturers (Pvt) Ltd with effect from 26 November 2021.

Mr. Ramesh Schaffter has been appointed to the Board of Janashakthi Business Services (Private) Limited with effect from 14 February 2022.

Mr. Dinesh Schaffter has stepped down from the Board of Directors of Kelsey Developments PLC, Kelsey Homes (Central Park) Limited (formerly know as Twid Capital (Pvt) Ltd) and Kelsey Homes (Pvt) Ltd with effect from 2 September 2021. He has been appointed to the Board of Janashakthi Insurance PLC with effect from 5 July 2021.

Mr. Chandana Lal de Silva has stepped down from the Board of Directors of Kelsey Developments PLC with effect from 2 September 2021.

Mr. Eardley Perera has stepped down from the Board of Directors of Janashakthi Insurance PLC with effect from 30 June 2021.

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.

40.2 Transactions with Parent Company

Nature of transaction	Group		Company	
	2021/22 Rs.'000	2020/21 Rs.'000	2021/22 Rs.'000	2020/21 Rs.'000
Statement of Profit or Loss and Other Comprehensive Income				
Interest income	**74,643**	233,044	**-**	-
Fee income	**725**	27,213	**-**	26,746
Brokerage income (Stock broking)	**1,075**	10,398	**-**	-
Gain realised on sale of corporate debt securities	**-**	36	**-**	-
Interest expense	**-**	51		
Reimbursement of expenses	**43,682**	29,305	**5,242**	3,429
Corporate Guarantee facility commission expenses	**3,008**	5,672	**3,008**	5,672
Corporate Guarantee facility commission income	**1,500**	2,833	**1,500**	2,833
Statement of Changes in Equity				
Dividend paid & declared	**-**	840,486	**-**	840,486
Statement of Financial Position				
Current account payable	**512**	735	**-**	-
Current account receivable	**650**	233	**492**	53
Short term lending	**1,000,210**	449,666	**-**	-
Investment in debentures	**211,809**	572,865	**-**	-
Transactions relating to Corporate Guarantees				
Corporate Guarantee provided	**400,000**	400,000	**400,000**	400,000
Corporate Guarantee received	**1,050,000**	1,550,000	**1,050,000**	1,550,000

40.3 Transactions with Subsidiaries

Nature of transaction	Group		Company	
	2021/22 Rs.'000	2020/21 Rs.'000	2021/22 Rs.'000	2020/21 Rs.'000
Statement of Profit or Loss and Other Comprehensive Income				
Interest income	**-**	-	**734,292**	774,221
Fee income	**-**	-	**5,025**	4,990
Dividend receipts	**-**	-	**-**	1,012,284
Corporate Guarantee facility commission expenses	**-**	-	**2,881**	2,514
Statement of Financial Position				
Short term lending	**-**	-	**7,496,840**	7,730,772
Current account payable	**-**	-	**2,096**	-
Current account receivable	**-**	-	**7,908**	29,780
Securities purchased under re-sale agreements (Against government securities)	**-**	-	**477,689**	172,594
Transactions relating to Corporate Guarantees				
Corporate Guarantee provided	**-**	-	**250,000**	274,000
Corporate Guarantee received	**-**	-	**1,200,000**	1,250,000

NOTES TO THE FINANCIAL STATEMENTS

40 RELATED PARTY DISCLOSURES (CONTD.)

40.4 Transactions with other related companies

Nature of transaction	Group		Company	
	2021/22 Rs.'000	2020/21 Rs.'000	2021/22 Rs.'000	2020/21 Rs.'000
Statement of Profit or Loss and Other Comprehensive Income				
Interest income	**201,712**	319,269	**-**	-
Fee income	**12,158**	16,484	**12,108**	6,042
Brokerage income (Stock broking)	**19,989**	-	**-**	-
Benefit accrued from investment in Unit Trust	**274,902**	294,668	**-**	-
Gain realised on sale of government securities	**285**	43,476	**-**	-
Gain realised on sale of corporate debt securities	**647**	-	**565**	-
Interest expense	**276,516**	68,944	**1,000**	142
Secretarial fees	**1,400**	1,389	**442**	481
Management fee (Portfolio Management and Unit Trust)	**151,419**	110,435	**-**	
Statement of Financial Position				
Investment in debentures	**241,953**	-	**-**	-
Investment in securitised papers	**75,390**	202,801	**-**	-
Short term lending	**1,069,831**	999,741	**-**	-
Securities purchased under re-sale agreements (against government securities)	**-**	812,410	**-**	-
Securities sold under re-purchase agreements (against government securities)	**2,133,289**	5,884,405	**-**	-
Borrowing on listed debentures	**263,593**	263,303	**10,067**	10,218
Management fee receivable (Portfolio management)	**833**	833	**-**	-
Current account receivable	**100**	670	**73**	540
Current account payable	**5,059**	-	**-**	-
Investment in unit trust	**2,388,560**	1,856,149	**-**	-
Funds under management (Portfolio Management)	**19,070,149**	20,472,997	**-**	-

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.

40.5 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. dependents of the Individual or the individual's domestic partner

Close Family Members are related parties to the Entity.

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

Nature of transaction	Group		Company	
	2021/22 Rs.'000	2020/21 Rs.'000	2021/22 Rs.'000	2020/21 Rs.'000
Statement of Profit or Loss and Other Comprehensive Income				
Interest income	**60,997**	24,999	**-**	-
Brokerage income (Stock brokering)	**9,467**	10,461	**-**	-
Management fee income (Portfolio Management)	**6,859**	5,603	**-**	-
Interest expense	**2,411**	2,918	**-**	-
Emoluments paid	**54,650**	164,793	**8,317**	30,686
Benefit accrued from investment in Unit Trust	**14,942**	19,759	**-**	-
Statement of Changes in Equity				
Dividend paid by unit trust	**-**	1	**-**	-
Statement of Financial Position				
Management fee receivable (Portfolio Management)	**732**	684	**-**	-
Short-term lending	**561,513**	429,660	**-**	-
Securities sold under re-purchase agreements (against government securities)	**6,756**	6,190	**-**	-
Securities sold under re-purchase agreements (against corporate debt securities)	**31,417**	12,181	**-**	-
Investments in unit trust	**198,379**	148,874	**-**	-
Funds under management (Portfolio Management)	**1,347,170**	1,084,062	**-**	-

NOTES TO THE FINANCIAL STATEMENTS

40 RELATED PARTY DISCLOSURES (CONTD.)

40.6 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 Limited	Subsidiary/ Parent	Loan Facility granted	1,000,210	44%	Loan Facility granted at commercial terms.
First Capital Treasuries PLC/ Janashakthi Insurance PLC -Shareholders	Subsidiary/ Fund managed by a Subsidiary of Parent	Borrowing via Re-purchase agreements	477,499	21%	Borrowing is at the prevailing market rates.
First Capital Treasuries PLC/ Janashakthi Insurance PLC - Policyholders - Universal Life	Subsidiary/ Fund managed by a Subsidiary of Parent	Borrowing via Re-purchase agreements	290,807	13%	Borrowing is at the prevailing market rates.
First Capital Limited/ Kelsey Homes (Pvt) Limited	Subsidiary/ Subsidiary of the Parent	Investment in debentures	241,953	11%	Investment in debentures at commercial terms.
First Capital Limited/ Nextventures Limited	Subsidiary/ Related Party via Key Management Personnel	Loan Facility granted	1,009,785	44%	Loan Facility granted at commercial terms.
First Capital Holdings PLC/ Janashakthi Limited	Subsidiary/ Parent	Corporate Guarantee Facilities provided	400,000	18%	Corporate Guarantee facilities at commercial terms
First Capital Holdings PLC/ Janashakthi Limited	Company/ Parent	Corporate Guarantee Facilities obtained	1,050,000	44%	Corporate Guarantee facilities at commercial terms.

Recurrent transactions - Company

Name of the related party	Relationship	Nature of the transaction	Aggregate Value of Related Party transaction entered during the financial year Rs "000	Aggregate value of Related Party Transactions as a % of Net Revenue/ Income	Terms and conditions of the Related Transactions
First Capital Holdings PLC/ First Capital Limited	Company/ Subsidiary	Short Term Lending	7,386,568	325%	Short term lending made at commercial terms.
First Capital Holdings PLC/ First Capital Limited	Company/ Subsidiary	Interest income on Short term lending	727,392	32%	Short term lending made at commercial terms.
First Capital Holdings PLC/ First Capital Treasuries PLC	Company/ Subsidiary	Investment via Re-purchase agreements	477,689	21%	Investment is at the prevailing market rates.
First Capital Holdings PLC/ First Capital Limited	Company/ Subsidiary	Corporate Guarantee Facilities provided	250,000	11%	Corporate Guarantee facilities at commercial terms.
First Capital Holdings PLC/ First Capital Limited	Company/ Subsidiary	Corporate Guarantee Facilities obtained	1,200,000	53%	Corporate Guarantee facilities at commercial terms.
First Capital Holdings PLC/ Janashakthi Limited	Company/ Parent	Corporate Guarantee Facilities provided	400,000	18%	Corporate Guarantee facilities at commercial terms
First Capital Holdings PLC/ Janashakthi Limited	Company/ Parent	Corporate Guarantee Facilities obtained	1,050,000	46%	Corporate Guarantee facilities at commercial terms.

41 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 (the Company) has provided corporate guarantees for banking facilities of Janashakthi Limited (parent) and First Capital Limited (subsidiary) amounting to Rs. 400 Mn and Rs. 250 Mn respectively.

(b) Commissioner General of Inland Revenue (CGIR) determined the Company's appeal on the assessment of VAT on financial services related to year of assessment 2016/17 (Rs. 21 Mn) in favour of the Inland Revenue Department in December 2021. The Company made an appeal to the Tax Appeals Commission. CGIR's hearing of the appeal related to VAT on financial services amounting to Rs. 233.3 Mn for 2017/18 has not been concluded yet.

NOTES TO THE FINANCIAL STATEMENTS

41 CONTINGENT LIABILITIES (CONTD.)

Group

(c) The Tax Appeals Commission determined First Capital Limited's (subsidiary) appeal on the assessment of VAT on financial services (2012/13) amounting to Rs. 12.1 Mn in favour of the Inland Revenue Department reducing the liability to Rs. 9.3 Mn in March 2022. Consequently, the subsidiary submitted an appeal against the said determination to the Court of Appeal. Further, the subsidiary has appealed against assessments on VAT on financial services (2013/14, 2014/15) amounting to Rs. 99.3 Mn to the Tax Appeals Commission. Hearing of the said appeals has not been concluded yet.

The appeals against the said assessments ((b) to (c) above) have been duly submitted. Based on the tax consultant's opinion, the Board of Directors of the Company 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 Group 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 2022.

42 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 (subsidiary) entered into an agreement to acquire three condominium units currently occupied by the Company for a purchase consideration of Rs. 270 Mn. A cash advance of Rs. 220 Mn was made in 2020/21.

First Capital Treasuries PLC entered into a sale and purchase agreement to acquire a property (land and premises) for a consideration of Rs. 382 Mn and an advance of Rs. 77.3 Mn 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

There value of forward purchase contracts (Government Securities) as at 31 March 2022 is Rs. 1,363 Mn (31 March 2021 - Rs. 2,718 Mn) and the value of forward sales contracts (Government Securities) as at 31 March 2022 is Rs. 1,209 Mn (31 March 2021 - Rs. 1,437 Mn).

43 SUBSEQUENT EVENTS

There have been no material events subsequent to the reporting date which require disclosures/ adjustments in these provisional financial statements other than followings:

(a) As per the Surcharge Tax Act No. 14 of 2022 which was certified on 8 April 2022, the Group is liable for the surcharge tax of Rs. 418 Mn (Company – Rs. 28.7 Mn) out of the taxable income of Rs. 1,672 Mn (Company – Rs. 114.8 Mn) pertaining to the year of assessment 2020/21. According to the said Act, the surcharge tax shall be deemed to be an expenditure in the financial statements relating to the year of assessment which commenced on 1 April 2020. Since the Act supersedes the requirements of the Sri Lanka Accounting Standards, the surcharge tax expense is accounted for as recommended by the SoAT on Accounting for Surcharge Tax issued by the Institute of Chartered Accountants of Sri Lanka in April 2022. As permitted by the Surcharge tax Act, the liability was settled in two installments.

