



First Capital

ANNUAL

REPORT

2015/16

FIRST CAPITAL HOLDINGS PLC

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Vision

To be the
leading Investment Bank
in Sri Lanka

Mission

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

Our values

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

Who we are

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

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

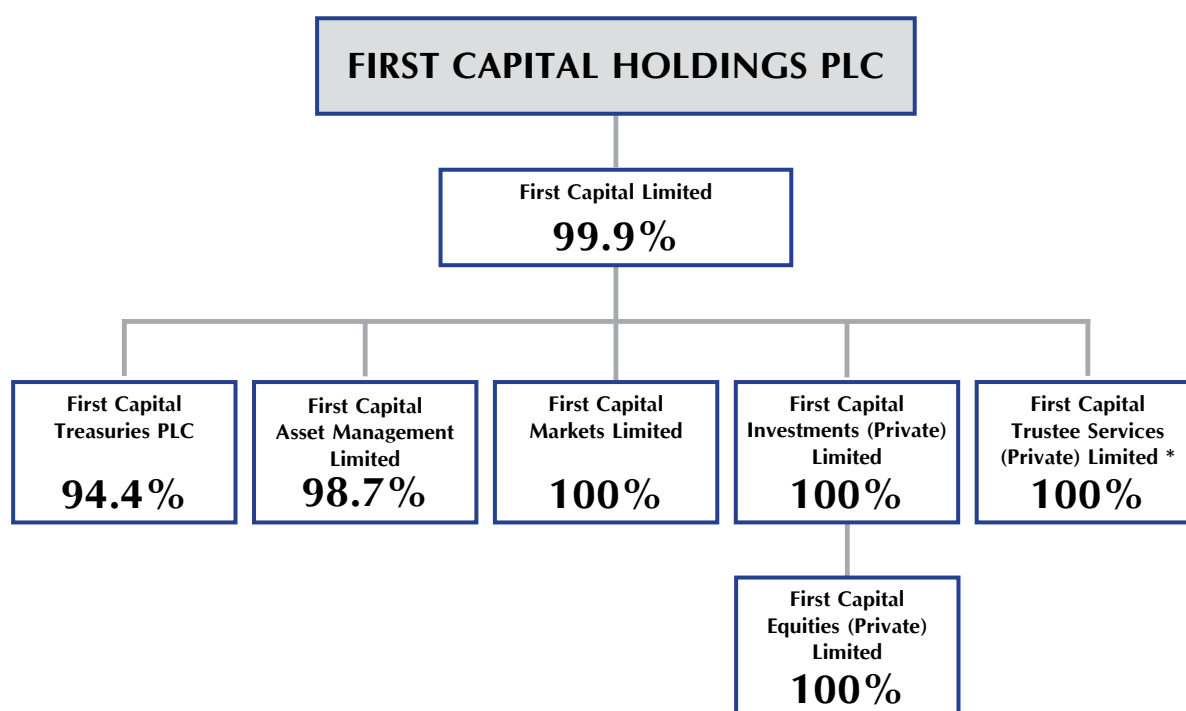
As a company listed on the Colombo Stock Exchange (CSE) since 1994 (Ticker: CFVF), we exemplify requisite financial transparency and governance standards.

Reflecting credit fundamentals including a robust capital structure, liquidity, risk controls and earnings profile, we are rated A- by ICRA Lanka Limited.

OPERATIONAL STRUCTURE

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

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



* First Capital Trustee Services (Private) Limited was incorporated in May 2016.

OUR SERVICE OFFERING AND POSITIONING

We harness over 30 years of expertise to offer comprehensive solutions that meet clients' needs. Our entrepreneurial roots go back to 1982, with the founding of First Capital Treasuries PLC. First Capital's collaborative culture and multiple capabilities are a result of organic and inorganic growth over the years.

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

Capital Markets Advisory	Wealth Management
<ul style="list-style-type: none">» Debt and equity capital raising» Advisory services:<ul style="list-style-type: none">» Mergers and Acquisitions (M&A)» Valuations» Restructuring» Project advisory» Treasury advisory	<ul style="list-style-type: none">» Unit trusts» Discretionary portfolio management» Private wealth management» Personal financial planning» Lifestyle investment solutions» Retirement planning
Fixed Income	Equities
<ul style="list-style-type: none">» Primary dealing» Fixed income investment products» Secondary market trading in corporate debt securities	<ul style="list-style-type: none">» Stock broking» Margin trading

Our Service Offering and Positioning Contd.

The Company through its subsidiaries (collectively the Group) provide the amalgamation of assets and capabilities required to facilitate full service investment banking. We deftly leverage on opportunities created through the dynamics of the markets in which we operate and have gained distinct competitive advantage in our core businesses.

Capital Markets Advisory

Core service and target client base

Through First Capital Limited, we offer a broad range of corporate advisory services from structuring and placement to M&A. Capital market strategies and solutions target corporate, government, institutional and high net worth clients.

Market position

Proven expertise in debt capital markets with strong presence in the best-execution of public and private debt offers. Growing deal pipeline in strategic advisory transactions.

- » Ranked #2 by funds raised through debt IPOs amounting to Rs. 7.5Bn in 2015
- » Total funds raised through corporate debt structuring and placement Rs. 16Bn in 2015/16
- » Senior team averages 20+ years of experience in capital formation and capital market strategy including M&A

Wealth Management

Core service and target client base

Through First Capital Asset Management Limited, we provide investment management and independent wealth management solutions including financial planning. These services are predominantly aimed at institutions, companies and high net worth clients.

Market position

Good long-term performance of a significant portion of fixed income Assets Under Management (AUM). Growing momentum in performance and distribution of newly introduced funds.

- » Total AUM in excess of Rs. 5Bn as at end 2015/16
- » First Capital Wealth Fund outperformed peers in terms of 5 year Annual Equivalent Rate (AER) as at end 2015/16
- » First Capital Money Market Fund was the second best performer amongst peers in terms of 1Year AER as at end 2015/16

Fixed Income

Core service and target client base

Through First Capital Treasuries PLC and First Capital Limited we provide primary dealing, fixed income investment products and trading solutions for institutions, companies and high net worth individuals.

Market position

Pioneer primary dealer with over 30 years of industry expertise and a strong presence amongst standalone players.

- » Government Securities flows channeled to the public totaled Rs.132Bn in 2015/16
- » Offers industry-leading rate based solutions including Platinum Bonds, an innovative Term Repo which raised Rs. 1Bn cumulative investment interest
- » Robust capital structure of primary dealer unit minimises impact on risk. Both Tier 1 and Tier 2 Capital Adequacy Ratio (CAR) buffer maintained in excess of 10% against statutory requirement

Equities

Core service and target client base

Through First Capital Equities (Private) Limited and First Capital Markets Limited we offer stock broking services and act as margin providers to a predominantly institutional client base.

Market position

Provides comprehensive research coverage and actionable investment recommendations.

- » Fundamental research coverage of 62 counters (reflecting approximately 65% market capitalisation) across 15 sectors
- » Outperformance of ASPI and S&PSL20 by collective investment recommendations as at 31 March 2016
- » To enhance global outreach, headway was made in 2015/16 in forming a strategic alliance with a well-placed Asian broking house
- » Senior investment advisors with average experience of 20 years

GROUP FINANCIAL HIGHLIGHTS

For the year ended 31 March	2016	2015	Variance
Income statement (Rs'000)			
Income	1,550,780	2,817,633	(1,266,853)
Net trading income	504,314	1,530,125	(1,025,811)
Operating profit	52,454	1,065,198	(1,012,744)
Profit before taxation	62,060	1,071,123	(1,009,063)
Profit after taxation	47,460	984,899	(937,439)
Total comprehensive income	49,565	774,283	(724,718)
Selected return ratios (Percentage)			
Return on average equity	2.14%	45.11%	(42.97%)
Return on capital employed	0.30%	5.47%	(5.17%)
Financial position (Rs.'000)			
Total assets	20,780,284	20,464,601	315,683
Total shareholders' funds	2,184,876	2,337,811	(152,935)
Stated capital	227,500	227,500	-
Capital employed	20,496,813	20,126,211	370,602
Selected ratios (Times/ Percentage)			
Leverage Ratio (Debt to Equity)	8.37	7.61	(0.76)
Interest cover	1.07	2.07	(1.00)
Capital Adequacy Ratio - First Capital Treasuries PLC	30.60%	22.10%	8.50%
Share related information			
Earnings per share (Rs.)	0.46	9.33	(8.87)
Dividend per share (Rs.)	-	4.00	(4.00)
Net assets per share (Rs.)	20.76	22.28	(1.52)
Closing share price (Rs.)	19.10	27.00	(7.90)
Market capitalisation (Rs. Mn)	1,933.87	2,733.75	(799.88)
Number of shares issued	101,250,000	101,250,000	-

Group Financial Highlights Contd.

Rs. 504MN

Net Trading Income

Rs. 47MN

Profit After Tax

Rs. 20.5BN

Capital Employed

Rs. 0.46

Earnings per Share

2.14%

Return on Equity

Rs. 2.2BN

Net Assets

OPERATIONAL HIGHLIGHTS

Rs. 132BN

Value of Government Securities
channelled to the public

Rs. 16BN

Total funds raised through
Corporate Debt Structuring and Placement

Rs. 7BN

Funds raised through Debt IPOs

Ranked second highest
performing investment
bank by Debt IPO deal volumes *

Rs. 5BN

Assets Under Management

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

First Capital Money Market Fund
ranked second best performing
money market fund in terms of
1 year AER

Launched First Capital Equity Fund,
an ethical fund reflecting our
multi-asset management capabilities

* Ranking applicable to the calendar year ended 31 December 2015 for raising Rs. 7.5Bn in Debt IPOs.

CHAIRPERSON'S STATEMENT



On behalf of the Board of Directors, I am pleased to present to shareholders the Annual Report of First Capital Holdings PLC for the financial year ended 31 March 2016.

The year under consideration proved challenging for First Capital. The Sri Lankan economy was characterised by a fundamental political transition culminating with the parliamentary elections in August 2015. Political uncertainty gradually allayed as the year progressed and we gained greater clarity regarding the macroeconomic growth agenda of the Government. Nonetheless, all our core businesses felt in varying degrees the continuing impact of multiple factors - uneven market reactions and perception of policy measures, rising yield rates, volatility, subdued deal flows and low trading activity.

DIVERSIFIED PLATFORM AND PERFORMANCE PERSPECTIVE

Prevailing market conditions not only required a great deal of opportune refinement to the manner in which we operated in our core businesses: Capital Markets Advisory, Wealth Management, Fixed Income and Equities but also highlighted the need to continue in our efforts to create a meaningful and balanced service offering resilient enough to face challenging dynamics.

Traditionally the main contributor to direct income, our Fixed Income business was negatively impacted by the non-conducive rate environment. Financial results posted for the full year reflect the adverse impact from this operation. Comprising income from both fund based and fee based sources, our net trading income for the year amounted to Rs. 504Mn, a decrease of 67%. Net profit after taxation decreased 95% to Rs. 47Mn falling from Rs. 985Mn in the previous year which included a one-off gain of Rs. 233Mn resulting from the deemed disposal of an equity investment.