The impact of the surcharge tax under the Surcharge Tax Act on the comparative year would have been as given below:

	Group Rs. '000	Company Rs. '000
Profit after tax for 2020/21	2,093,497	1,990,432
Surcharge tax levied under Surcharge Act	(418,062)	(28,740)
Share of Surcharge tax from subsidiaries	-	(350,173)
Comparable profit for the year 2020/21	**1,675,435**	**1,611,519**

(b) On 8 April 2022, the Shareholders of the Company resolved to execute a sub-division of shares without a change to the stated capital of Rs. 227,500,000/- by splitting every one (01) existing voting ordinary share into four (04) voting ordinary shares. The shares so divided rank equal and pari pasu in all respects with the existing shares from which the division arose.

Number of shares prior to sub – division	101,250,000
Number of shares after sub – division	405,000,000

(c) On 8 April 2022, the Shareholders of First Capital Treasuries PLC (Subsidiary) resolved to execute a sub-division of shares without a change to the stated capital of Rs. 256,500,000/- by splitting every one (01) existing voting ordinary share into four (04) voting ordinary shares. The shares so divided rank equal and pari pasu in all respects with the existing shares from which the division arose.

Number of shares prior to sub – division	153,900,000
Number of shares after sub – division	615,600,000

44 ECONOMIC OUTLOOK AND THE BUSINESS IMPACT

The Economic activities for near term are expected to be significantly influenced by the unfavorable developments occurred since 2021 in the domestic front particularly the shortage in foreign currency and scarcities stemming from global supply chain disruptions and resultant rising commodity prices. Consequently, current economic conditions are expected to remain throughout 2022 with the GDP growth getting negatively impacted and interest rates remaining at high levels. The Economy is expected to recover in the medium to long term conditional on restoring political stability, reassuring social coherence and seeking an economic adjustment programme from the International Monetary Fund (IMF).

The prevailing economic conditions and the impact of the expected future fiscal and monetary policy measures required to bring the macro-economic stability are likely to impact the financial services industry in short-term. The increase of policy rates and subsequent increase in treasury bill rates compelled the market rates to increase significantly. However, the Group has implemented the risk mitigation strategies to reduce the impact of interest rate risk.

Further, the current economic crisis of the country results in negative vibes on funding and liquidity. However, the Group always maintained capital and liquidity buffers over and above the regulatory minimum levels. Hence the Group's ability to withstand the shocks, stands at a higher level.

Based on the operational model and financial strength of the Group, the Management is confident that prevailing economic conditions do not have a significant impact to the business continuity and expects to manage the said challenges effectively.

45 CAPITAL MANAGEMENT

The objectives of the capital management are summarised below.

1. Appropriately allocate capital to meet strategic objectives.
2. Enable the Group to face any economic downturn/ crisis situation.

The Group's policy is to maintain a strong capital base to ensure investor, creditor and market confidence in order to sustain future development of the business while complying with regulatory requirements (i.e. externally imposed capital requirements). The impact of the shareholders' return is also recognised, and the Group recognises the need to maintain a balance between higher returns that might be possible with greater gearing and the benefits and security provided by a sound capital position.
The Company manages its capital structure and adjusts it accordingly in line with changes in economic, market and regulatory conditions and its overall risk appetite. Summary of the capital structure of the Group and the Company is as follows:

	Group		Company	
As at 31 March	**2022 Rs. Mn**	**2021 Rs. Mn**	**2022 Rs. Mn**	**2021 Rs. Mn**
Borrowing on listed debentures	**2,781**	2,763	**2,031**	2,010
Total equity	**4,465**	4,822	**4,051**	4,570
Total Capital	**7,246**	7,585	**6,082**	6,580

NOTES TO THE FINANCIAL STATEMENTS

45 CAPITAL MANAGEMENT (CONTD.)

Externally imposed capital requirements are presented below.

First Capital Treasuries PLC (subsidiary)

First Capital Treasuries PLC, licensed primary dealer regulated by the Central Bank of Sri Lanka (CBSL), is required to maintain statutory minimum core capital and risk weighted capital adequacy positions as prescribed by the CBSL periodically.
Minimum core capital requirement for primary dealer companies as per the CBSL Direction No. 01 of 2021 is as follows;

Effective date	Minimum of Core Capital Requirement Rs. Mn
1 January 2022 (prevailing requirement):	2,000
1 January 2023	2,500

The Company's compliance status in relation to minimum core capital and risk weighted capital adequacy ratio is as follows;

Compliance requirement	Status as at 31 March 2022	Status as at 31 March 2021
Minimum core capital of Rs. 2 Bn - w.e.f. 01 January 2022 (prior to 1 January 2022 - Rs. 1 Bn)	**Rs. 3,779 Mn**	Rs. 4,513 Mn
Risk weighted capital adequacy ratio of 10%	**84.87%**	33.22%

First Capital Asset Management Limited (subsidiary)

First Capital Asset Management Limited, licensed investment manager and managing company of unit trust is required to maintain statutory minimum equity capital as prescribed by the Securities and Exchange Commission of Sri Lanka (SEC). Minimum equity capital requirements are as follows.

	Rs. Mn
Managing company of unit trust	25
Investment manager	7.5

The company is complied with the minimum equity capital requirement and the status of equity capital is as follows;

As at 31 March	2022 Rs. Mn	2021 Rs. Mn
Total equity capital	**202**	114

First Capital Equities (Pvt) Limited (subsidiary)
First Capital Equities (Pvt) Limited, licensed stockbroker is required to maintain a statutory minimum equity capital of Rs. 100 Mn as prescribed by the Securities and Exchange Commission of Sri Lanka (SEC).

The company is complied with the minimum equity capital requirement and the status of equity capital is as follows;

As at 31 March	2022 Rs. Mn	2021 Rs. Mn
Total equity capital	**435**	204

46 FINANCIAL RISK MANAGEMENT

Overview
The Company has exposure to the following risk via financial instruments.
- Market Risk
- Liquidity Risk
- Credit Risk
- Operational Risk

46.1 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.

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

Management of market risk includes the following elements:
- The operational authority for managing market risk is vested with the Investment Committee (IC).
- Interest rate risk is managed within the approved limits by the Investment Committee.

46.3 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.

NOTES TO THE FINANCIAL STATEMENTS

46 FINANCIAL RISK MANAGEMENT (CONTD.)

46.3 Liquidity Risk (Contd.)

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	Total Rs.'000
Assets								
Cash at banks and in hand	526,987	526,987	-	-	-	-	-	526,987
Derivative financial instruments	5,190	-	5,190	-	-	-	-	5,190
Financial assets recognised through profit or loss - measured at fair value	30,066,729	1,167,110	26,372,440	220,830	1,281,183	412,865	612,301	30,066,729
Financial assets - fair value through other comprehensive income	34,635	-	-	-	-	34,635	-	34,635
Financial assets at amortised cost	9,059,275	-	2,887,392	3,590,175	3,185,179	29,095	9,101	9,700,942
Other financial assets (Trade receivables - Net)	925,049	-	925,049	-	-	-	-	925,049
Amounts due from related companies	750	750	-	-	-	-	-	750
Total As at 31 March 2022	**40,618,615**	**1,694,847**	**30,190,071**	**3,811,005**	**4,466,362**	**476,595**	**621,402**	**41,260,282**
								-
As at 31 March 2021	35,883,724	3,763,536	3,197,518	5,668,666	19,861,190	2,492,575	900,239	35,883,724
Liabilities								
Bank overdrafts	1,245,741	1,245,741	-	-	-	-	-	1,245,741
Derivative financial instruments	2,622	-	2,622	-	-	-	-	2,622
Securities sold under repurchase agreements	23,799,838	-	21,862,491	1,932,623	-	-	4,724	23,799,838
Short term borrowings	8,139,888	-	6,855,388	1,284,500	-	-	-	8,139,888
Amounts due to related companies	5,571	5,571	-	-	-	-	-	5,571
Other financial liabilities (Trade payables - Net)	345,057	345,057	-	-	-	-	-	345,057
Borrowings on debentures	2,780,890	-	-	307,532	1,330,321	2,184,918	-	3,822,771
Total As at 31 March 2022	**36,319,607**	**1,596,369**	**28,720,501**	**3,524,655**	**1,330,321**	**2,184,918**	**4,724**	**37,361,488**
								-
As at 31 March 2021	29,819,118	121,440	20,810,406	6,403,650	589,022	3,256,846	4,304	31,185,668

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	Total Rs.'000
Assets								
Cash at banks and in hand	39,417	39,417	-	-	-	-	-	39,417
Financial assets recognised through profit or loss - measured at fair value	3,220,443	-	2,472,961	-	-	262,289	485,193	3,220,443
Financial assets at amortised cost	8,784,857	-	7,961,055	506,569	317,233	-	-	8,784,857
Amounts due from related companies	8,473	8,473	-	-	-	-	-	8,473
Total As at 31 March 2022	**12,053,190**	**47,890**	**10,434,016**	**506,569**	**317,233**	**262,289**	**485,193**	**12,053,190**
As at 31 March 2021	9,686,874	42,187	9,032,886	-	-	-	611,801	9,686,874
Liabilities								
Bank overdrafts	1,245,696	1,245,696	-	-	-	-	-	1,245,696
Short term borrowings	8,250,158	-	6,965,658	1,284,500	-	-	-	8,250,158
Borrowings on debentures	2,030,553	-	-	213,318	428,731	2,184,918	-	2,826,967
Amounts due to related companies	2,096	2,096	-	-	-	-	-	2,096
Total As at 31 March 2022	**11,528,503**	**1,247,792**	**6,965,658**	**1,497,818**	**428,731**	**2,184,918**	**-**	**12,324,917**
								-
As at 31 March 2021	8,722,278	1,316	2,901,706	4,002,109	391,582	2,410,959	-	9,707,672

46.4 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.

NOTES TO THE FINANCIAL STATEMENTS

46 FINANCIAL RISK MANAGEMENT (CONTD.)

46.4 Credit Risk (Contd.)

46.4.1 Credit risk exposure - Cash at bank and in hand

Credit risk exposure of cash at bank and cash in hand is depicted in the below table using carrying values as at the Statement of Financial Position date.

			Group		Company	
31 March	**Rating**	**Rating Agency**	**2022 Rs. '000**	**2021 Rs. '000**	**2022 Rs. '000**	**2021 Rs. '000**
Bank of Ceylon PLC	AA-	Fitch	**8,129**	5,040	**282**	298
Commercial Bank of Ceylon PLC	AA-	Fitch	**4,594**	15,106	**4,495**	15,001
DFCC Bank PLC	A+	Fitch	**39**	49	**-**	-
Habib Bank Limited	A+	ICRA	**-**	10	**-**	-
Hatton National Bank PLC	AA-	Fitch	**35,025**	19,055	**16,738**	17,453
National Development Bank PLC	A+	Fitch	**7,243**	5,723	**7,211**	5,690
Nations Trust Bank PLC	A	Fitch	**4,456**	3,228	**-**	-
Pan Asia Bank Corporation PLC	BBB-	Fitch	**72**	52	**-**	-
People's Bank PLC	AA-	Fitch	**537**	1,533	**11**	224
Sampath Bank PLC	AA-	Fitch	**12,266**	18,726	**-**	-
Seylan Bank PLC	A	Fitch	**454,101**	172,802	**10,680**	3,521
Union Bank of Colombo PLC	BBB-	Fitch	**32**	32	**-**	-
Total Exposure to credit Risk			**526,494**	**241,356**	**39,417**	**42,187**
Central Bank of Sri Lanka			**200**	414	**-**	-
Cash in hand			**293**	283	**-**	-
Cash and Cash Equivalents			**526,987**	**242,053**	**39,417**	**42,187**

46.4.2 Credit Quality by Class of Financial Assets

Group - As at 31 March 2022	**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				
Financial assets at amortised cost	**6,910,959**	**2,143,316**	**5,000**	**9,059,275**
Other financial assets (Trade receivables)	**925,049**	**-**	**63,508**	**988,557**
Total financial assets	**7,836,008**	**2,143,316**	**68,508**	**10,047,832**