A few years back, we had set the foundation to expand our operational footprint and gain traction over time in fee based services. We commenced our Wealth Management and Equities operations in 2010 and 2013 respectively. Simultaneously, we continued to deepen our capabilities building critical deal flow in our Capital Markets Advisory business.

I wish to emphasise that from amongst our fee based operations, Capital Markets Advisory and Wealth Management in particular have performed creditably during the year under consideration. The two businesses marked several key operational achievements. Collectively these operations recorded a trading income of Rs. 167Mn (Rs. 154Mn in 2014/15) reflecting the capacity to earn stable fee income streams.

The following business-wise highlights capture mixed results in terms of income contribution. Nonetheless, I am pleased to also recount demonstrable progress made operationally:

CAPITAL MARKETS ADVISORY

Capital Markets Advisory earned fees amounting to Rs. 104Mn containing the reduction to 15% year-on-year. We experienced deferral or cancellation of investment banking transactions during the period due to disadvantageous rate movements impacting capital raising costs of clients. However, we significantly positioned ourselves in listed debt capital raising. We advised debt IPO deals totalling Rs. 7Bn aiding our clients gain the benefits of applicable tax incentives. We were ranked second amongst local investment banks in terms of listed debt IPO volumes in the calendar year 2015. Together with securitizations and equity placements, we structured and placed Rs. 16Bn over the year bettering our 3 year average debt mobilisation record of Rs. 15Bn per year.

We have over the past year also expanded our advisory deal pipeline, extending it to high-margin earning M&A activity. Our strategic advisory deal volume for the year amounted to approximately Rs. 4Bn.

WEALTH MANAGEMENT

Our Wealth Management business recorded a total fee based income of Rs. 56Mn reflecting a 94% increase year-on-year. In August 2015, we launched the First Capital Equity Fund, an ethical fund with choice of underlying investments based on ethical criterion, extending our multi-asset capabilities to equity. We secured Rs. 54Mn flows in subscriptions for the fund which proceeded to outperform the market in challenging conditions.

We continued to record sound long-term performance in a considerable proportion of our fixed income funds offering superior returns to investors.

Chairperson's Statement Contd.

In this context, First Capital Wealth Fund has outperformed peers emerging as the top performer by 5 year returns on an annual equivalent basis. The First Capital Money Market Fund was the second highest performer amongst peers at year end. Assets Under Management (AUM) amounted to over Rs. 5Bn at close of the financial year.

FIXED INCOME

Net trading income for the year from the Fixed Income business totalled Rs. 266Mn, contributing 53% to the total. The decrease in net trading income by 79% year-on-year is due to a combination of factors including the contradictory movements of rates relative to those anticipated in view of policy measures, increasing yield rates and difficulty in rebalancing our income accrual mix, in particular through trading strategies due to adverse conditions. We were compelled to scale down the portfolio at a loss in order to mitigate associated risk. The business segment did not make a positive contribution to the Group's operating profit as a result of fair valuation losses.

EQUITIES

Our Equities business which includes both Stock Broking and Margin Trading recorded a net trading income of Rs. 78Mn decreasing by 14% year-on-year in a challenging equity market. We are exploring the possibility of forming international strategic alliances with the intention of enhancing our global outreach efforts in institutional trading.

CLIENT FOCUS

First Capital's approach to service delivery is to give our clients an integrated solution utilising to optimum our group-wide capabilities and assets, set in motion with hands-on senior level involvement. The depth and breadth of leadership and experience through the Management team and the Board of Directors is substantial and helps deal teams execute transactions with certainty and provide objective and often innovative, benchmarking solutions.

As we pursue our financial goals, we are mindful of our reputation for integrity which is a quality that helps us attract and retain clients and which is essential to our sustainability. We have long held that our corporate philosophy and values encompassing ethics, integrity and professionalism help us build a distinct presence in the industry that we compete in. During the year, we actively engaged anew our teams in values-driven management improvement efforts. Among these efforts are training staff in corporate values and how they affect corporate performance as well as appraising teams on their adherence to values.

In order to better serve our clients, we have made selective recruitments and unification through shared resources. Concerted team expertise building through training programmes was carried out covering areas including distribution strategy and leadership building.

Our client-centric teams successfully executed several outstanding transactions and strategies during the year:

- » Acted as Manager and Financial Advisor for the Commercial Leasing and Finance Company PLC's rated listed debenture issue amounting to Rs. 5Bn.
- » Acted as Structuring and Placement Agent to Rs. 3Bn in asset backed securitisation deals for undisclosed clients.
- » Acted as Financial Advisor to the buy-side valuation deal of Rs. 3.2Bn in the acquisition of General Insurance Lanka Limited a fully owned subsidiary of AIA Insurance Lanka PLC by Janashakthi Insurance PLC.
- » Channelled Rs. 132Bn in Government Securities to the public.
- » Issued additional term repos of varying maturities to reach a cumulative total of Rs. 1Bn under the Platinum Bond.
- » Launched the First Capital Equity Fund, an ethical fund with underlying investments chosen carefully to meet ethical criterion appealing to discerning investors.
- » Secured superior long-term and short-term performance in our Fixed Income AUM through First Capital Wealth Fund and First Capital Money Market Fund, respectively.
- » Made headway in forming a strategic alliance with a recognised Asian broking house to enhance international institutional trading footprint.

We have continued to gain new clients and look forward to welcoming further clients as the year progresses.

APPRECIATION

I wish to thank our Board of Directors for their ongoing support and counsel on the Company's strategic direction and governance. The Board notes with a deep sense of loss and sadness, the demise of Nihara Rodrigo, President's Counsel who served as a Director of the First Capital Group since 2008.

On behalf of the Board, my appreciation is extended to First Capital's combined teams for their efforts, their dedication to the Company and the united manner in which they work together towards successful outcomes for our stakeholders.

I wish to thank our clients for their continued trust in our services and confidence in us.

Notwithstanding tenuous macroeconomic conditions we are cautiously optimistic about regaining momentum in our earnings capacity, deal flows and trading opportunities as the year advances. Representing shareholder interests, the Board's strategy for the changing market conditions in which we operate will remain focused on delivering diversification, revenue growth, careful cost controls and continued profitability.

While thanking our shareholders, I wish to assure you in closing that First Capital is undeterred in its corporate vision of becoming Sri Lanka's leading investment bank.

Sgd.

Manjula Mathews (Ms.)

Chairperson

CHIEF EXECUTIVE OFFICER'S REVIEW



Under the operating environment which prevailed, 2015/16 proved to be a challenging year for First Capital. Continued political transformation with parliamentary elections ending in August meant a transitional period of both political and economic uncertainty. We experienced mixed signals in monetary and fiscal conditions, associated volatility in financial markets together with rising yield rates and the resulting reduction of our deal flows and trading opportunities.

OPERATING ENVIRONMENT

Broadly, the trends impacting our core businesses were meaningfully different from our last report. Economic growth globally has remained uneven during the period under consideration with historically low interest rates, uncertainty and significant down side risks. In Sri Lanka, the economy reflected a modest growth of 4.8% in GDP for the calendar year, below the intrinsic long-term growth rate approximating 6.0%.

The CBSL continued an accommodative monetary policy stance through much of the year under consideration. Policy rates which were cut by 0.50% in mid April 2015 remained unchanged until February 2016. Private credit growth continued to increase over the year ending March 2016 up 27.7% year-on-year. Simultaneously, monetary aggregates showed an upward trend, together prompting the CBSL to raise the Statutory Reserve Requirement (SRR) by 1.50% to 7.50% effective January 2016. At the time, the Standing Deposit Facility Rate (SDFR) stood at 6.00% and Standing Lending Facility Rate (SLFR) at 7.50%. The resultant decline in excess liquidity found market interest rates adjusting upward towards the levels observed in April 2015 prior to the reduction in policy interest rates. As a pre-emptive policy measure to mitigate demand driven inflationary pressures, the SDFR and the SLFR were increased by 0.50% each to 6.50% and 8.00%, respectively, effective February 2016.

Over 2015/16 Average Weighted Call Money Rate (AWCR) range was 5.90% - 8.15% higher in comparison to the previous year's range of 5.25% - 7.25%. AWCR moved beyond the upper corridor from late February 2016. The Weighted Average Repo Rate stood at 6.64% at the beginning of the fiscal year ending fourth quarter at 8.03%.

The primary corporate debt market at the CSE was vibrant during the year under consideration with 21 issuers raising an

all-time high of Rs. 85.4Bn up 54% year-on-year. The total amount of capital raised across the CSE's debt and equity markets, both through IPOs and additional issues totaled Rs. 108.9Bn.

In secondary equity markets, market capitalisation amounted to Rs. 2,586Bn from Rs. 2,891Bn reflecting a 10.5% decline in market size. Turnover decreased by 34.6% to Rs. 232Bn during the year from Rs. 340.9Bn in the previous year. Foreign investors were net sellers at year end marking a net foreign flow of Rs. 10.4Bn. Secondary corporate debt market reflected negative sentiment with turnover levels lowering by 54.6% year-on-year.

FINANCIAL FEATURES

The Group recorded a net trading income of Rs. 504Mn reflecting a 67% decrease year-on-year as a result of market conditions which prevailed. First Capital's consolidated net profit amounted to Rs. 47Mn in comparison to Rs. 985 Mn in 2014/15 inclusive of one off gains of Rs. 233Mn.

We reduced our operating cost by 5% compared to the previous year. Although curtailed by lower operating income, refinements were made over the year to contain operating expenses below targeted levels. We remain firmly focused on achieving targeted long-term efficiency. Achieving this objective will be a key driver of delivering additional value to our shareholders in the future.

First Capital Holdings PLC has been assigned a credit rating of A- by ICRA Lanka reflecting cumulative actions taken to improve our risk and earnings profile, a strong capital base, funding profile and liquidity amongst other fundamentals.

CORE BUSINESS OPERATIONS

Fixed Income

Our Fixed Income business contributed Rs. 266Mn, or 53% of net trading income. However, the business segment was unable to make a positive contribution to the Group's operating profit as a result of fair valuation losses.

We ended the first quarter on an encouraging note but the second half closed with lackluster performance. Although we had reduced some of our risk positions in active trading strategies ahead of the advocated policy rate increases in the fourth quarter, sharp upward movement in yields nearing financial close resulted in substantial losses.

Chief Executive Officer's Review Contd.

At several points of the year we took positions based on our perception of leading economic indicators. However, there was divergence between the CBSL's policy measures and timing thereof as against the perception of the broad market, affecting profitability of trading strategies. We were compelled to make further disposals to mitigate losses.

As part of our operational strategy we had moved to term funding through debentures in 2014/15 moderating only to an extent the effect from short term borrowing costs during 2015/16, particularly in the prevailing interest rate environment. Similarly we had habitually maintained Capital Adequacy Ratio (CAR) relating to First Capital Treasuries PLC (FCT), our primary dealer well above the statutory minimum. We continue our conservative stance in this regard maintaining CAR at an average of 20% reinforcing the credit ratings of both FCT and the Company at A-.

Capital Markets Advisory

During the year, Capital Markets Advisory earned Rs. 104Mn contributing 21% to net trading income. The contribution from this area to operating profit was significant. Despite the drop in overall placement volumes of unlisted debt due to adverse markets, we curtailed the income decline to 10% year-on-year, performing creditably by diversifying efforts across the credit spectrum.

We found significant opportunities in the listed corporate debt market due to tax concessions offered and raised Rs. 7Bn for our clients, through 4 IPOs. We were ranked the second amongst peers by debt IPO deal volumes in the calendar year. We originated Rs. 16Bn (2014/15 - Rs. 22Bn) corporate debt bettering our 3 year average of Rs. 15Bn despite challenging conditions.

We diversified our mandates further to Mergers and Acquisitions completing an insurance sector buy-side valuation of over Rs. 3Bn. Our ability to expand in this area will help prioritise fee earnings thus reducing dependency on fund based businesses. The advisory client base continued to be diversified across sectors including banks, financial institutions, government agencies, small and medium enterprises and multi-sector companies. Although we experienced some deferrals, strategic advisory deal volume for the year approximated Rs. 4Bn.

Wealth Management

Our Wealth Management business contributed Rs. 56Mn to the net trading income or 11% in contribution, reflecting a 94% increase year-on-year. The business contributed substantially to the Group's operating profit. The Assets Under Management (AUM) of the Company grew to over Rs. 5.4Bn, compared to Rs. 4.2Bn at the beginning of the year 2015/16. Growth in AUM was curtailed by falling prices of underlying investments and withdrawals towards the year end. In August 2015 we launched First Capital Equity Fund, an ethical fund, enhancing our multi-asset approach to unit trusts.

Reflecting First Capital's asset management capabilities in fixed income our fixed asset AUM comprising money market and longer term duration underlying, performed well. First Capital Wealth Fund outperformed peers in terms of return based on the 5 year AER. The Fund declared a dividend of 100/- per unit for 2015/16.

First Capital Money Market Fund was the second best performer amongst peers. Our equity AUM weathered subdued market conditions and has outperformed the benchmark All Share Price Index within its short performance history of 7 months at the close of the financial year.

Equities

On-going challenges posed by low-volume equity markets resulted in low fees/commission and trading revenues of the Equities business. Comprising both our stock broking and margin trading operations, Equities contributed Rs. 78Mn or 15% to net trading income.

GROWING WITH AND FOR OUR CLIENTS

Our clients are the lifeblood of the Company. We currently serve an array of companies, institutions, government agencies, high net worth individuals and retail clients seeking our objective advice, innovative solutions and transaction execution expertise.

Outstanding transactions and product milestones achieved during the year to better serve our clients include:

<p>Managed Commercial Leasing and Finance Company PLC's rated listed debenture issue amounting to Rs. 5Bn</p>	<p>Advised the buy-side valuation deal of Rs. 3.2Bn for the acquisition of General Insurance Lanka Limited a fully owned subsidiary of AIA Insurance Lanka PLC by Janashakthi Insurance PLC</p>
<p>Originated a total of Rs. 16Bn Corporate debt of which Rs. 3Bn was in asset backed security structuring and placement transactions</p>	<p>Reached a cumulative total of Rs. 1Bn through additional Platinum Bond issues varied by tenor providing investors with exposure to deep discount bonds, with no reinvestment risk over the mid to long-term horizon</p>
<p>Launched First Capital Equity Fund, an ethical fund for the discerning growth investor</p>	<p>Ranked second highest performing investment bank in terms of Debt IPO Deal volumes in 2015</p>
<p>Achieved superior long-term performance of Fixed Income AUM First Capital Wealth Fund ranked #1 amongst peers by 5 Year AER</p>	<p>Achieved superior short-term performance of Fixed Income AUM First Capital Money Market Fund ranked #2 amongst peers by 1 Year AER</p>
<p>Channelled Rs. 132Bn worth of Government Securities to the public</p>	<p>Made headway in forming strategic alliance with an established Asian broking house to enhance global institutional trading outreach</p>

Our combined teams currently consist of 86 employees. In the competitive, energetic business of investment banking, we regularly question how we can serve clients more effectively. During the year, we strengthened our team capabilities to help clients achieve their goals:

- » **Smart workplace:** By focusing our day-to-day efforts on higher-value-added activities, we created capacity to support First Capital's growth and improved the experience of our clients and business partners. We have adopted group-wide values to enhance our performance and objectivity regarding client-centric service delivery
- » **Broader skills and deeper expertise:** During the year, we added experienced sales and brand development personnel to our teams. Our new hires are linked to revenue diversification and growth through reputation, distribution and brand building in addition to community capacity building including client-awareness raising
- » **Specialised capabilities:** Capital Markets Advisory was formally structured to absorb the equity placement component, streamlining our diversified platform. The team now specialises in structuring of both corporate debt and equity

Chief Executive Officer's Review Contd.

COMMUNITY CAPACITY BUILDING

We have formed alliances with professional bodies including the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka), the Ceylon Chamber of Commerce, the Sri Lanka Institute of Directors, the Chartered Institute of Marketing Sri Lanka (CIM), Zonta Sri Lanka, the Oxford Business Group (OBG) and The Management Club to contribute to and build responsiveness at events of national significance such as the Economic Summit, CA Sri Lanka's National Forum and the CIM Annual Conference.

During the year, we contributed to publications centered on the Sri Lanka value proposition including The Report: Sri Lanka 2016 by OBG. We continue to educate the public and clients through financial literacy and awareness raising programmes. With the launch of our enhanced website during the year, we disseminated with greater efficacy our research publications and details on services and our business as a whole, whilst enhancing our outreach. Improved access to our services was supported by enhanced mobile and web based applications.

CORPORATE GOVERNANCE

First Capital firmly believes that corporate governance and compliance practices are of paramount importance to maintain the trust and confidence of its stakeholders and reputation of the First Capital brand. To ensure transparency, fairness and objectivity, we have adopted best practices in corporate governance and compliance as a company listed on the CSE. More details relating to corporate governance appear on pages 43 to 44 of the Annual Report.

Risk management is pivotal to our sustainability and the Board considers it a component of good governance helping safeguard shareholders' interests and the Group's assets. More details relating to our principal risks and risk mitigation appear on pages 30 to 36 of the Annual Report.

OUTLOOK AND STRATEGY

The outlook for the year will be conditioned mainly by the evolving monetary and fiscal stance of the Government. Fiscal considerations, external liquidity and other economic metrics are to be restructured under the new political formation, results

of which are key to discerning the market movements impacting the businesses we operate in. The CBSL is expected to navigate monetary policy in line with targeted inflation. Additionally, the approach to policy rates and resulting liquidity conditions would play a major role in the behaviour of the yield curve.

We would remain watchful while capitalising opportunistically on any favourable developments during the year to adopt a more active trading strategy in our Fixed Income operation. Over the long term we aim to secure a sound income earning capacity that fortifies our sustainability without over reliance on any one of our core businesses. Although we remain cautious regarding trading opportunities, we believe that the First Capital group is right-sized and focused on its diversification strategy.

In the next year, we will continue to focus on fee based activities and opportune target markets and will build on our potential to establish a solid investment banking deal pipeline.

APPRECIATION

In closing, I am appreciative of the guidance of the Board of Directors over the year as we manoeuvred through constraining operating factors. Going forward, the Board's stewardship will be paramount in our efforts in building long-term resilience.

I wish to thank our team whose commitment and collaborative efforts secured several operational successes during a difficult year.

We are also aware of the important responsibility we have towards each one of our clients, shareholders and other stakeholders at large. We thank you all for the continued trust and confidence you place in us.

We stand firm in our vision of becoming Sri Lanka's leading investment bank.

Sgd.

Dilshan Wirasekara
Chief Executive Officer

BOARD OF DIRECTORS



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

Board of Directors Contd.

01 **MANJULA MATHEWS**

MBA (Cantab), FCMA (UK)

Chairperson

Manjula Mathews serves as the Chairperson of First Capital Holdings PLC. Her strong managerial and financial background inclusive of multi-sector investment and tactical initiatives span 25 years.

Manjula has executed a range of transactions including change of control, capital raising, turnaround, restructuring and joint ventures. The First Capital Group benefits from her leadership and value add in the areas of continued business model and operational refinement, governance and risk management.

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

Other principal appointments

Chairperson: Dunamis Capital PLC, Kelsey Developments PLC, Premier Synthetic Leather Manufacturers (Private) Limited.

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

02 **DINESH SCHAFFTER**

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

Managing Director

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

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

Other principal appointments

Managing Director: Dunamis Capital PLC, Kelsey Developments PLC, Premier Synthetic Leather Manufacturers (Private) Limited

03 **NIHARA RODRIGO***

President's Counsel

Independent Non-Executive Director

Nihara Rodrigo's professional career of over 40 years comprised diversified expertise and experience in various fields including different aspects of law and e-commerce. Nihara served in the Attorney General's Department for over 15 years and represented Sri Lanka at United Nations Forums in Geneva and Vienna. He served as the Deputy Chairman of the Information and Communication Technology Agency of Sri Lanka (ICTA) and as the Chairman of the Grants Board of the Capacity Building Programme of the ICTA. He was appointed as a President's Counsel in May 2010.

Other principal appointments:

Non-Executive Director: Dunamis Capital PLC, Kelsey Developments PLC, Premier Synthetic Leather Manufacturers (Private) Limited

*Nihara Rodrigo passed away in August 2015.

04 **EARDLEY PERERA**

Chartered Marketer

Independent Non-Executive Director

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

Other principal appointments

Non-Executive Director: Dunamis Capital PLC, Kelsey Developments PLC, Premier Synthetic Leather Manufacturers (Private) Limited, Janashakthi Insurance PLC, Janashakthi PLC, Janashakthi General Insurance Limited, United Motors Lanka PLC, Keells Food Products PLC, Sting Consultants (Private) Limited, Brand Finance Lanka (Private) Limited, MAS Tropical Foods (Private) Limited

05 MINETTE PERERA
FCA(SL), FCMA(UK), FCCA(UK)

Independent Non-Executive Director

Minette Perera has over 35 years of experience as a qualified accountant and has held executive directorships in leading local and international companies. From September 2000 to March 2013 she acted as Group Finance Director of the MJF Group renowned worldwide for its illustrious brand “Dilmah Tea.” During this time she was appointed a Director of the MJF Group including MJF Holdings Limited and continued to hold Board positions till December 2014.

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.

Other principal appointments

Non-Executive Director: Ceylon Tea Services PLC, Kahawatte Plantations PLC, Forbes & Walker (Private) Limited, Talawakelle Tea Estates PLC and Orient Finance PLC

06 NISHAN FERNANDO
FCA (SL), ACMA (UK), MBA (USJP)

Independent Non-Executive Director

Nishan Fernando counts over 25 years of senior level experience in Accounting and Finance. Having gained valuable experience as a member of the International Accounting Education Standards Board of the International Federation of Accountants (IFAC) he currently serves on its Consultative Advisory Group.

He is a Past President of the Institute of Chartered Accountants of Sri Lanka. He had officiated as a Commission Member of the Securities and Exchange Commission of Sri Lanka, as a member of the Sri Lanka Accounting and Auditing Standards Monitoring Board and as Chairman of the Statutory Accounting Standards Committee which promulgates the Accounting Standards in Sri Lanka where he currently continues to be a member. He currently chairs the IFRS interpretation and implementation Committee of CA Sri Lanka.