Group - As at 31 March 2021	**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				
Financial assets at amortised cost	5,503,917	1,448,396	83,328	7,035,641
Other financial assets (Trade receivables)	516,081	-	63,508	579,589
Total financial assets	6,019,998	1,448,396	146,836	7,615,230

Company - As at 31 March 2022	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				
Financial assets at amortised cost	**8,784,857**	**-**	**5,000**	**8,789,857**
Total financial assets	**8,784,857**	**-**	**5,000**	**8,789,857**

Company - As at 31 March 2021	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				
Financial assets at amortised cost	9,032,886	-	5,000	9,037,886
Total financial assets	9,032,886	-	5,000	9,037,886

46.5 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 2022	Cash at Banks and in Hand Rs.'000	Derivative Financial Instruments Rs.'000	Financial Assets - FVTPL Rs.'000	Financial Assets at 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	**200**	**5,190**	**27,473,623**	**-**	**-**	**-**	**27,479,013**
Corporate	**526,787**	**-**	**2,593,106**	**7,430,089**	**34,635**	**925,049**	**11,509,666**
Others	**-**	**-**	**-**	**1,629,186**	**-**	**-**	**1,629,186**
Total	**526,987**	**5,190**	**30,066,729**	**9,059,275**	**34,635**	**925,049**	**40,617,865**

Group - As at 31 March 2021	Cash at Banks and in Hand Rs.'000	Derivative Financial Instruments Rs.'000	Financial Assets - FVTPL Rs.'000	Financial Assets at 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	414	2,315	23,085,413	-	-	-	23,088,142
Corporate	241,639	-	4,961,948	6,233,637	40,273	516,081	11,993,578
Others	-	-	-	802,004	-	-	802,004
Total	242,053	2,315	28,047,361	7,035,641	40,273	516,081	35,883,724

NOTES TO THE FINANCIAL STATEMENTS

46 FINANCIAL RISK MANAGEMENT (CONTD.)

46.5 Analysis of Concentration Risk (Contd.)

Company - As at 31 March 2022	Cash at Banks and in Hand Rs.'000	Derivative Financial Instruments Rs.'000	Financial Assets - FVTPL Rs.'000	Financial Assets at 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	-	-	-	-	-	-	-
Corporate	39,417	-	3,220,443	8,784,857	-	-	12,044,717
Others	-	-	-	-	-	-	-
Total	**39,417**	**-**	**3,220,443**	**8,784,857**	**-**	**-**	**12,044,717**

Company - As at 31 March 2021	Cash at Banks and in Hand Rs.'000	Derivative Financial Instruments Rs.'000	Financial Assets - FVTPL Rs.'000	Financial Assets at 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	-	-	-	-	-	-	-
Corporate	42,187	-	611,801	9,032,886	-	-	9,686,874
Others	-	-	-	-	-	-	-
Total	42,187	-	611,801	9,032,886	-	-	9,686,874

46.6 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.

46.7 Market Risk

Interest rate risk

The interest rate profile of the Group's interest-bearing financial instruments are as follows:

	Group Carrying Amount		Company Carrying Amount	
	2022 Rs.'000	**2021 Rs.'000**	**2022 Rs.'000**	**2021 Rs.'000**
Fixed rate instruments				
Financial assets				
Derivative assets	**5,190**	2,315	**-**	-
Investment in government securities	**29,842,605**	23,085,413	**2,472,961**	-
Investment in debentures	**1,425,996**	1,440,465	**747,482**	611,801
	31,273,791	**24,528,193**	**3,220,443**	**611,801**
Financial liabilities				
Derivative liabilities	**2,622**	824	**-**	-
Borrowings on debentures	**2,094,587**	2,084,377	**1,333,638**	1,331,770
	2,097,209	**2,085,201**	**1,333,638**	**1,331,770**
Variable rate instruments				
Financial assets				
Investment in unit trust	**431,831**	2,378,709	**-**	-
	431,831	**2,378,709**	**-**	**-**
Financial liabilities				
Borrowings on debentures	**686,303**	678,624	**686,303**	678,624
	686,303	**678,624**	**686,303**	**678,624**

Fair value sensitivity analysis for fixed rate instruments

The Group accounts for fixed rate financial assets at fair value through profit or loss. Therefore, a change in interest rate at the reporting date would affect profit or loss of the Group.

NOTES TO THE FINANCIAL STATEMENTS

46 FINANCIAL RISK MANAGEMENT (CONTD.)

46.7 Market Risk (Contd.)

A reasonably possible 5% change in interest rates at the reporting date would have increased or decreased profit or loss and equity by the amounts shown below. The analysis assumes that all other variables, in particular foreign currency exchange rates remain constant.

Group	Profit or loss		Equity, net of tax	
Fixed rate instruments	**5% Decrease Rs.'000**	**5% Increase Rs.'000**	**5% Decrease Rs.'000**	**5% Increase Rs.'000**
Financial assets				
Derivative assets	14,847	(18,244)	13,065	(16,055)
Financial assets recognised through profit or loss - measured at fair value - Government Securities	341,820	(317,824)	300,802	(279,685)
- Investment in Unit Trust	(21,592)	21,592	(16,410)	16,410
- Investment in debentures	251,225	(187,908)	190,931	(142,810)
	586,300	**(502,384)**	**488,388**	**(422,141)**
Financial liabilities				
Derivative Liabilities	(25,174)	24,620	(22,153)	21,666
Borrowings on debentures	14,334	(14,098)	10,894	(10,714)
	(10,840)	**10,522**	**(11,259)**	**10,952**

Company	Profit or loss		Equity, net of tax	
Fixed rate instruments	**5% Decrease Rs.'000**	**5% Increase Rs.'000**	**5% Decrease Rs.'000**	**5% Increase Rs.'000**
Financial assets				
Investment in debentures	200,929	(142,920)	152,706	(108,619)
	200,929	**(142,920)**	**152,706**	**(108,619)**

Cash flow sensitivity analysis for variable rate instruments

A reasonably possible change in interest rates to cap of 12% and floor of 9% at the reporting date would have increased or decreased profit or loss and equity by the amounts shown below. The analysis assumes that all other variables remain constant.

Group	Profit or loss		Equity, net of tax	
	Decrease to floor of 9% Rs.'000	**Increase to cap of 12% Rs.'000**	**Decrease to floor of 9% Rs.'000**	**Increase to cap of 12% Rs.'000**
Variable rate instruments				
Borrowings on debentures	1,789	(1,097)	1,360	(834)

Company	Profit or loss		Equity, net of tax	
	Decrease to floor of 9% Rs.'000	**Increase to cap of 12% Rs.'000**	**Decrease to floor of 9% Rs.'000**	**Increase to cap of 12% Rs.'000**
Variable rate instruments				
Borrowings on debentures	1,789	(1,097)	1,360	(834)

47 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.

47.1 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 31.03.2022		As at 31.03.2021	
	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	**5,190**	**5,190**	2,315	2,315
Financial assets recognised through profit or loss - measured at fair value	**30,066,729**	**30,066,729**	28,047,361	28,047,361
Financial assets - fair value through other comprehensive income	**34,635**	**34,635**	40,273	40,273
	30,106,554	**30,106,554**	28,089,949	28,089,949
Financial assets not measured at fair value				
Cash at banks and in hand	**526,987**	**526,987**	242,053	242,053
Financial assets at amortised cost	**9,059,275**	**9,061,083**	903	903
Amounts due from related companies	**750**	**750**	516,081	516,081
Trade receivables	**925,049**	**925,049**	7,035,641	7,035,641
	10,512,061	**10,513,869**	7,794,678	7,794,678
Total financial assets	**40,618,615**	**40,620,423**	35,884,627	35,884,627
Financial liabilities measured at fair value				
Derivative financial instruments	**2,622**	**2,622**	824	824
	2,622	**2,622**	824	824
Financial liabilities not measured at fair value				
Bank overdrafts	**1,245,741**	**1,245,741**	3,451	3,451
Amounts due to related companies	**5,571**	**5,571**	861	861
Trade and other payables	**623,788**	**623,788**	1,067,921	1,067,921
Securities sold under re-purchase agreements	**23,799,838**	**23,773,602**	20,223,286	20,234,348
Short term borrowings	**8,139,888**	**8,139,888**	6,660,363	6,660,363
Long term borrowings	**-**	**-**	50,204	50,204
Borrowings on debentures	**2,780,890**	**2,311,508**	2,763,001	2,813,106
	36,595,716	**36,100,098**	30,769,087	30,830,254
Total financial liabilities	**36,598,338**	**36,102,720**	30,769,911	30,831,078

NOTES TO THE FINANCIAL STATEMENTS

47 FINANCIAL INSTRUMENTS- FAIR VALUE MEASUREMENT (CONTD.)

47.1 Fair values versus the Carrying amounts (Contd.)

Company	As at 31.03.2022		As at 31.03.2021	
	Carrying Amount Rs. '000	Fair Value Rs. '000	Carrying Amount Rs. '000	Fair Value Rs. '000
Financial assets measured at fair value				
Financial assets recognised through profit or loss - measured at fair value	**3,220,443**	**3,220,443**	611,801	611,801
	3,220,443	**3,220,443**	611,801	611,801
Financial assets not measured at fair value				
Cash at banks and in hand	**39,417**	**39,417**	42,187	42,187
Amounts due from related companies	**8,473**	**8,473**	30,372	30,372
Financial assets at amortised cost	**8,784,857**	**8,784,857**	9,032,886	9,032,886
	8,832,747	**8,832,747**	9,105,445	9,105,445
Total financial assets	**12,053,190**	**12,053,190**	9,717,246	9,717,246
Financial liabilities measured at fair value	**-**	**-**	-	-
Financial liabilities not measured at fair value				
Bank overdrafts	**1,245,696**	**1,245,696**	1,316	1,316
Amounts due to related companies	**2,096**	**2,096**	57	57
Trade and other payables	**46,460**	**46,460**	552,963	552,963
Short term borrowings	**8,250,158**	**8,250,158**	6,660,363	6,660,363
Long term borrowings	**-**	**-**	50,204	50,204
Borrowings on debentures	**2,030,553**	**1,653,396**	2,010,395	2,010,395
	11,574,963	**11,197,806**	9,275,298	9,275,298
Total financial liabilities	**11,574,963**	**11,197,806**	9,275,298	9,275,298

47.2 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 2022	Total Carrying Amount Rs.'000	Level 1 Rs.'000	Level 2 Rs.'000	Level 3 Rs.'000	Total Fair Value Rs.'000
Financial assets measured at fair value					
Derivative financial instruments					
Forward purchase contracts	3,290	3,290	-	-	3,290
Forward sale contracts	1,900	1,900	-	-	1,900
	5,190	5,190	-	-	5,190
Financial assets recognised through profit or loss - measured at fair value					
Investment in government securities	27,473,623	27,473,623	-	-	27,473,623
Investment in debentures	1,425,996	778,941	647,055	-	1,425,996
Investment in unit trust	431,831	-	431,831	-	431,831
Investment in listed shares	735,279	735,279	-	-	735,279
	30,066,729	28,987,843	1,078,886	-	30,066,729
Financial assets - fair value through other comprehensive income	34,635	-	34,635	-	34,635
	30,106,554	28,993,033	1,113,521	-	30,106,554
Financial assets not measured at fair value					
Cash at banks and in hand	526,987	-	-	526,987	526,987
Financial assets at amortised cost	9,059,275	2,370,790	-	6,690,293	9,061,083
Amounts due from related companies	750	-	-	750	750
Trade receivables	925,049	-	-	925,049	925,049
	10,512,061	2,370,790	-	8,143,079	10,513,869
Total financial assets	40,618,615	31,363,823	1,113,521	8,143,079	40,620,423
Financial liabilities measured at fair value					
Derivative financial instruments					
Forward sale contracts	2,622	2,622	-	-	2,622
	2,622	2,622	-	-	2,622
Financial liabilities not measured at fair value					
Bank overdrafts	1,245,741	-	-	1,245,741	1,245,741
Amounts due to related companies	5,571	-	-	5,571	5,571
Trade and other payables	623,788	-	-	623,788	623,788
Securities sold under re-purchase agreements	23,799,838	-	-	23,773,602	23,773,602
Short term borrowings	8,139,888	-	-	8,139,888	8,139,888
Borrowings on debentures	2,780,890	-	2,311,508	-	2,311,508
	36,595,716	-	2,311,508	33,788,590	36,100,098
Total financial liabilities	36,598,338	2,622	2,311,508	33,788,590	36,102,720

NOTES TO THE FINANCIAL STATEMENTS

47 FINANCIAL INSTRUMENTS- FAIR VALUE MEASUREMENT (CONTD.)

47.2 Financial instruments- Fair Value (Contd.)

Group - As at 31 March 2021	Total Carrying Amount Rs.'000	Level 1 Rs.'000	Level 2 Rs.'000	Level 3 Rs.'000	Total Fair Value Rs.'000
Financial assets measured at fair value					
Derivative financial instruments					
Forward purchase contracts	2,315	2,315	-	-	2,315
	2,315	**2,315**	**-**	**-**	**2,315**
Financial assets recognised through profit or loss -measured at fair value					
Investment in government securities	23,085,413	23,085,413	-	-	23,085,413
Investment in debentures	1,440,465	505,621	934,844	-	1,440,465
Investment in unit trust	2,378,709	-	2,378,709	-	2,378,709
Investment in listed shares	1,142,774	1,142,774	-	-	1,142,774
	28,047,361	**24,733,808**	**3,313,553**	**-**	**28,047,361**
Financial assets - fair value through other comprehensive income	40,273	-	40,273	-	40,273
	28,089,949	**24,736,123**	**3,353,826**	**-**	**28,089,949**
Financial assets not measured at fair value					
Cash at banks and in hand	242,053	-	-	242,053	242,053
Amounts due from related companies	903	-	-	903	903
Trade receivables	516,081	-	-	516,081	516,081
Financial assets at amortised cost	7,035,641	-	-	7,035,641	7,035,641
	7,794,678	-	-	7,794,678	7,794,678
Total financial assets	**35,884,627**	**24,736,123**	**3,353,826**	**7,794,678**	**35,884,627**
Financial liabilities measured at fair value					
Derivative financial instruments					
Forward sale contracts	824	824	-	-	824
	824	**824**	**-**	**-**	**824**
Financial liabilities not measured at fair value					
Bank overdrafts	3,451	-	-	3,451	3,451
Amounts due to related companies	861	-	-	861	861
Trade and other payables	1,067,921	-	-	1,067,921	1,067,921
Securities sold under re-purchase agreements	20,223,286	-	-	20,234,348	20,234,348
Short term borrowings	6,660,363	-	-	6,660,363	6,660,363
Long term borrowings	50,204	-	-	50,204	50,204
Borrowings on debentures	2,763,001	-	2,813,106	-	2,813,106
	30,769,087	**-**	**28,813,106**	**28,017,148**	**30,830,254**
Total financial liabilities	**30,769,911**	**824**	**28,813,106**	**28,017,148**	**30,831,078**

Company - As at 31 March 2022	Total Carrying Amount Rs.'000	Level 1 Rs.'000	Level 2 Rs.'000	Level 3 Rs.'000	Total Fair Value Rs.'000
Financial assets measured at fair value					
Financial assets recognised through profit or loss - measured at fair value					
Investment in government securities	**2,472,961**	**2,472,961**	**-**	**-**	**2,472,961**
Investment in debentures	**747,482**	**747,482**			**747,482**
	3,220,443	**3,220,443**	**-**	**-**	**3,220,443**
Financial assets not measured at fair value					
Cash at banks and in hand	**39,417**	**-**	**-**	**39,417**	**39,417**
Amounts due from related companies	**8,473**	**-**	**-**	**8,473**	**8,473**
Financial assets at amortised cost	**8,784,857**	**-**	**-**	**8,784,857**	**8,784,857**
	8,832,747	**-**	**-**	**8,832,747**	**8,832,747**
Total financial assets	**12,053,190**	**3,220,443**	**-**	**8,832,747**	**12,053,190**
Financial liabilities measured at fair value	**-**	**-**	**-**	**-**	**-**
Financial liabilities not measured at fair value					
Bank overdrafts	**1,245,696**	**-**	**-**	**1,245,696**	**1,245,696**
Amounts due to related companies	**2,096**	**-**	**-**	**2,096**	**2,096**
Trade and other payables	**46,460**	**-**	**-**	**46,460**	**46,460**
Short term borrowings	**8,250,158**	**-**	**-**	**8,250,158**	**8,250,158**
Borrowings on debentures	**2,030,553**	**-**	**1,653,396**	**-**	**1,653,396**
	11,574,963	**-**	**1,653,396**	**9,544,410**	**11,197,806**
Total financial liabilities	**11,574,963**	**-**	**1,653,396**	**9,544,410**	**11,197,806**

Company - As at 31 March 2021	Total Carrying Amount Rs.'000	Level 1 Rs.'000	Level 2 Rs.'000	Level 3 Rs.'000	Total Fair Value Rs.'000
Financial assets measured at fair value					
Financial assets - fair value through other comprehensive income	611,801	611,801	-	-	611,801
	611,801	**611,801**	**-**	**-**	**611,801**
Financial assets not measured at fair value					
Cash at banks and in hand	42,187	-	-	42,187	42,187
Amounts due from related companies	30,372	-	-	30,372	30,372
Financial assets at amortised cost	9,032,886	-	-	9,032,886	9,032,886
	9,105,445	**-**	**-**	**9,105,445**	**9,105,445**
Total financial assets	**9,717,246**	**611,801**	**-**	**9,105,445**	**9,717,246**
Financial liabilities measured at fair value	**-**	**-**	**-**	**-**	**-**
Financial liabilities not measured at fair value					
Bank overdrafts	1,316	-	-	1,316	1,316
Amounts due to related companies	57	-	-	57	57
Trade and other payables	552,963	-	-	552,963	552,963
Short term borrowings	6,660,363	-	-	6,660,363	6,660,363
Long term borrowings	50,204	-	-	50,204	50,204
Borrowings on debentures	2,010,395	-	-	2,010,395	2,010,395
	9,275,298	**-**	**-**	**9,275,298**	**9,275,298**
Total financial liabilities	**9,275,298**	**-**	**-**	**9,275,298**	**9,275,298**

NOTES TO THE FINANCIAL STATEMENTS

47 FINANCIAL INSTRUMENTS- FAIR VALUE MEASUREMENT (CONTD.)

47.3 Measurement of fair values

47.3.(a) Valuation techniques and significant unobservable inputs

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

Financial instruments measured at fair value

Type	Valuation Technique	Significant Unobservable Inputs	Inter-relationship between Significant Unobservable Inputs and Fair Value Measurement
Debentures	The valuation model is based on Yield Curve of the Government Securities. Yields relating to Government Securities based on the remaining maturities of the respective debentures is interpolated in the valuation considering the investee companies' risk premiums.	Risk premium of the investee companies (lies between 1.22% and 6.44%)	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 (Note 39).	Not applicable	Not applicable
Equity Securities (Financial assets - fair value through other comprehensive income)	The fair values are based on the price to book value approach (PBV 1.0 times).	Discounting factor used to arrive the unlisted price	The estimated fair value would increase/decrease if the discounting factor used by investor company is lower or higher.

47.3.(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 31 March 2021	934,844	2,378,709	40,273	3,353,826
Purchase	312,350	1,385,500	-	1,697,850
Sales	(551,241)	(3,470,755)	-	(4,021,996)
Gain/ (loss) on fair valuation of financial investments	(14,017)	138,377	(5,638)	118,722
Transferred to level 1	(34,881)	-	-	(34,881)
Balance as at 31 March 2022	**647,055**	**431,831**	**34,635**	**1,113,521**

47.4. (a) Sensitivity analysis on Debentures (Group)

Sensitivity of the market yield (effect on statement of profit or loss and other comprehensive income) is as follows.

	(-) 1% Decrease Rs.'000	(-) 2% Decrease Rs.'000	(+) 1% Increase Rs.'000	(+) 2% Increase Rs.'000
Asia Asset Finance PLC (Maturity 2023)	2,365	4,780	(2,315)	(4,582)
LOLC Holdings PLC	26,413	54,924	(24,495)	(47,235)
Softlogic Capital PLC	678	1,376	(659)	(1,300)
Keylsey Homes (Pvt) Ltd (Unlisted)	4,486	9,085	(4,377)	(8,648)
Janashakthi Limited (Unlisted) (Maturity 2022)	971	1,953	(960)	(1,908)
Janashakthi Limited (Unlisted) (Maturity 2023)	1,110	2,242	(1,087)	(2,152)
Asia Asset Finance PLC (Maturity 2026)	8,336	17,058	(7,972)	(15,598)
	44,359	**91,418**	**(41,865)**	**(81,423)**

47.4. (b) Sensitivity analysis on Listed Debentures (Company)

Sensitivity of the market yield (effect on statement of profit or loss and other comprehensive income) is as follows.

	(-) 1% Decrease Rs.'000	(-) 2% Decrease Rs.'000	(+) 1% Increase Rs.'000	(+) 2% Increase Rs.'000
Asia Asset Finance PLC (Maturity 2026)	8,336	17,058	(7,972)	(15,598)
LOLC Holdings PLC	26,413	54,924	(24,495)	(47,235)
	34,749	**71,982**	**(32,467)**	**(62,833)**

47.4. (c) 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.

	(-) 1% Decrease Rs.'000	(-) 2% Decrease Rs.'000	(+) 1% Increase Rs.'000	(+) 2% Increase Rs.'000
First Capital Money Market Fund	(3,061)	(6,123)	3,061	6,123
First Capital Equity Fund	(590)	(1,181)	590	1,181
First Capital Wealth Fund	(100)	(200)	100	200
Softlogic Money Market Fund	(567)	(1,133)	567	1,133
	(4,318)	**(8,637)**	**4,318**	**8,637**

NOTES TO THE FINANCIAL STATEMENTS

48 FINANCIAL INSTRUMENTS - ACCOUNTING CLASIFICATIONS

Group - As at 31 March 2022	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	30,066,729	-	-	30,066,729	30,066,729
Derivative Financial Instruments	5,190	-	-	5,190	5,190
Financial assets - FVTOCI	-	-	34,635	34,635	34,635
	30,071,919	-	34,635	30,106,554	30,106,554
Financial assets not measured at fair value					
Cash at banks and in hand	-	526,987	-	526,987	526,987
Amounts due from related companies	-	750	-	750	750
Financial assets at amortised cost	-	9,059,275	-	9,059,275	9,061,083
Trade receivables	-	925,049	-	925,049	925,049
	-	10,512,061	-	10,512,061	10,513,869
Total financial assets	30,071,919	10,512,061	34,635	40,618,615	40,620,423
Financial liabilities measured at fair value					
Derivative Financial Instruments	2,622	-	-	2,622	2,622
	2,622	-	-	2,622	2,622
Financial liabilities not measured at fair value					
Bank overdrafts	-	1,245,741	-	1,245,741	1,245,741
Amounts due to related companies	-	5,571	-	5,571	5,571
Trade and other payables	-	623,788	-	623,788	623,788
Securities sold under re-purchase agreements	-	23,799,838	-	23,799,838	23,773,602
Short term borrowings	-	8,139,888	-	8,139,888	8,139,888
Borrowings on debentures	-	2,780,890	-	2,780,890	2,311,508
	-	36,595,716	-	36,595,716	36,100,098
Total Financial Liabilities	2,622	36,595,716	-	36,598,338	36,102,720