Nishan is a Fellow Member of the Institute of Chartered Accountants of Sri Lanka, an Associate Member of the Chartered Institute of Management Accountants of UK. He holds a Master of Business Administration from the

Postgraduate Institute of Management of the University of Sri Jayewardenepura.

Other principal appointments

Managing Director: BDO Consulting (Private) Limited

07 CHANDANA DE SILVA
BSc (Lond), FCA (England & Wales), FCA (SL)

Independent Non-Executive Director

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

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

Other principal appointments

Non-Executive Director: Dunamis Capital PLC, Kelsey Developments PLC, Premier Synthetic Leather Manufacturers (Private) Limited, Eureka Technologies (Private) Limited, 24/7 Techies (Private) Limited, Sea-Change Partners Lanka (Private) Limited

MANAGEMENT TEAM



1. Dinesh Schaffter 2. Dilshan Wirasekara 3. Wasanthi Stephen 4. Harshanee Deshapriya 5. Jaliya Wijerathne
6. Mangala Jayashantha 7. Chinthaka Edirimanne 8. Mallika Mahanama



9. Anuththara Sewwandi Kathriarachchi **10. Sayani Palliyaguruge** **11. Kosala Liyanagedara** **12. Dimantha Mathew** **13. Dinesh Fernando**
14. Sujani Kumarage **15. Harsha Perera** **16. Mahesh Amarasinghe**

Management Team Contd.



17. Anushi Ranawaka **18. Kapila Perera** **19. Dhillip Joseph** **20. Anjelo Simmons** **21. Naveen Samarasekera**
22. Roshana Samarakoon **23. Nisansala Munasinghe**



24. Dilhan Gunatunga 25. Damian Le Grand 26. Anushka Dissanayake 27. Rohana Jayakody 28. Salinda Samarakoon
29. Menaka Wavegedara

Management Team Contd.

Dinesh Schaffter

Managing Director

Please refer Directors' Profile on Page 17.

Dilshan Wirasekara

Chief Executive Officer

Dilshan Wirasekara brings over 20 years of experience in financial services with a diverse investment banking spectrum including debt and equity capital markets, fixed income, forex, derivative investments and portfolio management.

Possessing specialist Treasury expertise, he acted as General Manager of Softlogic Capital PLC, the financial services holding company of the diversified Softlogic Group. Instrumental in securing major investments from overseas Development Financial Institutions Dilshan also spearheaded investment and trading portfolio management across subsidiaries inclusive of the group's Licensed Finance Company, Composite Insurer and Equity Brokerage.

As the former Head of Treasury at Nations Trust Bank PLC, he led its Treasury division in achieving 'market maker' status as an interbank counterparty delivering exponential profit growth.

Prior to that, he was attached to the Treasury Division of Pan Asia Bank PLC. Dilshan has undergone extensive training both locally and overseas specialising in Asset and Liability Risk Management and secured the accolade of leading and representing two Sri Lankan companies in winning the International Bank Asset and Liability competition held each year by FMO, DEG and Proparco.

Wasanthi Stephen

Head of Human Resources

Wasanthi Stephen has over 16 years of work experience with over 13 in the Human Resource Industry in Sri Lanka. Her extensive exposure includes talent management, handling industrial disputes, mentoring, counseling and Learning and Development in the hospitality, real estate and finance industries.

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

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

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

Harshanee Deshapriya

Senior Manager-Legal

Harshanee Deshapriya possesses 10 years of work experience including 7 years as a corporate lawyer with an extensive exposure towards regulatory and corporate affairs and activities in diversified industries. Her professional expertise ranges across various foreign and local investment activities such as company takeovers and mergers, corporate finance and advisory services, dealing with foreign hedge funds, exchanges and contract management.

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

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

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

Jaliya Wijerathne

Chief Executive Officer-First Capital Equities (Private) Limited

Jaliya Wijerathne is the CEO of the Group's Equity operation, First Capital Equities (Private) Limited. Jaliya brings over two decades of experience in investment advisory in the

capital markets of Sri Lanka and has extensive senior level managerial experience over the period.

In addition to fund and portfolio management experience Jaliya specialises in private equity and mergers and acquisitions. He was instrumental in numerous takeovers and sales of strategic stakes. Jaliya has organised many foreign roadshows and international conferences on capital markets in addition to capital markets related training programmes both in Sri Lanka and abroad.

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

Mangala Jayashantha

Chief Financial Officer

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

Mangala commenced his career at KPMG -Sri Lanka, a member firm of KPMG International.

At KPMG, he obtained extensive exposure in audit and assurance services of a broad array of industry segments including Licensed Commercial Banks, Licensed Specialised Banks and other financial institutions.

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

Chinthaka Edirimanne

Head of Operations

Chinthaka Edirimanne counts over 27 years of significant experience in multi-national banking.

His varied core exposure encompasses operations, administration, business process centralisation, foreign trade and investment banking.

Prior to joining First Capital, Chinthaka worked with prestigious banks namely HSBC and Commercial Bank of Ceylon PLC and also counts 12 years of international exposure with a National Bank in the United Arab Emirates.

Chinthaka holds a Banking Diploma from the Institute of Bankers of Sri Lanka.

Mallika Mahanama

Senior Manager-Operations

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

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

Anuththara Sewwandi Kathriarachchi

Senior Manager-Margin Trading and Dealing Securities

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

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

Sayani Palliyaguruge

Senior Manager-Human Resources

Sayani Palliyaguruge possesses 16 years of experience in the field of Human Resource Development and Administration. She commenced her career at the Hayley's Group in year 2000.

Sayani is professionally qualified in Human Resource Management with a National Diploma in Human Resource Management from the Institute of Personnel Management.

Management Team Contd.

Kosala Liyanagedara

Senior Manager-Business Development and Corporate Planning

Kosala Liyanagedara is an Associate Member of the Institute of Chartered Accountants of Sri Lanka (CA, Sri Lanka), an Associate Member of the Chartered Institute of Management Accountants of UK (CIMA) and holds a B.Sc. Accountancy (Honours) Degree (First Class) from the University of Sri Jayawardenepura and holds a Master of Business Administration from the Postgraduate Institute of Management (PIM).

Kosala joined the First Capital Group in September 2009 as the Accountant. In April 2012, he was promoted to the Finance Manager of the Group with responsibility for financial reporting and financial planning. In April 2014, he assumed the current position, reporting directly to the Group CEO, where he is responsible for business development of all business units and Corporate Planning. He also works along with the Chief Financial Officer to develop and implement the Group Strategic Plan and Annual Operating Plan.

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

He possesses diverse professional experience over 9 years in accounting, auditing, taxation, finance and planning.

Dimantha Mathew

Senior Manager-Research

Dimantha Mathew has over 11 years of experience with investment banking a predominant focus.

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

Prior to joining First Capital, Dimantha acted as Head of Research at Sofilogic 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.

Dinesh Fernando

Senior Manager-Asset Management

Dinesh brings over 20 years of significant experience in Sri Lanka and abroad covering fixed income and equity portfolio management, equity and credit research, investment banking, advisory services, project financing, commercial banking, and audit.

He has previously worked for NDB Investment Bank, HSBC, Standard Chartered Bank, DFCC Bank, First Guardian Equities, and KPMG. Dinesh was a Fund Manager at National Asset Management Limited prior to joining First Capital Asset Management.

Sujani Kumarage

Manager-Operations

Sujani Kumarage possesses over 17 years of experience in business processing relating to fixed income securities. Having joined First Capital Group in 1999 in her current position, Sujani provides oversight for processing of government and corporate debt securities, money market operations and SWIFT securities/payments and settlements.

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

Harsha Perera

Manager-Operations

Harsha Perera possesses over 16 years of experience fixed income securities processing and post-trade operations.

Harsha joined the First Capital Group in 1999 and was promoted to Assistant Manager in 2010 and Manager in 2015. Currently, Harsha oversees SWIFT Securities Payments and Settlements and maintains expansive relationships with Banks and Primary Dealers.

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

Mahesh Amarasinghe

Manager-Middle Office

Mahesh Amarasinghe counts over 13 years of significant experience in Treasury and Securities Management through business operations expertise gained at a Primary Dealer in and a Secondary Dealer of a range of fixed income securities.

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

Anushi Ranawaka

Manager -Treasuries

Anushi Ranawaka has over 12 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.

Kapila Perera

Manager-Risk and Compliance

Kapila Perera counts over 9 years of experience in finance and operations. He has significant exposure in preparation of financial statements, handling of internal and external audits, handling scrip and scripless securities and preparation of MIS Reports to identify principal financial risks impacting the Group.

Kapila assumed his current position as Manager-Risk and Compliance in 2015. Kapila holds a Bachelor's (Special) Degree in Commerce from the University of Sri Jayewardenepura and has an Associate Membership of the Sri Lanka Institute of Credit Management (SLICM). He has also completed a Diploma in Treasury and Risk Management conducted by the Institute of Bankers Sri Lanka.

Dhilip Joseph

Finance Manager

Dhilip Joseph counts varied experience spanning over 9 years in accounting, auditing, financial management, corporate planning and taxation.

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

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

Anjelo Simmons

Manager-Treasuries

Anjelo Simmons possesses 9 years of fixed income related experience. Commencing his career with Ceylinco Insurance (Life) in 2007, Anjelo joined First Capital Treasuries Limited in 2012 as a Senior Executive. He was promoted as an Assistant Manager and Manager in 2013 and 2015 respectively.

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

Naveen Samarasekera

Manager-Corporate Finance

Naveen Samarasekera counts 13 years of experience in various business areas both overseas and in Sri Lanka. Prior to joining First Capital in 2012, he worked as a Business Development Consultant engaging in financial planning and advisory services for corporates and high net-worth individuals. In the last 13 years, he has worked with many Banks, Financial Institutions, Regulatory and Support Services such as IT and legal entities.

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

Management Team Contd.

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

Roshana Samarakoon

Manager-Treasuries

Roshana counts over 7 years of experience in fixed income and portfolio management. Roshana commenced his career in 2007 as a management Trainee at National Wealth Corporation/Natwealth Securities Limited. Upon completion of his postgraduate studies in 2011, he acted as a Fixed Income Dealer at Natwealth for a further two years.

Roshana joined First Capital Treasuries Limited in 2013 as an Assistant Manager-Treasuries and was promoted as Manager –Treasuries in 2015. He currently provides oversight for dealer-trader solutions and strategic investment needs in fixed income.

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

Nisansala Munasinghe

Manager-Branding and Marketing Services

Nisansala Munasinghe counts over 7 years of experience in corporate communications, public relations and business development. Developing communications solutions for both local and international brands, Nisansala commenced her career at Grant Public Relations, a subsidiary of the Grant McCann Group. Subsequently, she was responsible for marketing communications and international events at the Colombo Stock Exchange.

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

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

Dilhan Gunatunga

Manager-New Business Introductions

Dilhan counts over 20 years of varied experience in financial services across the leasing, insurance and investment banking spectrum.

Prior to joining the First Capital Group, Dilhan worked at Union Assurance PLC where he was responsible for the development and expansion of the broking business over a 10 year period.

He also worked at Asian Alliance Insurance PLC at its inception and was a Credit Officer at Commercial Leasing Company Limited.