Group - As at 31 March 2021	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	28,047,361	-	-	28,047,361	28,047,361
Derivative Financial Instruments	2,315	-	-	2,315	2,315
Financial assets - FVTOCI	-	-	40,273	40,273	40,273
	28,049,676	**-**	**40,273**	**28,089,949**	**28,089,949**
Financial assets not measured at fair value					
Cash at banks and in hand	-	242,053	-	242,053	242,053
Amounts due from related companies	-	903	-	903	903
Financial assets at amortised cost	-	7,035,641	-	7,035,641	7,035,641
Trade receivables	-	516,081	-	516,081	516,081
	-	**7,794,678**	**-**	**7,794,678**	**7,794,678**
Total financial assets	**28,049,676**	**7,794,678**	**40,273**	**35,884,627**	**35,884,627**
Financial liabilities measured at fair value					
Derivative Financial Instruments	824	-	-	824	824
	824	**-**	**-**	**824**	**824**
Financial liabilities not measured at fair value					
Bank overdrafts	-	3,451	-	3,451	3,451
Amounts due to related companies	-	861	-	861	861
Trade and other payables	-	1,067,921	-	1,067,921	1,067,921
Securities sold under re-purchase agreements	-	20,223,286	-	20,223,286	20,234,348
Short term borrowings	-	6,660,363	-	6,660,363	6,660,363
Long term borrowings	-	50,204	-	50,204	50,204
Borrowings on debentures	-	2,763,001	-	2,763,001	2,813,106
	-	**30,769,087**	**-**	**30,769,087**	**30,830,254**
Total Financial Liabilities	**824**	**30,769,087**	**-**	**30,769,911**	**30,831,078**

NOTES TO THE FINANCIAL STATEMENTS

48 FINANCIAL INSTRUMENTS - ACCOUNTING CLASIFICATIONS (CONTD.)

Company - As at 31 March 2022	Financial assets - 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	3,220,443	-	-	3,220,443	3,220,443
	3,220,443	-	-	3,220,443	3,220,443
Financial assets not measured at fair value					
Cash at banks and in hand	-	39,417	-	39,417	39,417
Amounts due from related companies	-	8,473	-	8,473	8,473
Financial assets at amortised cost	-	8,784,857	-	8,784,857	8,784,857
	-	8,832,747	-	8,832,747	8,832,747
Total financial assets	3,220,443	8,832,747	-	12,053,190	12,053,190
Financial liabilities not measured at fair value					
Bank overdrafts	-	1,245,696	-	1,245,696	1,245,696
Amounts due to related companies	-	2,096	-	2,096	2,096
Trade and other payables	-	46,460	-	46,460	46,460
Short term borrowings	-	8,250,158	-	8,250,158	8,250,158
Borrowings on debentures	-	2,030,553	-	2,030,553	1,653,396
	-	11,574,963	-	11,574,963	11,197,806
Total financial liabilities	-	11,574,963	-	11,574,963	11,197,806

Company - As at 31 March 2021	Financial assets - 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 recognised through profit or loss measured at fair value	611,801	-	-	611,801	611,801
	611,801	**-**	**-**	**611,801**	**611,801**
Financial assets not measured at fair value					
Cash at banks and in hand	-	42,187	-	42,187	42,187
Amounts due from related companies	-	30,372	-	30,372	30,372
Financial assets at amortised cost	-	9,032,886	-	9,032,886	9,032,886
	-	**9,105,445**	**-**	**9,105,445**	**9,105,445**
Total financial assets	**611,801**	**9,105,445**	**-**	**9,717,246**	**9,717,246**
Financial liabilities not measured at fair value					
Bank overdrafts	-	1,316	-	1,316	1,316
Amounts due to related companies	-	57	-	57	57
Trade and other payables	-	552,963	-	552,963	552,963
Short term borrowings	-	6,660,363	-	6,660,363	6,660,363
Long term borrowing	-	50,204	-	50,204	50,204
Borrowings on debentures	-	2,010,395	-	2,010,395	2,010,395
Total financial liabilities	**-**	**9,275,298**	**-**	**9,275,298**	**9,275,298**

NOTES TO THE FINANCIAL STATEMENTS

49 SEGMENT REPORTING

Information about reportable segments

Group's activities have been segregated into four different segments (Primary Dealer, Corporate Finance, Asset Management, Stock Brokering) based on the business activities that each unit is engaged for the purpose of reviewing the operating results of the Group as well as to make decisions about resource allocation.

Segment information is presented in respect of the Group's business segments as per SLFRS 8. The Group's primary format for segment reporting is based on business segments. The business segments are determined based on the Group's management and internal reporting structure.

	Primary Dealer (FCT)		Corporate Finance (FCH/FCL)	
	April ~ March		April ~ March	
	2022 Rs.'000	2021 Rs.'000	2022 Rs.'000	2021 Rs.'000
Net trading income	**(432,115)**	2,971,602	**116,232**	433,173
Other income/ (expense)	**55,002**	206,834	**94,161**	(4,646)
Gain/ (loss) on financial assets FVTPL	**(73,849)**	(385,933)	**(135,274)**	137,805
Operating expenses	**(438,737)**	(395,161)	**(235,601)**	(254,797)
(Provision)/ reversal for impairment	**-**	-	**(64,918)**	(8,113)
Operating profit/ (loss)	**(889,699)**	2,397,342	**(225,400)**	303,422
Income tax expenses	**237,254**	(560,061)	**(22,942)**	(36,597)
Profit/(loss) for the year	**(652,445)**	1,837,281	**(248,342)**	266,825
Other comprehensive income/ (expense)	**7,782**	(2,246)	**1,902**	(149,272)
Total comprehensive income/ (loss)	**(644,663)**	1,835,035	**(246,440)**	117,553

	Primary Dealer (FCT)		Corporate Finance (FCH/FCL)	
	31 March 2022 Rs.'000	31 March 2021 Rs.'000	31 March 2022 Rs.'000	31 March 2021 Rs.'000
Total assets	**28,416,583**	25,724,457	**16,847,421**	15,308,287
Total liabilities	**(24,543,023)**	(21,206,234)	**(12,638,805)**	(10,661,694)
Net assets	**3,873,560**	4,518,223	**4,208,616**	4,646,593

	Primary Dealer (FCT)		Corporate Finance (FCH/FCL)	
	April ~ March		April ~ March	
	2022 Rs.'000	2021 Rs.'000	2022 Rs.'000	2021 Rs.'000
Net cash flows generated from/ (used) operating activities	**202,667**	1,199,510	**(932,343)**	(876,952)
Net cash flows generated from/ (used) investing activities	**(696)**	(7,042)	**327,228**	1,194,287
Net cash flows generated from/ (used) in financing activities	**-**	(1,054,215)	**(556,250)**	322,898
Net cash flow generated from/ (used) during the year	**201,971**	138,253	**(1,161,365)**	640,233

Asset Management (FCAM)		Stock Brokering (FCE)		Eliminations/ Unallocated		Consolidated	
April ~ March		April ~ March		April ~ March		April ~ March	
2022 Rs.'000	2021 Rs.'000	2022 Rs.'000	2021 Rs.'000	2022 Rs.'000	2021 Rs.'000	2022 Rs.'000	2021 Rs.'000
151,672	133,314	**386,509**	133,739	**2,012**	1,874	**224,310**	3,673,702
-	(3)	**89,274**	43,253	**(89,216)**	-	**149,221**	245,438
14,179	31,865	**-**	-	**4,467**	159	**(190,477)**	(216,104)
(52,067)	(67,746)	**(165,408)**	(69,056)	**1,668**	1,600	**(890,145)**	(785,160)
-	25	**-**	-	**1,465**	(1,712)	**(63,453)**	(9,800)
113,784	97,455	**310,375**	107,936	**(79,604)**	1,921	**(770,544)**	2,908,076
(26,889)	(20,256)	**(80,868)**	(33,299)	**11,717**	(164,365)	**118,272**	(814,579)
86,895	77,199	**229,507**	74,637	**(67,887)**	(162,444)	**(652,272)**	2,093,497
844	(150)	**2,172**	(235)	**-**	-	**12,700**	(151,903)
87,739	77,049	**231,679**	74,402	**(67,887)**	(162,444)	**(639,572)**	1,941,594

Asset Management (FCAM)		Stock Brokering (FCE)		Eliminations/ Unallocated		Consolidated	
31 March 2022 Rs.'000	31 March 2021 Rs.'000	31 March 2022 Rs.'000	31 March 2021 Rs.'000	31 March 2022 Rs.'000	31 March 2021 Rs.'000	31 March 2022 Rs.'000	31 March 2021 Rs.'000
214,916	147,702	**1,294,771**	719,510	**(5,259,062)**	(5,296,528)	**41,514,629**	36,603,428
(13,189)	(33,714)	**(859,554)**	(515,972)	**1,005,214**	636,665	**(37,049,357)**	(31,780,949)
201,727	113,988	**435,217**	203,538	**(4,253,848)**	(4,659,863)	**4,465,272**	4,822,479

Asset Management (FCAM)		Stock Brokering (FCE)		Eliminations/ Unallocated		Consolidated	
April ~ March		April ~ March		April ~ March		April ~ March	
2022 Rs.'000	2021 Rs.'000	2022 Rs.'000	2021 Rs.'000	2022 Rs.'000	2021 Rs.'000	2022 Rs.'000	2021 Rs.'000
(6,343)	113,514	**153,877**	(139,446)	**(136,250)**	(986,207)	**(718,392)**	(689,581)
(3,073)	(1,453)	**3,929**	2,700	**(10,102)**	(1,201,742)	**317,286**	(13,250)
-	(102,011)	**-**	268,729	**-**	1,899,781	**(556,250)**	1,335,182
(9,416)	10,050	**157,806**	131,983	**(146,352)**	(288,168)	**(957,356)**	632,351

NOTES TO THE FINANCIAL STATEMENTS

50 NON-CONTROLLING INTERESTS (NCI) IN SUBSIDIARIES

Material Non Controlling Interest

The group has assessed each subsidiary that has non-controlling interest based on contributions made to the group revenue, profit, total assets, net assets and cashflows. As per SLFRS 12, following table summarises the information relating to subsidiaries which have material non-controlling interests.

	Total		First Capital Treasuries PLC		First Capital Asset Management Limited	
	2022	2021	2022	2021	2022	2021
NCI percentage	**11.85%**	6.85%	**10.56%**	5.56%	**1.29%**	1.29%
As at 31 March	**2022 Rs. '000**	**2021 Rs. '000**	**2022 Rs. '000**	**2021 Rs. '000**	**2022 Rs. '000**	**2021 Rs. '000**
Total assets	**28,631,498**	25,872,159	**28,416,583**	25,724,457	**214,915**	147,702
Total liabilities	**24,556,211**	21,239,948	**24,543,023**	21,206,234	**13,188**	33,714
Net assets	**4,075,287**	4,632,211	**3,873,560**	4,518,223	**201,727**	113,988
Net assets attributable to NCI	**414,597**	252,412	**412,001**	250,945	**2,596**	1,467
For the year ended 31 March						
Revenue	**774,772**	4,428,647	**622,824**	4,294,461	**151,948**	134,186
Profit/ (loss) after tax	**(565,550)**	1,914,480	**(652,445)**	1,837,281	**86,895**	77,199
Other comprehensive income/ (loss)	**8,626**	(2,396)	**7,782**	(2,246)	**844**	(150)
Total comprehensive income/ (loss)	**(556,924)**	1,912,084	**(644,663)**	1,835,035	**87,739**	77,049
Profit/ (loss) attributable to NCI	**(43,867)**	103,065	**(44,986)**	102,071	**1,119**	994
Total comprehensive income/ (loss) attributable to NCI	**(43,035)**	102,938	**(44,165)**	101,946	**1,130**	992
Dividend paid to NCI	**-**	(59,898)	**-**	(58,568)	**-**	(1,330)
Net cash flows generated from/ (used in) operating activities	**196,324**	1,313,024	**202,667**	1,199,510	**(6,343)**	113,514
Net cash flows generated used in investing activities	**(3,769)**	(8,495)	**(696)**	(7,042)	**(3,073)**	(1,453)
Net cash flows generated used in financing activities (including dividend paid to NCI)	**-**	(1,156,226)	**-**	(1,054,215)	**-**	(102,011)
Net increase/(decrease) in cash and cash equivalents	**192,555**	148,303	**201,971**	138,253	**(9,416)**	10,050

SUPPLEMENTARY INFORMATION

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

	31 March 2022				31 March 2021			
No. of Shares held	Shareholders		Holding		Shareholders		Holding	
	Number	%	Number	%	Number	%	Number	%
1-1,000	**4,810**	**77.44**	**1,583,706**	**1.56**	4,709	77.16	1,540,538	1.52
1,001 - 10,000	**1,154**	**18.57**	**4,040,822**	**3.99**	1,132	18.55	3,923,571	3.88
10,001 - 100,000	**218**	**3.51**	**5,778,129**	**5.71**	223	3.65	5,731,784	5.66
100,001 - 1,000,000	**24**	**0.38**	**5,798,743**	**5.73**	33	0.54	6,306,210	6.23
Over 1,000,000	**6**	**0.10**	**84,048,600**	**83.01**	6	0.10	83,747,897	82.71
Total	**6,212**	**100.00**	**101,250,000**	**100.00**	6,103	100.00	101,250,000	100.00

3. ANALYSIS OF SHAREHOLDERS

	31 March 2022				31 March 2021			
Category of Shareholders	Shareholders		Holding		Shareholders		Holding	
	Number	%	Number	%	Number	%	Number	%
Individuals	**6,052**	**97.42**	**14,187,754**	**14.01**	5,943	97.38	14,397,943	14.22
Institutions	**160**	**2.58**	**87,062,246**	**85.99**	160	2.62	86,852,057	85.78
Total	**6,212**	**100.00**	**101,250,000**	**100.00**	6,103	100.00	101,250,000	100.00
Resident	**6,191**	**99.66**	**101,116,204**	**99.87**	6,083	99.67	101,034,228	99.78
Non-Resident	**21**	**0.34**	**133,796**	**0.13**	20	0.33	215,772	0.22
Total	**6,212**	**100.00**	**101,250,000**	**100.00**	6,103	100.00	101,250,000	100.00

4. PUBLIC HOLDING

	31-03-2022	31-03-2021
Number of shares held by the public	**17,073,927**	17,073,927
Percentage held by the public	**16.86%**	16.86%
Float adjusted market capitalisation	**529,291,737**	930,355,875

Number of public shareholders as at 31 March 2022 is 6,203.