Damian Le Grand

Manager-Sales

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

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

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

Anushka Dissanayake

Manager-Treasuries

Anushka Dissanayake has over 8 years of diversified experience in the fields of fixed income securities, equity portfolio management, manufacturing and real estate.

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

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

His career in financial services commenced at Entrust Securities PLC.

Menaka is a Licensed Investment Advisor.

Rohana Jayakody

Manager-Matara Branch

Rohana Jayakody counts over 17 years of experience in fixed income securities. Commencing his career at the Employee Provident Fund department of the Central Bank of Sri Lanka in 1998 as a Project Officer, Rohana joined First Capital a year later and was promoted to the post of Manager in 2008.

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

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

Salinda Samarakoon

Manager-Kandy Branch

Salinda Samarakoon counts over 13 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.

Menaka Wavegedara

Manager-Kurunegala Branch

Menaka Wavegedara counts 15 years of experience in the area of fixed income securities. Menaka focuses on providing trading and investment solutions, managing a significant client portfolio with geographic focus in the North Western and North Central Provinces.

RISK MANAGEMENT

First Capital Holdings PLC (the Company) and its subsidiaries (collectively the Group) consider risk management central to financial and operational management due to its ability to direct the course of long-term strategy towards profitability and sustainability.

The Group's risk profile is consistent with the business model and core businesses of Capital Markets Advisory, Wealth Management, Fixed Income and Equities. We have minimal exposure to non-core businesses and assets. Our balance sheet is resilient and is diversified across core businesses and sub services, an array of products, client types, a solid national footprint and a limited global reach. Particularly in view of credit fundamentals, our robustness is reflected in a credit rating of A- by ICRA Lanka Limited.

ENTERPRISE RISK MANAGEMENT FRAMEWORK AND GOVERNANCE

To manage Group-wide risk, we have an Enterprise Risk Management Framework (ERMF) to identify and quantify risks while delineating the appropriate controls for risk mitigation. Overall responsibility regarding risk management vests with the Board of Directors. In ensuring the implementation of sound risk management policies enabling the management to contain material risks, the Board considers the corporate strategy and fundamentals including profitability, growth, liquidity and balance sheet robustness. Broadly, obtaining an understanding of significant and emergent risks, setting risk appetite and tolerance boundaries, reviewing of the Enterprise Risk Management (ERM) process and ensuring its effectiveness comprise the Board's main responsibilities.

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 Board's interest prevalently rests on principal risks including strategic risk, investment risk, market risk, interest rate risk, liquidity risk and credit risk amongst others discussed in detail in the Risk Matrix.

Acting within delegated authority of the Board, the Audit Committee, headed by an Independent Non-Executive Director, is mandated to provide oversight of all risk management activities. These include obtaining a sound understanding of financial and non-financial risks to which the Group is exposed to, reviewing its risk policies and periodically obtaining assurance that such policies are being adhered to. The Audit Committee also evaluates the risk management process and effectiveness of the system of internal controls in place.

The Enterprise Risk Management Committee (ERMC) provides oversight, direction and consistent application of the ERMF. Chaired by an Independent Non-Executive Director, the ERMC reports to the Board through the Audit Committee and is supported by the Risk and Compliance division in its duties. The Risk and Compliance division is responsible for the development, implementation and maintenance of the risk policies and procedures of the Group. The Risk and Compliance division upholds the integrity of the overall ERMF by providing an independent risk assessment and monitoring function that reports to the ERMC and the Audit Committee on significant risk exposures.

The Related Party Transactions Review Committee headed by an Independent Non-Executive Director reviews transactions involving directors' interests and related-party exposures, areas considered under compliance risk, arising through the requirements of financial transparency.

Our approach to risk management is designed to provide reasonable, but not absolute, assurance that our assets are safeguarded, the risks facing the business are continuously addressed and all information is disclosed to the Group's senior management and the Board where appropriate. The impact of such risks varies from Critical to Low and the probability from Certain to Remote, defining their potential impact on the Group's cash flows, operating results, financial position and reputation.

The Group's ERMF and its governance is based on the Three Lines of defence model, an effective, globally accepted approach which enhances risk management-related communication and control by clarifying essential roles and duties at respective levels.

FIRST LINE OF DEFENCE

The first line of defence constitutes risk management within business areas or across business lines that ensure strategies, policies and directives approved by the Board are operationalised. Development and implementation of underlying procedures, processes and controls are ensured at this level.

At the operational level, risk management activities are performed by individuals who take risks on the Company's behalf, which includes front and back-office personnel. They are required to comply with approved policies, procedures and controls. Operational level personnel provide invaluable inputs to continuously improve risk related activities undertaken in day-to-day operations.

SECOND LINE OF DEFENCE

The ERM together with the Risk and Compliance division act as second line of defence, maintaining the ERMF, ensuring its appropriateness vis-à-vis Group's activities and administering related governance and control processes to assure that the Group's risk-return balance remains uncompromised. The ERM ensures that principal and emergent risks as well as events and outcomes which may significantly impact fundamentals are identified, assessed and responded to through appropriate controls whilst apprising the Board in this regard, via the Audit Committee.

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

A feature of the middle-office function is that it validates transaction risks across the Group for price, limits and approvals, where any exceptions encountered are duly escalated. Another is the zero based approach to risk monitoring by the Risk and Compliance division which proactively recognises and escalates material changes to existing or emerging risk exposures affecting the Group.

RISK MATRIX

In the following matrix we identify the risks regarded as most relevant to our business model. We have also commented on mitigating measures that enable us to effectively manage these risks.

Identified Risk	Mitigation Measures
<p>STRATEGIC RISK</p> <p>Strategic risk is the risk that adverse business decisions, ineffective or inappropriate business plans, or failure to respond to changes in the competitive environment, business cycles, customer preferences, transaction execution and/or other intrinsic risks of the business will impact our ability to meet corporate objectives.</p> <p>Strategic risk may also refer to the circumstance where adopting and executing our strategic objectives may inevitably diverge from requisite ethical compliance.</p>	<p>Our long-term strategy takes into consideration the creation of a meaningful and balanced portfolio. A focal area of the strategy is to set the foundation in place to gain traction over time in fee based businesses, with a focus on earnings quality.</p> <p>We use our business planning process to help manage strategic risk. The planning process aligns strategies, goals, tactics and resources throughout the Group with the business plan establishing strategic direction.</p>

The Investment Committee although acting ordinarily in a commercial and management strategy based role with a mandate in investment strategy, asset-liability management and liquidity management also provides a risk oversight role. This monitoring responsibility is in terms of determining limits and the controls applicable on predominantly market risks that come under its general mandate.

THIRD LINE OF DEFENCE

The third line of defence encompasses strategic and independent risk management performed by the Board of Directors. The Audit Committee supports the Board in this endeavor and has the responsibility and accountability to provide effective oversight of the Group-wide risk profile, ensuring that the overall risk remains within the risk appetite. The 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 code of conduct in effect.

The Internal Audit function plays a key role in providing assurance to both the operational management and through the Audit Committee, to the Board, that the objectives of ensuring the adequacy and effectiveness of internal control systems and risk management are met throughout the Group.

Risk Management Contd.

Identified Risk	Mitigation Measures
	<p>The Board holds quarterly meetings and monthly performance reviews at which strategy and performance are a central focus together with embedded risk management aspects. Weekly performance reviews and fortnightly Management Committee meetings headed by the CEO are held to assess and monitor the effective implementation of strategy.</p> <p>We have instated an ethical and visible leadership via governance structures and related processes. Shared values including integrity and accountability and maintenance of these support the alignment of strategic intent and compliance.</p>
<p>INVESTMENT RISK Our investment choices and how they are managed affect the long-term growth and profits of our business. Investment risk is defined as the probability of not achieving returns as per expectations.</p> <p>Growth and profitability are influenced by the diversified investments of our proprietary trading book and how these evolve over time.</p> <p>Any shortcomings in making optimal strategic investment decisions may lead to opportunities for growth and improved margins being compromised.</p>	<p>Our range of strategies and our business plans are designed to ensure that resources are prioritised towards those investments having the greatest upside potential for the Group.</p> <p>Acquisitions are driven by our investment portfolio strategy with a clear, defined evaluation process.</p> <p>Fortnightly Investment Committee meetings ensure key investment decisions are preceded by comprehensive analysis and key management consensus.</p>
<p>REPUTATIONAL RISK The Group's corporate image in the market is a vital factor for the sustainability of stakeholder value, customer and investor confidence and earnings.</p> <p>Reputational risk is the potential for loss of earnings and adverse impact on market capitalisation resulting from the negative effects of client and public opinion regarding the Group and its actions and the damage caused by failing to manage customer and public expectations.</p> <p>Maintaining the significance of our corporate presence in our business environment is vital in achieving our corporate objectives.</p>	<p>An embedded system of shared values that include integrity, accountability and a performance driven culture inter-alia is in effect. Maintenance thereof across the Group supports the alignment of strategic intent and compliance.</p> <p>As a listed company, adherence to statutory and regulatory compliance is a key priority at Group level to ensure the sustainability of the business at all times. The Group's governance framework determines the actions of our Board of Directors, management team and the staff.</p> <p>We have enhanced our strategy in brand and reputation building, raising public awareness regarding our business focus. Public awareness has been raised regarding the Group's governance and ethical perspectives via the web and other media.</p> <p>The Group marketing team engages in strengthening stakeholder engagement including investor relations.</p> <p>We also conduct constant service level reviews and provide proactive responses to client feedback in mitigating reputational risk.</p>

Identified Risk	Mitigation Measures
<p>MARKET RISK</p> <p>Market risk is the possibility of losses that may be incurred by the Group as a result of a drop in values of assets and liabilities or revenues being adversely affected by changes in market variables such as equity, bond prices, foreign exchange and interest rates, credit spreads, recovery rates and correlations as well as implied volatilities in all of the above.</p>	<p>The Group has a sound procedure for the management of market risk coming under the Investment Committee’s purview.</p> <p>The key aspects of market risk reviewed and monitored by the Group include liquidity risk, interest rate risk, foreign exchange risk, basis risk and margining risk.</p> <p>A robust middle-office function ensures adherence to limits, the flagging of off-market rates applied to transactions and that such exceptions are duly escalated.</p>
<p>INTEREST RATE RISK</p> <p>Adverse movement in interest rates will affect our income and the value of our portfolios. The Group is subject to both traded and non-traded interest rate risk through its diverse core activities.</p> <p>Traded interest rate risk relates to our trading strategies, market making activities, risk management solutions and instruments including interest rate swaps and derivatives inter-alia.</p> <p>Non-traded interest rate risk links to products and services that are not traded, including activities of our fee based businesses, portfolios held to maturity and some lending activities.</p>	<p>The business units manage the potential impact caused by the volatility of market interest rates and yield curves in order to optimise revenue.</p> <p>Positions taken are reviewed daily across all assets and liability classes to ensure established portfolio sensitivity limits are observed and exceptions duly escalated.</p> <p>Non-traded interest rate risk is mitigated through a combination of business strategy and market risk mitigation activities.</p>
<p>LIQUIDITY RISK</p> <p>We may face the potential uncertainty of being able to secure sufficient funds in the short term to meet financial obligations.</p> <p>A material and sustained shortfall in our cash flow could undermine our credit rating, impair investor confidence and also restrict our ability to raise funds.</p>	<p>The Investment Committee reviews the Group’s overall liquidity position and protects the Group from adverse situations involving liquidity risk.</p> <p>As control measures to mitigate liquidity risk we effect the following:</p> <ul style="list-style-type: none"> » Sources of funds are diversified, expanded and balanced to minimise over reliance on any one source. » Macro-environmental risks that impact the availability of funds are monitored and assessed to ensure that fund sufficiency and flexibility is maintained. » Price volatility is minimised whilst maintaining minimum tenor mismatches and expanding the sources of funding. » Stress-testing calculations are performed regularly to assess the impact of risk variables on the Group’s earnings and net asset position.