The Company is complied with the Minimum Public Holding requirement under option 2 of the Section 7.14.1 (b) of the Listing Rules of the Colombo Stock Exchange.

5 SHARE PRICE MOVEMENT FOR THE YEAR

	2021/22 Rs.	2020/21 Rs.
Highest	**49.50**	64.70
Lowest	**30.70**	22.10
Year-end	**31.00**	54.50

6. INFORMATION ON SHARE TRADING AND MARKET CAPITALISATION

	2021/22	2020/21
Number of transactions	**20,451**	32,230
Number of shares traded	**15,296,586**	30,562,114
Value of shares traded (Rs.)	**727,084,953**	1,615,462,031
Market capitalisation (Rs.)	**3,138,750,000**	5,518,125,000

INVESTORS' INFORMATION

TOP TWENTY SHAREHOLDERS

			No. of Shares as at 31 March 2022	Holding (%)	No. of Shares as at 31 March 2021	Holding (%)
1	1.1	Seylan Bank PLC/Janashakthi Limited	**25,400,000**	**25.09**	25,400,000	25.09
	1.2	Commercial Bank of Ceylon PLC/Janashakthi Limited	**22,836,360**	**22.55**	26,900,703	25.39
	1.3	Janashakthi Limited	**13,345,000**	**13.18**	-	-
	1.4	Seylan Bank PLC/Janashakthi Limited	**8,997,240**	**8.89**	8,997,240	8.89
	1.5	Hatton National Bank PLC/Janashakthi Limited	**8,470,000**	**8.37**	15,315,000	15.13
	1.6	Pan Asia Banking Corporation PLC/Janashakthi Limited	**5,000,000**	**4.94**	5,000,000	4.94
2		Mr. Dinal Gitanjan Wijemanna	**802,683**	**0.79**	-	-
3		Mr. Amal Joseph Tissera	**674,410**	**0.67**	498,300	0.49
4		Hatton National Bank PLC/Kandaiah Kanapathipillai Shujeevan	**621,460**	**0.61**	-	-
5		Finco Holdings (Private) Limited	**382,523**	**0.38**	-	-
6		Dr. Subashi Nemindi Samarasinghe	**313,397**	**0.31**	304,616	0.30
7		Dr. Withana Pathiranage Somasiri, Mrs. D. V. A. Wijewardana & Mr. K. Withanapathirana	**300,000**	**0.30**	300,000	0.30
8		Sampath Bank PLC/Dr. Mayuramana Dewolage	**251,091**	**0.25**	181,374	0.18
9		Mr. Ananda Deepthi Edussuriya	**250,000**	**0.25**	-	-
10		Mr. Nagen Dayaranjan Kurukulasuriya	**208,836**	**0.21**	208,836	0.21
11		Mr. Wickramatunga Arachchi Pathiranage Don Mahipala Wickramatunga	**205,000**	**0.20**	190,000	0.19
12		DFCC Bank PLC/S. M. D. N. P. Banda	**173,730**	**0.17**	-	-
13		Mr. Amarakoon Mudiyanselage Weerasinghe	**149,752**	**0.15**	-	-
14		Mrs. Thusharie Tilottama Anjalee De Silva Weerasooria	**147,359**	**0.15**	-	-
15		Hatton National Bank PLC/Arunasalam Sithampalam	**141,015**	**0.14**	224,644	0.22
16		Mr. Upali Chandrakumara Bandaranayake	**140,000**	**0.14**	159,980	0.16
17		Citizens Development Business Finance PLC/K.D.C. Somalatha & K. Nandasiri	**139,400**	**0.14**	139,400	0.14
18		Mr. Charitha Prasanna De Silva & Mr. Chandana Lal De Silva	**118,333**	**0.12**	118,333	0.12
19		Mr. Charitha Prasanna De Silva & Mr. Romesh Charitha De Silva	**118,333**	**0.12**	-	-
20		Mr. Charitha Prasanna De Silva & Mrs. Sharmini Tara Wettimuny	**118,333**	**0.12**	-	-
		Total	**89,304,255**	**88.24**	83,938,426	81.75

INFORMATION ON LISTED DEBENTURES

1. INFORMATION ON LISTED DEBENTURES

1.1 First Capital Holdings PLC

Date of Allotment	Type	Frequency on interest payment	No. of Debentures issued and allotted*	Face Value Rs. '000	Rate of Interest	Tenure	Date of Maturity
8-Feb-21	Type A (Fixed Rate)	Annually	13,247,500	1,324,750	10.00% (AER - 10%)	5 years	7-Feb-26
8-Feb-21	Type B (Floating Rate)**	Annually	6,752,500	675,250	Weekly AWPLR + 2%	5 years	7-Feb-26
Total			**20,000,000**	**2,000,000**			

** Listed, Rated, Senior, Unsecured, Redeemable Debentures.*
*** This reflects a Cap of 12% and Floor of 9%.*

1.2 First Capital Treasuries PLC (Subsidiary)

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

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

2. OBJECTIVE OF THE ISSUES

2.1 Objectives of the Listed Debentures Issue of First Capital Holdings PLC

- To Invest in Listed Debt (35% of the total Funds raised)
- To Invest in Unlisted Debt (50% of the total Funds raised)
- To Invest in Listed Equities on the CSE (15% of the total Funds raised)

Status of achievement of the objectives related to the Company's Listed Debenture Issue to raise Rs. 2Bn is presented below.

	Amount allocated as per Prospectus in Rs. '000	Proposed date of utilisation as per prospectus	Amount allocated from proceeds in Rs. '000 (A)	% of Total proceeds	Amount Utilised in Rs. '000 (B)	% of Utilisation against allocation (B / A)	Clarification if not fully utilised including where the funds are invested
1. Investment in Listed Debt	700,000	12-month from the of allotment	700,000	35%	700,000	100%	-
2. Investment in Unlisted Debt	1,000,000	12-month from the of allotment	1,000,000	50%	1,000,000	100%	-
3. Investment in Listed Equities	300,000	12-month from the of allotment	300,000	15%	Nil	0%	Note A

Note A

The Company has not achieved its objective related to investment in Listed Equities yet (Rs. 300 Mn). However, as permitted by the Prospectus on Listed Debenture Issue, the proceeds (Rs. 300 Mn) have been invested in Government Securities.

INFORMATION ON LISTED DEBENTURES

2. OBJECTIVE OF THE ISSUES (CONTD.)

2.2 Objectives of the Listed Debentures Issue of First Capital Treasuries PLC

- To finance the 5 year Listed, Rated, Subordinated, Unsecured, Redeemable Debentures of Rs. 500 Mn matured on 6 February 2020.
- To reduce the existing Repo Borrowing position or to invest in Government Securities depending on the market conditions and interest rate outlook prevalent at the time of the receipt of funds.

The Company has achieved the following objectives as stipulated in the prospectus issued to raise Rs. 750 Mn via the Debenture Issue made in January 2020.

Objective as per prospectus	Amount allocated as per Prospectus in Rs. '000	Amount allocated from proceeds in Rs. '000 (A)	% of Total proceeds	Amount Utilised in Rs. '000 (B)	% of Utilisation against allocation (B / A)
1. To finance the redemption of Listed Debentures matured on 6 February 2020	500,000	500,000	66.67%	500,000	100%
2. To invest in Government Securities	250,000	250,000	33.33%	250,000	100%

3. MARKET VALUE

3.1 First Capital Holdings PLC

Debentures with 5 year maturity have not been traded during the year ended 31 March 2022. Hence, par value is recognised as its market value. Hence, yield to maturity on trade done is also not applicable.

5 year fixed rate (10.00% p.a. payable annually)	2021/22	2020/21
Highest price	-	-
Lowest price	-	-
Last traded price	-	-

5 year floating rate (Weekly AWPLR + 2% p.a payable annually)	2021/22	2020/21
Highest price	-	-
Lowest price	-	-
Last traded price	-	-

Debenture Interest Yield (last traded)	2021/22	2020/21
Type A - 5 year fixed rate (10.00 % p.a. payable annually)	N/A	N/A
Type B - 5 year floating rate (Weekly AWPLR + 2% p.a payable annually)	N/A	N/A

Yield of comparable Government Securities (%)	As at 31-03-2022	As at 31-03-2021
Treasury bond (maturity - 1 February 2026)	14.66%	7.05%

3.2 First Capital Treasuries PLC

Debentures with 5 year maturity have not been traded during the year ended 31 March 2022. Hence, par value is recognised as its market value. Hence, yield to maturity on trade done is also not applicable.

5 year fixed rate (12.75% p.a. payable semi-annually)	2021/22	2020/21
Highest price	**-**	110.02
Lowest price	**-**	107.76
Last traded price	**-**	110.02

Debenture Interest Yield (last traded)	2021/22	2020/21
5 year fixed rate (12.75 % p.a. payable semi-annually)	**N/A**	9.75%

Yield of Comparable Government Securities (%)	As at 31-03-2022	As at 31-03-2021
Treasury bond (maturity - 15 March 2025)	**14.91%**	6.83%

4. DEBT RELATED RATIOS

4.1(i) Debt Ratios - Group (Consolidated)

	As at 31-03-2022	As at 31-03-2021
Debt/equity ratio (times)	**8.06**	6.16
Quick asset ratio (times)	**1.16**	1.26
Interest cover (times)	**0.59**	2.41

4.1(ii) Debt Ratios - Company (First Capital Holdings PLC)

	As at 31-03-2022	As at 31-03-2021
Debt/equity ratio (times)	**2.85**	1.91
Quick asset ratio (times)	**1.26**	1.35
Interest cover (times)	**0.34**	4.02

4.2 Debt Ratios - Subsidiary (First Capital Treasuries PLC)

	As at 31-03-2022	As at 31-03-2021
Debt/equity ratio (times)	**6.24**	4.45
Quick asset ratio (times)	**1.19**	1.31
Interest cover (times)	**0.15**	2.84

5. CREDIT RATINGS

5.1 First Capital Holdings PLC

ICRA Lanka Limited reaffirmed the Company's credit rating of [SL]"A" with stable outlook in December 2021. Long and short term corporate credit (issue) ratings of the company have also been reaffirmed at [SL]"A and [SL]A1" respectively. Further, Company's long term issue rating of Rs. 2 Bn Listed, Rated, Senior, Unsecured, Redeemable Debenture (2021/26) has been reaffirmed [SL]"A" by ICRA Lanka Limited.

5.2 First Capital Treasuries PLC

ICRA Lanka Limited reaffirmed the Company's credit rating of [SL]"A" with stable outlook in December 2021. The Company's long term issue rating of Rs. 750 Mn Listed, Rated, Subordinated, Unsecured, Redeemable Debentures (2020/25) has also been reaffirmed [SL] "A-".

TEN-YEAR SUMMARY

Group Trading Results			
Year ended 31 March	**2022 Rs. '000**	**2021 Rs. '000**	**2020 Rs. '000**
Gross income	**2,273,088**	6,033,353	5,220,425
Profit/(loss) before tax	**(770,544)**	2,908,076	1,708,325
Income tax expenses	**118,272**	(814,579)	(635,086)
Profit/(loss) after tax	**(652,272)**	2,093,497	1,073,239
Other comprehensive income/(loss)	**12,700**	(151,903)	(33,770)
Total comprehensive income/(loss)	**(639,572)**	1,941,594	1,039,469

Group Financial Position			
As at 31 March	**2022 Rs. '000**	**2021 Rs. '000**	**2020 Rs. '000**
ASSETS			
Cash at banks and in hand	**526,987**	242,053	61,354
Derivative financial instruments	**5,190**	2,315	2,734
Financial assets recognised through profit or loss - measured at fair value	**30,066,729**	28,047,361	38,540,849
Financial assets - fair value through other comprehensive income	**34,635**	40,273	184,623
Financial assets at amortised cost	**9,059,275**	7,035,641	5,361,512
Financial investments - Held for trading	**-**	-	-
Financial investments - Available for sale	**-**	-	-
Financial investments - Loans and receivables	**-**	-	-
Taxes receivable	**72,126**	88,798	271,610
Trade and Other Receivables	**1,423,170**	909,606	598,672
Investment in venture capital	**-**	-	-
Investment in equity accounted investees	**-**	-	-
Deferred Tax Asset	**122,497**	19,228	299,775
Property, plant and equipment and right of use assets	**38,322**	50,088	65,250
Other assets	**165,698**	168,065	166,742
Total Assets	**41,514,629**	36,603,428	45,553,121
LIABILITIES			
Bank overdrafts	**1,245,741**	3,451	455,103
Derivative financial instruments	**2,622**	824	3,118
Securities sold under re-purchase agreements	**23,799,838**	20,223,286	33,294,423
Short term borrowings	**8,139,888**	6,660,363	5,928,107
Tax payables	**78,132**	840,696	488,668
Retirement benefit obligations	**37,404**	55,369	39,812
Borrowings on debentures	**2,780,890**	2,763,001	517,641
Long term borrowings	**-**	50,204	150,885
Other liabilities	**964,842**	1,183,755	722,081
Total Liabilities	**37,049,357**	31,780,949	41,599,838
EQUITY			
Stated capital	**227,500**	227,500	227,500
Risk reserve	**1,239,478**	1,308,818	1,135,297
Retained earnings	**2,881,654**	3,326,168	2,529,183
Fair valuation reserve	**(297,957)**	(292,419)	(148,069)
Equity attributable to equity holders of the parent	**4,050,675**	4,570,067	3,743,911
Non-controlling interests	**414,597**	252,412	209,372
Total Equity	**4,465,272**	4,822,479	3,953,283
Total Equity and Liabilities	**41,514,629**	36,603,428	45,553,121
OTHER FINANCIAL INFORMATION			
Earning/(Loss) per Share* - Rs.	**(1.50)**	4.91	2.49
Dividend per Share* - Rs.	**-**	1.25	2.25
Dividend Payout (%)	**-**	25.46%	90.36%
Return on Equity (%)	**-14.11%**	47.88%	27.25%
Leverage (Times)	**8.05**	6.16	10.21
Net assets per share - Rs.	**40.01**	45.14	36.98
Market price per share - Rs.	**31.00**	54.50	22.80

** Effect of the sub- division of shares has been adjusted retrospectively.*

Financial Instruments as at 31 March 2022, 31 March 2021, 31 March 2020 and 31 March 2019 have been presented in accordance with SLFRS 9 and Financial Instruments as at 31 March 2018, 31 March 2017, 31 March 2016, 31 March 2015, 31 March 2014 and 31 March 2013 have been presented in accordance with LKAS 39.

2019	2018	2017	2016	2015	2014	2013
Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
4,171,474	4,186,064	3,587,574	1,550,780	2,817,633	1,829,852	1,768,713
88,383	1,152,108	245,511	62,060	1,071,123	398,785	517,319
(80,835)	813,615	(13,913)	(14,600)	(86,224)	(68,689)	(23,272)
7,548	1,965,723	231,598	47,460	984,899	330,096	494,047
(27,555)	(90,287)	6,836	2,105	(210,616)	(44,438)	254,098
(20,007)	1,875,436	238,434	49,565	774,283	285,658	748,145

2019	2018	2017	2016	2015	2014	2013
Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
55,317	319,663	55,340	31,066	33,193	38,298	18,304
3,454	47,868	24,075	40,861	40,609	19,844	10,378
31,985,437	-	-	-	-	-	-
217,920	-	-	-	-	-	-
7,557,832	-	-	-	-	-	-
-	26,519,838	23,799,894	11,326,163	10,236,450	11,639,241	9,932,984
-	242,750	332,803	2,000	2,000	304,938	346,563
-	6,069,028	6,625,115	8,529,332	8,920,212	3,276,554	3,590,811
178,845	70,118	104,032	62,379	65,972	62,549	17,426
246,661	811,035	540,521	576,353	524,524	755,566	356,608
-	-	-	-	6,000	6,000	6,000
-	-	-	-	408,876	-	-
862,024	929,892	36,703	37,703	40,259	48,173	46,733
37,050	19,990	14,295	16,648	26,357	51,517	30,301
160,930	161,831	156,986	157,779	160,149	158,251	100,725
41,305,470	35,192,013	31,689,764	20,780,284	20,464,601	16,360,931	14,456,833
971,036	294,402	224,445	207,681	866	7,775	5,338
2,878	21,659	2,240	20,835	31,359	-	837
29,204,828	23,412,237	21,102,897	14,487,714	14,837,179	12,368,398	11,771,296
6,566,174	6,013,598	6,768,015	2,886,142	2,224,579	1,052,435	579,471
348	4,291	3,956	331	1,719	-	-
31,856	27,992	22,696	24,385	19,036	19,040	9,677
216,205	407,178	540,032	730,400	725,776	452,248	-
251,833	352,368	453,077	-	-	-	-
238,722	787,712	358,793	237,920	286,276	432,032	135,056
37,483,880	31,321,437	29,476,151	18,595,408	18,126,790	14,331,928	12,501,675
227,500	227,500	227,500	227,500	227,500	227,500	227,500
1,021,248	1,012,200	854,456	822,022	820,964	648,793	553,704
2,506,870	2,545,342	1,036,415	1,052,693	1,209,178	859,019	842,508
(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
180,800	175,587	95,242	82,661	81,733	81,218	77,348
3,821,590	3,870,576	2,213,613	2,184,876	2,337,811	2,029,003	1,955,158
41,305,470	35,192,013	31,689,764	20,780,284	20,464,601	16,360,931	14,456,833
0.01	4.62	0.52	0.12	2.33	0.78	1.14
-	0.50	0.50	-	1.00	1.00	-
-	10.82%	96.15%	-	42.92%	128.21%	-
0.06%	64.40%	10.05%	2.10%	45.11%	16.57%	31.16%
9.74	7.87	13.14	8.37	7.61	6.84	6.32
35.96	36.49	20.92	20.76	22.28	19.24	18.55
23.10	31.80	20.10	19.10	27.00	19.30	11.20

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**: 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 Government Securities, Corporate Finance and Advisory, Asset Management and Stock Brokering.

- **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 Government Securities, Corporate Finance and Advisory, Asset Management and Stock Brokering.

  - Corporate Finance and Advisory refers to a range of advisory services offered by the Company including capital raising, capital market strategy, treasury/ liquidity management and project finance.

  - Asset 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.

  - Government Securities refers to the range of fixed income based investment products and secondary market trading services in addition to primary dealing offered by the Company.

  - Stock Brokering refer to the stock brokering and margin trading services offered by the Company in view of secondary market trading in equity products.

- **Corporate Governance**: Process by which corporate entities are governed to promote stakeholder interest. Shareholders exert collective pressure on management to ensure equitable decision making on matters that may affect the value of their holdings and base their response on statutory requirements or on so called "Best Practice".

- **Cost Method**: Cost method is a method of accounting for an investment whereby the investment is recognised at cost. The investor recognises income from the investment only to the extent that the investor receives distributions from accumulated profits of the investee arising after the date of acquisition. Distributions received in excess of such profits are regarded as a recovery of investment and are recognised as a reduction of the cost of the investment.

- **Credit Rating**: An evaluation of a corporate's ability to repay its obligations or likelihood of not defaulting, carried out by an independent rating agency.

- **Credit Risk**: The risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

- **Deal Pipeline**: The approach of an investment bank to secure initial contact with a potential client, qualifying that prospect into a lead and further actions that lead into the different stages of execution to closing of the transaction on the client's behalf. Potential validated leads may be numerically estimated to depict the value of a deal pipeline. It is a reflection of the investment bank's potential or 'transactions-in-the-making'

- **Debt Market**: This also refers to as the bond market. A financial market where participants can issue new fixed income securities, known as the primary market, or buy and sell fixed income securities, known as the secondary market.

- **Deferred Tax**: Sum set aside in the financial statements that may become payable/ receivable in a financial year other than the current financial year. It arises because of temporary differences between tax rules and accounting conventions.

- **De-recognition**: Removal of a previously recognised financial asset or financial liability from an entity's Statement of Financial Position.

- **Derivatives**: A derivative is a financial instrument or other contract, the value of which changes in response to some underlying variable (eg. an interest rate), that has an initial net investment smaller than would be required for other instruments that have a similar response to the variable, and that will be settled at a future date.

- **Dividend Cover**: Profit after tax divided by gross dividends. This measures the number of times the dividend is covered by distributable profits.

- **Depreciation**: The systematic allocation of the depreciable amount of an asset over its useful life.

- **Dividend Payout**: It is the percentage of earnings paid to shareholders in dividends.

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

- **Earnings per Share**: Profit attributable to ordinary shareholders, divided by the weighted average number of ordinary shares in issue.

- **Effective Interest Method**: A method of calculating the amortised cost of a financial asset or a financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period.

- **Events occurring after the Reporting Period**: Significant events that occur between the reporting date and the date on which financial statements are authorised for issue.

GLOSSARY OF FINANCIAL AND BUSINESS TERMS

- **Equity Instrument**: Equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities.

- **Equity Method**: The equity method is a method of accounting whereby the investment is initially recognised at cost and adjusted thereafter for the post-acquisition changes in the investor's share of net assets of the investee. The profit or loss of the investor includes the investor's share of the profit or loss of the investee.

- **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.

- **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.
- **Initial Public Offering (IPO)**: The first sale of a company's shares to the public, leading to the listing of its shares on the stock market.
- **Joint Control**: Joint control is the contractually agreed sharing of the control over an economic activity and exists only when the strategic financial and operating decisions relating to the activity require the unanimous consent of the parties sharing control.
- **Key Management Personnel**: Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly.
- **Lease**: An agreement whereby the lessor conveys to the lessee in return for a payment or series of payments the right to use an asset for an agreed period of time.
- **Liabilities**: Debt or obligations of a business.
- **Liquidity Risk**: The risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities.
- **Listed**: A company or its financial securities which are admitted for trading on a stock exchange.
- **Loans and Receivables**: Non derivative financial assets with fixed or determinable payments that are not quoted in an active market other than those 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.
- **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.
- **Primary Market**: A capital market where newly issued securities are offered to the public directly by the issuer. Initial Public Offerings and new issues where a company offers its shares or debentures directly to investors constitute the primary market.
- **Primary Dealer**: A dealer in government securities licensed by the Central Bank of Sri Lanka.
- **Prime Lending Rate (PLR)**: The interest rate a commercial bank will offer to its best customers.

GLOSSARY OF FINANCIAL AND BUSINESS TERMS

- **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.
- **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.
- **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.