Risk Management Contd.

Identified Risk	Mitigation Measures
	<ul style="list-style-type: none"> » The Group's credit fundamentals including earnings, profitability, liquidity, statutory ratio maintenance and balance sheet robustness which affect our credit rating and in turn our ability to source funds, are assessed regularly. These factors are reviewed in our periodic performance and strategic alignment forums at both Management and Board level on weekly, monthly and quarterly frequency as the case may be.
<p>CREDIT RISK</p> <p>We consider credit risk as the current and prospective risk to earnings or capital arising from both counterparty and concentration risk.</p> <p>Counterparty 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.</p> <p>Concentration risk is the probability of a loss arising from significantly imbalanced exposure to a particular group of counterparties and/or product.</p>	<p>Detailed controls are in effect to mitigate credit risk:</p> <ul style="list-style-type: none"> » Collateral management is effected through specified collateral margins and periodical review of valuations. » Detailed credit appraisals are carried out as part of the lending process. » Sector-wise concentration limits on borrowings and counterparty credit limits are in place and reviewed periodically. Credit limits are set based on the counterparty credit rating, maturity baskets and instrument. Limits are reviewed on a weekly basis with exceptions being reported and approved. Credit ratings are periodically assessed to identify the revisions and potential impact on credit quality. » Exception handling of internal/regulatory limits and inadequacies in Know Your Customer requirements are remedied proactively. » Reports obtained from the Credit Information Bureau of Sri Lanka provide relevant information when extending credit under margin trading.
<p>REGULATORY AND COMPLIANCE RISK</p> <p>Important regulatory bodies in respect of our businesses include the CBSL, the SEC and the CSE.</p> <p>Failure to comply with laws and regulations could leave the Group open to civil and/or criminal legal challenges and if upheld, fines or imprisonment imposed on the Company or its employees.</p> <p>Moreover, our reputation could be significantly damaged by adverse publicity relating to such a breach of laws or regulations.</p>	<p>The Risk and Compliance division of the Group reports on relevant compliance areas directly to the Audit Committee.</p> <p>The Risk and Compliance division is also engaged in proactively identifying, documenting and assessing risks that may arise due to non-compliance with regulatory/ internal requirements, when conducting day to day operations.</p> <p>All contractual documents and service level agreements with external parties are carefully reviewed and professional services of external legal experts are sought whenever specific expertise is required.</p>

Identified Risk	Mitigation Measures
<p>People and Retention Risk</p> <p>An inability to attract, develop, motivate and retain talented employees could have an impact on the Group's ability to deliver its strategic priorities.</p> <p>Failure to consider the retention and succession of key management could result in a loss of knowledge and competitive advantage</p>	<p>We have an integrated management development process which includes regular appraisal of performance underpinned by documented job descriptions detailing common skills, competencies and the leadership behavioral framework.</p> <p>We have an effective Remuneration Committee. Remuneration is kept at competitive levels relative to those prevailing in the market.</p> <p>We have targeted programmes to retain top talent and actively monitor our performance in retaining talent within the Group.</p>
<p>SYSTEM AND INFORMATION RISK</p> <p>Our operations are increasingly dependent on IT systems and the management of information and consequently a greater emphasis is placed on the need for secure and reliable IT systems and infrastructure and careful management of the information that is in our possession.</p> <p>Disruption of IT systems could inhibit the Group's business operations in a number of ways, including disruption to trading and investment, production, cash flows, information sharing, administration and communication, ultimately impacting results.</p>	<p>Group IT policy has been updated to reflect the dynamic changes that are taking place in the global technological environment.</p> <p>We have policies covering the protection of both business and personal information, as well as the use of IT systems and applications by our employees.</p> <p>Our employees are trained to understand and observe these requirements. Vendor and outsourcing relationships are governed by service level agreements.</p> <p>A comprehensively documented Business Continuity Plan is in place, validated by external consultants and our staff is fully trained in its operation in the event of a disaster.</p> <p>Bi-annual Disaster Recovery drills are conducted and validated by external experts to further enhance the Group's preparedness to face a potential business disruption caused by a disaster to our primary business and data centres.</p>

Risk Management Contd.

Identified Risk	Mitigation Measures
<p>PROCESS AND OPERATIONAL RISK</p> <p>Operational risk is the risk of losses resulting from inadequate or failed internal processes, people and systems or from external events.</p> <p>Operational risk management is an integral part of the duties of the Heads of each business and support units. They are responsible for maintaining an appropriate internal control environment commensurate with the nature of the operations within the framework of the Group’s policies and procedures, which are regularly updated in response to changing conditions. 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.</p>	<p>Extensive on-going training is provided to ensure that the staff is fully aware of their responsibility for complying with the correct operational procedures in order to optimise operational efficiency and individual accountability at all levels of the Group.</p> <p>An Internal Audit function operating in semi-annual verification cycles ensure critical points of internal control are independently reviewed and reported.</p> <p>Some of the internal controls which are in place for mitigating operational risk are:</p> <ul style="list-style-type: none"> » Setting of appropriate risk limits and controls and monitoring the risks and adherence to limits on a regular basis » Regular MIS reports to capture exceptional transactions and other risk events for the Management’s investigation » Appropriate segregation of duties to prevent any single person being allowed to carry out a process from beginning to end without independent review and to prevent conflicts of interest

FINANCIAL REPORTS

FINANCIAL CALENDAR 2015/16

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 2015/2016 Interim Financial Report (Unaudited)	11 August 2015
2nd Quarter 2015/2016 Interim Financial Report (Unaudited)	12 November 2015
3rd Quarter 2015/2016 Interim Financial Report (Unaudited)	12 February 2016
4th Quarter 2015/2016 Interim Financial Report (Unaudited)	13 May 2016

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 2016 which were approved by the Directors on 2 August 2016.

REVIEW OF OPERATIONS

The Group reported profit after tax of Rs. 47Mn. A more comprehensive review of the operations of the Group during the financial year and the results of those operations are contained in the Chief Executive Officer's Review on pages 12 to 16 of the Annual Report. This report forms an integral part of the Directors' 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 53 of the Annual Report.

LEGAL STATUS

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

FINANCIAL RESULTS

The Group's net profit after tax was Rs. 47Mn compared with net profit after tax of Rs. 985Mn in year 2014/15.

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

	2015/16 Rs.'000	2014/15 Rs.'000
Revenue	1,550,780	2,817,633
Profit before Tax	62,060	1,071,123
Profit after taxation	47,460	984,899
Total comprehensive income	49,565	774,283
Attributable to equity holders of the parent	48,637	734,223
Non-controlling interest	928	40,060
Total	49,565	774,283

The financial statements of the Company are set out in pages 48 - 102 of the Annual Report.

DIRECTORS' RESPONSIBILITY FOR FINANCIAL REPORTING

The Directors' responsibility in relation to the financial statements is detailed under the Statement of Directors' Responsibility.

DIRECTORATE

The following were the Directors of the Company as at 31 March 2016.

1. Ms. Manjula Mathews
2. Mr. Dinesh Schaffter
3. Mr. Eardley Perera
4. Ms. Minette Perera
5. Mr. Nishan Fernando
6. Mr. Chandana de Silva

Mr. Nihara Rodrigo, a Director during the year 2015/16, passed away on 10 August 2015.

The profiles of the Directors are given in pages 17 to 19 of the Annual Report.

Directors/Chief Executive Officer and their shareholdings as at 31 March 2016 were as follows:

	No. of Shares 31.03.2016	No. of Shares 31.03.2015
Ms. Manjula Mathews	Nil	Nil
Mr. Dinesh Schaffter	Nil	Nil
Mr. Eardley Perera	Nil	Nil
Ms. Minette Perera	Nil	Nil
Mr. Nishan Fernando	Nil	Nil
Mr. Chandana de Silva	Nil	Nil
Mr. Nihara Rodrigo	N/A	5,000
Mr. Dilshan Wirasekara	Nil	Nil

RESIGNATION/RETIREMENT BY ROTATION AND RE-ELECTION

Mr Chandana de Silva retires by rotation in terms of Article of Association of the Company and being eligible offers himself for re-election. The continuing Directors recommend his re-election.

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

Annual Report of the Board of Directors Contd.

RELATED PARTY TRANSACTIONS

Related party transactions have been declared at meetings of the Directors and are detailed in Note 41 to the financial statements.

DIRECTORS' INTERESTS

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

The Company carries out transactions in the ordinary course of business with entities in which a Director of the Company is a Director. The transactions with entities where a Director of the Company either has control or exercises significant influence have been classified as related party transactions and disclosed in Note 41 to the Financial Statements.

REMUNERATION AND FEES

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

RISK AND INTERNAL CONTROL

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

CORPORATE GOVERNANCE

The Directors acknowledge their responsibility for the Group's corporate governance and the system of internal control. The Directors are responsible to the shareholders for providing strategic direction to the Company and safeguarding the assets of the Company. The Board is satisfied with the effectiveness of the system of internal control for the period up to the date of signing the financial statements. The compliance to recommended corporate governance practices are disclosed in pages 43 - 44 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.

DIVIDENDS

The Board of Directors did not declare dividend for 2015/16.

SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted in the preparation of the financial statements is given on pages 53 - 67. There were no changes in the accounting policies adopted by the Company during the year under review.

GOING CONCERN

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

CAPITAL EXPENDITURE

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

RESERVES

The movements in reserves during the financial year 2015/16 have been presented in the Statement of Changes in Equity on page 50 to 51 of the Annual Report.

INCOME TAX EXPENSES

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

STATED CAPITAL

The stated capital of the Company as at 31 March 2016 was Rs. 227.5 Mn consisting of 101,250,000 ordinary shares.

SHARE INFORMATION AND SUBSTANTIAL SHAREHOLDERS

As at 31 March 2016, there were 6,149 registered shareholders. Share information and the twenty largest shareholders as at 31 March 2016 are listed in pages 103 - 104 of the Annual Report.

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

CORPORATE DONATIONS

During the year under review, the Group made charitable donations of Rs. 1.8Mn.

STATUTORY PAYMENTS AND COMPLIANCE WITH LAWS AND REGULATIONS

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

EQUAL OPPORTUNITIES

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

EVENTS OCCURRING AFTER THE REPORTING PERIOD

There were no material events after the financial reporting period which requires an adjustment to or a disclosure in the financial statements other than those disclosed in Note 42 to the financial statements.

INDEPENDENT AUDITORS

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

Based on the declaration from Messrs KPMG, and as far as the Directors are aware, the Auditors do not have any relationship or interest in the Company or its subsidiaries, other than as disclosed in the above paragraph.