BASIS OF FINANCIAL **RATIO**

NO.	FINANCIAL RATIO	BASIS
1	Capital adequacy ratio (%)	Tier 1 & Tier 11 capital/ Total risk weighted assets
2	Cost to income ratio (times)	Total expenses/Total income
3	Debt to equity ratio (times)	Total debt/ Total equity
4	Dividend payout (%)	Total dividend paid to ordinary shareholders/ Profit attributable to ordinary shareholders of the company
5	Dividend yield (%)	Dividend per share/ Closing market price per share
6	Earnings per share (Rs)	Profit/ (loss) attributable to equity holders of the Parent/ weighted average number of ordinary shares in issue
7	Equity asset ratio (times)	Total equity / Total assets
8	Interest cover (times)	Profit before interest and tax expenses/ Interest expenses
9	Net assets value per share (Rs.)	Equity attributable to the equity holders of the parent/ Number of ordinary shares in issue
10	Net profit margin (%)	Profit/ (loss) for the year/ Income
11	Operating profit margin (%)	Operating profit/(loss) for the year/ Income
12	price earning ratio (PE) (times)	Market price per share/ Earnings per share
13	Price to book value (PBV) (times)	Market price per share/Net assets value per share
14	Price return (%)	Period ending price/ Period starting price -1
15	Productivity ratio (Rs.)	Income / Headcount
16	Quick assets ratio (times)	Quick assets / Current liabilities
17	Return on assets (ROA) (%)	Profit/ (loss) for the year /Average total assets
18	Return on capital employed (ROCE) (%)	Profit before interest and tax expenses/ Average (Debt+ Total equity)
19	Return on equity (ROE) (%)	Profit/ (loss) attributable to equity holders of the parent/ Average equity attributable to the equity holders of the parent

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GRI CONTENT **INDEX**

CATEGORY	DISCLOSURE	DESCRIPTION	PAGE NO/ REMARKS
GRI General Disclosures			
Organisational Profile	102 - 1	Name of the organisation	Front cover
	102 - 2	Activities, brands, products and services	Page 14 - 17
	102 - 3	Location of headquarters	Inner Back cover
	102 - 4	Location of operations	Page 11
	102 - 5	Ownership and legal form	Inner Back cover
	102 - 6	Markets served	Page 16
	102 - 7	Scale of the organisation	Page 17, 18, 20 and 21
	102 - 8	Information on employees and other workers	Page 107 - 113
	102 - 9	Supply chain	Page 116
	102 - 10	Significant changes to the organisation and supply chain	Page 116, 42, 43, 87 and 88
	102 - 11	Precautionary principle	Page 23, 24, 117
	102 - 12	External initiatives	Page 114 - 116
	102 - 13	Membership of associations	Page 116
Strategy	102 - 14	Statement from senior decision maker	Page 72- 81
	102 - 15	Key impacts,risks and opportunities	Page 25 - 31 and 172 - 184
Ethics and Integrity	102 - 16	Values, principles, norms and standards of behaviour	Page 19
	102 - 17	Mechanisms for advice and concerns about ethics	Page 130,152 & 153
Governance	102 - 18	Governance Structure	Page 124
	102 - 19	Delegating Authority	Page 123 - 130
	102 - 20	Executive-level responsibility for economic, environmental, and social topics	Page 127 - 129
	102 - 22	Composition of the highest governance body and its committees	Page 125, 127 -129
	102 - 23	Chair of the highest governance body	Page 127
	102 - 24	Nominating and selecting the highest governance body	Page 128
	102 - 25	Conflicts of interest	Page 125 and 127
	102 - 26	Role of highest governance body in setting purpose, values, and strategy	Page 135 -136
	102 - 27	Collective knowledge of highest governance body	Page 126
	102 - 29	Identifying and managing economic,environmental, and social impacts	Page 25 -31
	102 - 30	Effectiveness of risk management processes	Page 129
	102 - 31	Review of economic, environmental, and social topics	Page 127 -128, 168
	102 - 32	Highest governance body's role in sustainability reporting	Page 8 - 9
	102 - 33	Communicating critical concerns	Page 25 - 29
	102 - 35	Remuneration policies	Page 167

CATEGORY	DISCLOSURE	DESCRIPTION	PAGE NO/ REMARKS
Stakeholder Engagement	102 - 40	List of stakeholder groups	Page 32 - 33
	102 - 41	Collective bargaining agreements	Not applicable
	102 - 42	Identifying and selecting stakeholders	Page 32 - 33
	102 - 43	Approach to stakeholder engagement	Page 27 and 32 - 33
	102 - 44	Key topics and concerns raised	Page 32 - 33
Reporting practices	102 - 45	Entities included in the consolidated financial statements	Page 14
	102 - 46	Defining report content and topic boundary	Page 8
	102 - 47	Material topics	Page 25 - 29
	102 - 48	Restatement of information	Page 8
	102 - 49	Changes in reporting	Page 8
	102 - 50	Reporting period	Page 8
	102 - 51	Date of most recent report	Page 8
	102 - 52	Reporting cycle	Page 8
	102 - 53	Contact point for questions regarding report	Page 9
	102 - 54	Claims of reporting in accordance with GRI Standards	Page 8
	102 - 55	GRI context index	Page 290-292
	102 - 56	External assurance	Voluntary reporting under GRI sustainability reporting guidelines. External assurance is provided for the financial statements by the external auditors on page 188-191.
Management Approach	103 - 1	Explanation of the material topic and its boundary	Page 25 - 26
	103 - 2	The management approach and its components	Page 30 - 31
	103 - 3	Evaluation of the management approach	Page 38 - 40 and 93 - 117
GRI Specific Disclosures			
Economic			
Economic Performance	201 - 1	Direct economic value generated and distributed	Page 46
	201 - 3	Defined benefit plan obligations and other retirement plans	Page 209 and 236
	201 - 4	Financial assistance received from government	No such financial assistance recived for the financial year.
Market Presence	202 - 2	Senior Management hired from the local community	All senior and middle level managers are local hires.
Indirect Economic Impact	203 - 1	Infrastructure investments and services supported	Page 114 - 116
Procurement Practices	204 - 1	Proportion of spending on local suppliers	Page 116

GRI CONTENT INDEX

CATEGORY	DISCLOSURE	DESCRIPTION	PAGE NO/ REMARKS
Society			
Anti-corruption	205 - 1	Operations assessed for risks related to corruption	No corruption related risks identified during the financial year through risk assessments.
	205 - 2	Communication and training about anti-corruption policies and procedures	On the job training has been provided to the staff members on identifying and reporting on incidents and near misses (which included corruptions) and relevant policies are in place and communicated effectively to the staff.
Anti-competitive Behavior	206 - 1	Legal actions for anti-competitive behavior, anti-trust, and monopoly practices	No legal actions pending or completed related to anti-competitive behaviour, anti-trust, and monopoly practices.
Tax	207 - 1	Approach to tax	Page 74
	207 - 2	Tax governance, control, and risk management	Page 74
	207 - 3	Stakeholder engagement and management of concerns related to tax	Page 32
Environment			
Energy	302 - 1	Energy consumption within the organisation	Page 117
	302 - 4	Reduction of energy consumption	Page 117
Environmental compliance	307 - 1	Non- compliance with environmental laws and regulations	No non-compliances reported and no fines or sanctions imposed against the Group.
Social			
Employment	401 - 1	New employee hires and employee turnover	Page 108 - 109
	401 - 2	Benefits provided to full-time employees that are not provided to temporary or part time employees	Page 112
	401 - 3	Parental leave	Page 109
Occupational health & safety	403 - 1	Occupational health and safety management system	Page 110
Training and education	404 - 1	Average hours of training per year per employee	Page 110
	404 - 2	Programmes for upgrading employee skills and transition assistance programmes	Page 110
Diversity and equal opportunity	405 - 1	Diversity of governance bodies and employees	Page 125 - 126, Page 109
Human Rights			
Non - Discrimination	406 - 1	Incidents of discrimination and corrective actions taken	No incidents reported during the financial year.
Local Communities	413 - 1	Operations with local community engagement, impact assessments, and development programs	Page 114 - 116
Marketing and Labeling	417 - 1	Requirements for product and service information and labeling	Page 14
Customer Privacy	418 - 1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	No complaints made against the Group during the financial year.
Socio economic compliance	419 - 1	Non-compliance with laws and regulations in the social and economic area	No incidents reported during the financial year.

NOTES

NOTICE OF MEETING

Notice is hereby given that the 30th Annual General Meeting of First Capital Holdings PLC will be held as a virtual meeting on Thursday, 8 September 2022 at 10.30 a.m. to transact the following businesses.

1. To receive the Annual Report and the Audited Financial Statements of the Company for the year ended 31 March 2022 together with the Report of the Auditor's thereon.

2. To re-elect Mr. Chandana de Silva who retires by rotation in terms of Article 25 of the Articles of Association of the Company and offers himself for re-election.

3. To re-elect Dr. Nishan de Mel who retires by rotation in terms of Article 25 of the Articles of Association of the Company and offers himself for re-election.

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

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

By Order of the Board,

(Sgd.)
Janashakthi Corporate Services Limited
Secretaries
15 August 2022

NOTES:

1. The Shareholders are requested to register with their first names and last names via the below link before 4.00 pm, on Tuesday, 6 September 2022, to receive the ink to join the AGM. The same names should be used to log in in the AGM in the AGM on to participate Thursday, 8 September 2022.

   https://tinyurl.com/FCAGM2022-Registration

2. A member entitled to attend and vote at the above Meeting is entitled to appoint a Proxy to attend and vote on behalf of him/her.

3. A Proxy need not be a member of the Company.

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

5. The completed Form of Proxy must be forwarded by email to secretaries@jcsl.lk, fax to +94 112372498, WhatsApp to +94 773647178 or directly deposited at the Office of the Company Secretaries. No registration of proxies will be accommodated after this deadline.

6. Shareholders who are unable to participate at the Meeting through the online meeting platform are encouraged to appoint a director as his/her/its proxy by forwarding the duly completed Proxy Form clearly indicating their vote under each matter set out in the Proxy Form to the Company Secretaries as specified above in order that their vote may be identified and recorded as if he/she/it were present at the Meeting.

FORM OF **PROXY**

I / We, ...

of .... being a Member/s of the First Capital

Holdings PLC, hereby appoint Mr/Mrs/Miss ....

(holder of NIC No. ....) of ....

failing him/her,

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

as my/our Proxy to represent me/us and vote on my/our behalf at the 30th Annual General Meeting of the Company to be held, as a virtual meeting on Thursday, 8 September 2022 at 10.30 a.m. and at any adjournment thereof and at every poll which may be taken in consequence thereof.

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

		FOR	AGAINST
1.	Receiving of the Annual Report and the Audited Financial Statements of the Company for the year ended 31 March 2022 together with the Report of the Auditor's thereon.		
2.	Re-election of Mr. Chandana de Silva who retires by rotation in terms of Article 25 of the Articles of Association of the Company and offers himself for re-election.		
3.	Re-election of Dr. Nishan de Mel who retires by rotation in terms of Article 25 of the Articles of Association of the Company and offers himself for re-election.		
4.	Re-appointment of Messrs. KPMG, Chartered Accountants as Auditors of the Company for the ensuing year.		
5.	Authorising Directors to determine and make donations.		

Signed on this.................day of 2022

Signature/s.................................

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

FORM OF PROXY

INSTRUCTIONS FOR THE COMPLETION OF THE FORM OF PROXY

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

The completed form of Proxy must be forwarded to the Company Secretaries by email secretaries@jcsl.lk, fax +94 112372498, WhatsApp to +94773647178 or directly deposited at the office of Company Secretaries, Janashakthi Corporate Services Limited, No. 15, Walukarama Road, Colombo 03 not less than 48 hours before the time fixed for the Meeting. No registration of proxies will be accommodated after this deadline.

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

If the Shareholder is a company or a corporate body, the Proxy should be executed in accordance with its Articles of Association or Constitution. The Company may but shall not be bound to require evidence of the authority of any such attorney or officer.

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. Ramesh Schaffter
Mr. Eardley Perera
Ms. Minette Perera
Mr. Chandana de Silva
Dr. Nishan de Mel

SECRETARIES
Janashakthi Corporate Services Limited
(Formerly known as 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

EXTERNAL AUDITORS
Messrs KPMG
Chartered Accountants
32 A, Sir Mohamad Macan Marker Mawatha
P.O. Box 186, Colombo 3

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

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First Capital
A Janashakthi Group Company