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

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

INDEPENDENT AUDITORS' REPORT

The independent Auditors' report on the financial statements is given on page 47 of the Annual Report.

AUDITORS' RIGHT TO INFORMATION

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

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

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

ANNUAL GENERAL MEETING

The 24th Annual General Meeting of the Company will be held on 2 September 2016. The notice convening the Meeting and the Agenda are given on page 116 of the Annual Report.

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

Sgd.

Manjula Mathews (Ms.)

Chairperson

Sgd.

A.D.E.I. Perera

Director

2 August 2016

Colombo

STATEMENT OF DIRECTORS' RESPONSIBILITY

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

The Directors of the Company are responsible for ensuring that the Company and its subsidiaries keep proper books of accounts of all the transactions and prepare and present the financial statements to the shareholders in accordance with the relevant provisions of the Companies Act, No. 7 of 2007 and other statutes which are applicable in the preparation of financial statements. The financial statements comprise of the Statements of Financial Position as at 31 March 2016, 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 as at 31 March 2016 and
- » The profit and loss of the company and its subsidiaries for the financial year then ended.

The financial statements of the Company and the Group for the year ended 31 March 2016 incorporated in this report have been prepared in accordance with the Companies Act, No. 7 of 2007, Sri Lanka Accounting Standards (LKAS/SLFRS) and Listing Rules of the Colombo Stock Exchange.

The financial statements of the Company and the Group have been certified by the Chief Financial Officer of the Company who is responsible for the preparation of financial statements as required by the Companies Act, No. 7 of 2007. The financial statements have been signed by two Directors on 2 August 2016 in accordance with Section 150 (1) (c) and 152 (1) (c) of the Companies Act.

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

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

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

The Auditors of the Company, Messrs KPMG who were reappointed in accordance with a resolution passed at the last Annual General Meeting were provided with all necessary information required by them in order to carry out their audit and to express an opinion which is contained on page 47 of this Annual Report.

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

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

Sgd.
K H L Corporate Services Limited
Secretaries

2 August 2016
Colombo

CORPORATE GOVERNANCE

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

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

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

The Board comprises of four Non-Executive Directors and two Executive Directors, all of whom possess a broad range of skills and experience across a range of industries and functional areas. Detailed profiles of each member of the Board are provided in a separate section of this Annual Report (pages 17 - 19).

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

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 continues to generate value and drive the company towards high standards of achievement.

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. Directors also ensure adherence to laws and regulations pertaining to the functioning of the organisation.

The 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 company has four Non-Executive Directors on its board, which meets the requirements of Rule 7.10.1 (a) which requires the Board of Directors to be comprised of at least, two Non-Executive Directors or such number of Non-Executive Directors equivalent to one third of the total number of Directors whichever is higher. The company has four Independent Non-Executive Directors on its Board, which meets the requirements of Listing Rule 7.10.2 (a). This requires two or 1/3 of Non-Executive Directors appointed to the Board of Directors, whichever is higher to be independent.

The Non-Executive Directors on the Board have submitted a declaration of their independence, as required by the Listing Rule 7.10.2 (b). The Board regularly evaluates the independence of the Directors and is satisfied with their independence.

The Remuneration Committee consists of two Non- Executive Directors namely, Mr. Eardley Perera and Mr. Chandana de Silva.

Mr. Nihara Rodrigo functioned as the Chairman of the Remuneration Committee until his demise in August 2015 and Mr. A.D.E.I. Perera was appointed as the Chairman in place of Mr. Nihara Rodrigo with effect from August 2015.

The committee is mandated with ensuring accountability, transparency and fairness in reward structures that recognise the relationship between performance and reward.

Corporate Governance Contd.

The committee functions with delegated authority from the Board and is responsible for setting the company's remuneration policy and ensuring its continued ability to attract and retain high calibre candidates.

The Company bases remuneration on both individual and company performance whilst paying due regard to staff retention. The committee recommends increment levels and determines the remuneration payable to the executive directors.

The Audit Committee comprises of two Independent Non-Executive Directors namely, Ms. Minette Perera and Mr. Nishan Fernando. Mr. Nihara Rodrigo functioned as a member of the Audit Committee until his demise in August 2015.

Ms. Minette Perera functions as the Chairperson of the committee which met five times up to the date of approval of the financial statements. The committee reviews all reports issued by the company's internal auditors and the management letter issued by the external auditors. Adequate follow-up actions are initiated on audit recommendations to ensure that there is a continuous strengthening of internal processes and controls.

The Related Party Transactions Review Committee consists of two Non-Executive Director and an Executive Director, namely, Ms. Minette Perera, Mr. Nishan Fernando and Dinesh Schaffter. Mr. Nihara Rodrigo functioned as a member of the Committee until his demise in August 2015.

Ms. Minette Perera functions as the Chairperson of the committee which met four times up to the date of approval of the financial statements. The Company has adopted the Code of Best Practice on Related Party Transactions and complied with the requirements under section 9 of the Listing Rules of the Colombo Stock Exchange.

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

AUDIT COMMITTEE REPORT

COMPOSITION

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

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

Ms. Minette Perera – Chairperson – Independent Non-Executive Director
Mr. Nishan Fernando – Independent Non-Executive Director

Mr. Nihara Rodrigo functioned as a member of the Board appointed Audit Committee until his demise in August 2015. Brief profiles of the members of the Committee are given on Pages 17 to 19 of the Annual Report.

MEETINGS

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

FUNCTIONS

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

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

FINANCIAL REPORTING SYSTEM

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

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

- » The underlying rationale and basis for the significant estimates and judgments to the financial statements.

INTERNAL AUDIT

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

EXTERNAL AUDIT

External Auditors' management letters pertaining to the previous year's audit and the Management's response thereto were discussed during the year. Follow up action taken by the management to ensure that the recommendations contained in the management letter were implemented was reviewed. Further, the draft annual financial statements for 2015/16 were also reviewed with the External Auditors prior to release.

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

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

The Audit Committee also recommended to the Board of Directors that Messrs KPMG be reappointed as Auditors for the financial year ending 31 March 2017, subject to the approval of the shareholders at the Annual General Meeting.

Sgd.

Minette Perera (Ms.)

Chairperson – Audit Committee

2 August 2016

Colombo

RELATED PARTY TRANSACTIONS REVIEW COMMITTEE REPORT

ESTABLISHMENT OF THE RELATED PARTY TRANSACTIONS REVIEW COMMITTEE

The Board of Directors of the Company decided to voluntarily adopt the Code of Best Practice on Related Party Transactions issued by the Securities and Exchange Commission of Sri Lanka (the "Code"), which was subsequently incorporated into the Listing Rules (Section 9) of the Colombo Stock Exchange (CSE) with effect from 1 January 2016.

PURPOSE OF THE COMMITTEE

The purpose of the Related Party Transactions Review Committee (the Committee) as set out in its Charter which was adopted by the Board with effect from 1 April 2014 to review in advance proposed related party transactions, other than those transactions explicitly exempted in conformity with the listing rules, which are not of an on-going or recurrent nature and in the case where related party transactions are of an on-going or recurrent nature, to establish guidelines for the senior management to follow.

COMPOSITION OF THE COMMITTEE

The Committee consists of Three (3) members with a combination of two Independent Non-Executive Directors and an Executive Director. The members of the committee as at 31 March 2016 are:

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

Mr. Nihara Rodrigo functioned as a member of the Committee until his demise in August 2015.

The Company Secretary functions as the Secretary to the Committee.

MEETINGS

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

DURING THE YEAR UNDER REVIEW:

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

There were no recurrent related party transactions that exceeded the thresholds that required the immediate market disclosure or shareholder approval as required under Section 9 of the Continuing Listing Requirements of the CSE. Recurrent related party transactions that require disclosure in the Annual Report are given in Note 41 of the Financial Statements.

DECLARATION BY THE BOARD OF DIRECTORS

A declaration by the Board of Directors relating to compliance under the listing rules is given on pages 43 to 44 of the Annual Report.

Sgd.

Minette Perera (Ms.)

Chairperson – Related Party Transactions Review Committee

2 August 2016
Colombo

INDEPENDENT AUDITORS' REPORT



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

Report on the Financial Statements

We have audited the accompanying financial statements of First Capital Holdings PLC, ("the Company"), and the consolidated financial statements of the Company and its Subsidiaries ("the Group"), which comprise the statement of financial position as at March 31, 2016, and the statements of profit or loss and other comprehensive income, changes in equity and, cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information set out on pages 48 to 102 of the annual report.

Board's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

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

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

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as at March 31, 2016, and of its financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

Report on Other Legal and Regulatory Requirements

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

- a) The basis of opinion and scope and limitations of the audit are as stated above.
- b) In our opinion:
 - » we have obtained all the information and explanations that were required for the audit and, as far as appears from our examination, proper accounting records have been kept by the Company,
 - » The financial statements of the Company, give a true and fair view of its financial position as at March 31, 2016, and of its financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.
 - » The financial statements of the Company, and the Group comply with the requirements of sections 151 and 153 of the Companies Act No. 7 of 2007.

Chartered Accountants

Colombo
2 August 2016

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

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

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March,	Note	Group		Company	
		2016 Rs. '000	2015 Rs. '000	2016 Rs. '000	2015 Rs. '000
Income	4	1,550,780	2,817,633	350,439	589,726
Direct income	5	1,510,990	2,572,949	321,112	143,964
Direct expenses	6	(1,006,676)	(1,042,824)	(280,359)	(148,535)
Net trading income/ (expense)		504,314	1,530,125	40,753	(4,571)
Other income	7	39,790	244,684	29,327	445,762
Loss on fair valuation of financial investments - held for trading	8	(105,974)	(304,693)	-	-
		438,130	1,470,116	70,080	441,191
Operating expenses					
Personnel expenses		(211,187)	(245,894)	-	-
Premises, equipment and establishment expenses		(54,288)	(53,261)	(4,539)	(2,177)
Specific allowance for impairment of trade and other receivables		(224)	(3,121)	-	-
Other operating expenses	9	(119,977)	(102,642)	(12,548)	(3,260)
		(385,676)	(404,918)	(17,087)	(5,437)
Operating profit		52,454	1,065,198	52,993	435,754
Share of profit from equity accounted investee (net of tax)		9,606	5,925	-	-
Profit before taxation	10	62,060	1,071,123	52,993	435,754
Income tax expenses	11	(14,600)	(86,224)	(5,782)	-
Profit for the year		47,460	984,899	47,211	435,754
Other comprehensive income/ (expense)					
Items that will never be reclassified to profit or loss					
Actuarial gain on defined benefit plans		541	4,107	-	-
Actuarial loss on defined benefit plans (Equity accounted investee)		-	(391)	-	-
Items that are or may be reclassified to profit or loss					
Gain/ (loss) on fair valuation of financial investments - available for sale		-	20,812	-	20,812
Reclassification of fair valuation reserve of financial investments - available for sale to profit or loss		-	(233,285)	-	(233,285)
Loss on fair valuation of financial investments - available for sale (Equity accounted investee)		-	(295)	-	-
Available for sale financial assets reclassified to profit or loss (Equity accounted investee)		1,564	(1,564)	-	-
Other comprehensive income/ (expense)		2,105	(210,616)	-	(212,473)
Total comprehensive income for the year		49,565	774,283	47,211	223,281
Profit attributable to:					
Equity holders of the parent		46,566	944,704	47,211	435,754
Non-controlling interest		894	40,195	-	-
		47,460	984,899	47,211	435,754
Total comprehensive income attributable to:					
Equity holders of the parent		48,637	734,223	47,211	223,281
Non-controlling interest		928	40,060	-	-
		49,565	774,283	47,211	223,281
Basic Earnings per share (Rs.)	12.1	0.46	9.33	0.47	4.30

Figures in brackets indicate deductions.

The notes disclosed on pages 53 to 102 form an integral part of these Consolidated Financial Statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at,	Note	Group		Company	
		31.03.2016 Rs. '000	31.03.2015 Rs. '000	31.03.2016 Rs. '000	31.03.2015 Rs. '000
Assets					
Cash at banks and in hand		31,066	33,193	4,998	10,804
Derivative financial instruments	13	40,861	40,609	-	-
Financial investments - Held for trading	14	11,326,163	10,236,450	-	-
Financial investments - Available for sale	15	2,000	2,000	1,000	1,000
Financial investments - Loans and receivables	16	8,529,332	8,920,212	3,650,664	2,695,882
Group balances receivable	29	-	-	16,837	-
Trade and other receivables	17	576,353	524,524	1,073	709
Non-current assets held for sale	18	42,416	44,416	-	-
Taxes receivable	19	62,379	65,972	-	5,628
Investment in venture capital	20	-	6,000	-	6,000
Investment in equity accounted investee	21	-	408,876	-	405,201
Investment in subsidiary	22	-	-	311,072	311,072
Deferred tax asset	23	37,703	40,259	-	-
Property, plant and equipment	24	16,648	26,357	9	274
Intangible assets	25	115,363	115,733	-	-
Total Assets		20,780,284	20,464,601	3,985,653	3,436,570
Liabilities					
Bank overdrafts		207,681	866	-	-
Derivative financial instruments	26	20,835	31,359	-	-
Securities sold under re-purchase agreements	27	14,487,714	14,837,179	-	-
Short term borrowings	28	2,886,142	2,224,579	2,820,725	2,124,385
Group balances payable	29	-	-	399	55
Trade and other payables	30	237,920	286,276	26,597	19,663
Taxes payable	19.1	331	1,719	30	-
Retirement benefit obligations	31	24,385	19,036	-	-
Borrowing on debentures	32	730,400	725,776	515,804	515,080
Total Liabilities		18,595,408	18,126,790	3,363,555	2,659,183
Equity					
Stated capital	33	227,500	227,500	227,500	227,500
Risk reserve	34	822,022	820,964	-	-
Retained earnings		1,052,693	1,209,178	394,598	549,887
Fair valuation reserve	35	-	(1,564)	-	-
Equity attributable to the equity holders of the parent		2,102,215	2,256,078	622,098	777,387
Non-controlling interests		82,661	81,733	-	-
Total Equity		2,184,876	2,337,811	622,098	777,387
Total Equity and Liabilities		20,780,284	20,464,601	3,985,653	3,436,570
Net assets per share (Rs.)		20.76	22.28	6.14	7.68

Figures in brackets indicate deductions.

The notes disclosed on pages 53 to 102 form an integral part of these Consolidated Financial Statements.

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

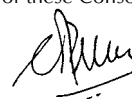


Mangala Jayashantha
Chief Financial Officer

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



Manjula Mathews (Ms.)
Chairperson



A.D.E.I. Perera
Director

2 August 2016
Colombo

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2016	Attributable to equity holders of parent				Total Rs. '000	Non- controlling Interest Rs. '000	Total Equity Rs. '000
	Stated Capital Rs. '000	Risk Reserve Rs. '000	Retained Earnings Rs. '000	Fair Valuation Reserve Rs. '000			
Group							
Balance as at 1 April 2014	227,500	648,793	859,019	212,473	1,947,785	81,218	2,029,003
Total comprehensive income for the year							
Profit for the year	-	-	944,704	-	944,704	40,195	984,899
Other comprehensive income/ (expense)	-	-	3,556	(214,037)	(210,481)	(135)	(210,616)
Total comprehensive income/ (expense)	-	-	948,260	(214,037)	734,223	40,060	774,283
Transactions with equity holders							
Distribution to equity holders							
Dividend paid - Final 2013/14	-	-	(202,500)	-	(202,500)	(35,070)	(237,570)
- Interim 2014/15 (Note 36)	-	-	(202,500)	-	(202,500)	(205)	(202,705)
Total distribution to equity holders	-	-	(405,000)	-	(405,000)	(35,275)	(440,275)
Changes in ownership interest							
Adjustment due to acquisition	-	-	(20,930)	-	(20,930)	(4,270)	(25,200)
Total changes in ownership interest	-	-	(20,930)	-	(20,930)	(4,270)	(25,200)
Transfers to risk reserve	-	172,171	(172,171)	-	-	-	-
Total Transactions with equity holders	-	172,171	(598,101)	-	(425,930)	(39,545)	(465,475)
Balance as at 31 March 2015	227,500	820,964	1,209,178	(1,564)	2,256,078	81,733	2,337,811
Balance as at 1 April 2015	227,500	820,964	1,209,178	(1,564)	2,256,078	81,733	2,337,811
Total comprehensive income for the year							
Profit for the year	-	-	46,566	-	46,566	894	47,460
Other comprehensive income/ (expense)	-	-	507	1,564	2,071	34	2,105
Total comprehensive income/ (expense)	-	-	47,073	1,564	48,637	928	49,565
Transactions with equity holders							
Distribution to equity holders							
Dividend paid - Final 2014/15 (Note 36)	-	-	(202,500)	-	(202,500)	-	(202,500)
Total distribution to equity holders	-	-	(202,500)	-	(202,500)	-	(202,500)
Transfers to risk reserve	-	1,058	(1,058)	-	-	-	-
Total transactions with equity holders	-	1,058	(203,558)	-	(202,500)	-	(202,500)
Balance as at 31 March 2016	227,500	822,022	1,052,693	-	2,102,215	82,661	2,184,876

For the year ended 31 March 2016				
	Stated Capital Rs. '000	Retained Earnings Rs. '000	Fair Valuation Reserve Rs. '000	Total Equity Rs. '000
Company				
Balance as at 1 April 2014	227,500	519,133	212,473	959,106
Total comprehensive income for the year				
Profit for the year	-	435,754	-	435,754
Other comprehensive expense	-	-	(212,473)	(212,473)
Total comprehensive income/ (expense)	-	435,754	(212,473)	223,281
Transactions with equity holders				
Distribution to equity holders				
Dividend paid - Final 2013/14	-	(202,500)	-	(202,500)
- Interim 2014/15 (Note 36)	-	(202,500)	-	(202,500)
Total distribution to equity holders	-	(405,000)	-	(405,000)
Total transactions with equity holders	-	(405,000)	-	(405,000)
Balance as at 31 March 2015	227,500	549,887	-	777,387
Balance as at 1 April 2015	227,500	549,887	-	777,387
Total comprehensive income for the year				
Profit for the year	-	47,211	-	47,211
Other comprehensive expense	-	-	-	-
Total comprehensive income	-	47,211	-	47,211
Transactions with equity holders				
Distribution to equity holders				
Dividend paid - Final 2014/15 (Note 36)	-	(202,500)	-	(202,500)
Total distribution to equity holders	-	(202,500)	-	(202,500)
Total transactions with equity holders	-	(202,500)	-	(202,500)
Balance as at 31 March 2016	227,500	394,598	-	622,098

Figures in brackets indicate deductions.

The notes disclosed on pages 53 to 102 form an integral part of these Consolidated Financial Statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March,	Group		Company	
	2016 Rs. '000	2015 Rs. '000	2016 Rs. '000	2015 Rs. '000
Cash flows from operating activities				
Interest receipts and gains realised	1,491,104	2,550,994	141,896	65,087
Interest payments and other direct cost	(767,557)	(827,958)	(279,635)	(136,080)
Other receipts	18,255	8,597	783	-
Cash payments to employees and suppliers	(353,941)	(369,162)	(14,708)	(3,791)
Operating profit before changes in operating assets and liabilities	387,861	1,362,471	(151,664)	(74,784)
(Increase)/ Decrease in financial investments - Held for trading	(1,206,464)	1,108,694	-	-
(Increase)/ Decrease in financial investments - Loans and receivables	410,766	(5,621,703)	(775,565)	(1,136,914)
(Increase)/ Decrease in trade and other receivables	(51,829)	227,921	(364)	262,954
(Increase)/ Decrease in group balance receivables	-	65	(16,837)	-
Increase/ (Decrease) in trade and other payables	(48,159)	(144,037)	6,934	6,340
Increase group balances payables	-	-	344	55
Increase in short term borrowings	659,044	1,172,144	694,237	1,225,209
Increase/ (Decrease) in securities sold under re-purchase agreements	(581,442)	2,267,883	-	-
Cash generated from/ (used in) operations	(430,223)	373,438	(242,915)	282,860
Tax paid (Note 19)	(9,839)	(81,733)	(124)	(28)
Gratuity paid (Note 31)	(911)	(1,385)	-	-
Net cash flows from/(used in) operating activities	(440,973)	290,320	(243,039)	282,832
Cash flows from investing activities				
Purchase of property, plant, equipment and intangible assets (Note 24 and 25)	(13,050)	(9,181)	(12)	-
Proceeds on sale of property, plant, equipment and intangible assets	-	4,500	-	-
Proceed from sale of equity accounted investee	432,745	-	432,745	-
Investment in equity accounted investee	-	(81,451)	-	(81,451)
Investment in subsidiaries	-	(25,200)	-	(200)
Dividend receipts	7,836	3,531	-	212,477
Proceed from sale of venture capital investments	7,000	-	7,000	-
Net cash flows from/ (used) in investing activities	434,531	(107,801)	439,733	130,826
Cash flows from financing activities				
Dividend paid	(202,500)	(405,000)	(202,500)	(405,000)
Dividend paid to shareholders with non-controlling interests	-	(35,275)	-	-
Borrowings on debentures	-	259,560	-	-
Net cash flows used in financing activities	(202,500)	(180,715)	(202,500)	(405,000)
Net cash inflow/ (outflow) for the year	(208,942)	1,804	(5,806)	8,658
Cash and cash equivalents at the beginning of the year (Note A)	32,327	30,523	10,804	2,146
Cash and cash equivalents at the end of the year (Note B)	(176,615)	32,327	4,998	10,804
Note A				
Cash at banks and in hand	33,193	38,298	10,804	4,330
Bank overdraft	(866)	(7,775)	-	(2,184)
	32,327	30,523	10,804	2,146
Note B				
Cash at banks and in hand	31,066	33,193	4,998	10,804
Bank overdraft	(207,681)	(866)	-	-
	(176,615)	32,327	4,998	10,804

Figures in brackets indicate deductions.

The notes disclosed on pages 53 to 102 form an integral part of these Consolidated Financial Statements.

NOTES TO THE FINANCIAL STATEMENTS

1. REPORTING ENTITY

First Capital Holdings PLC (“Company”) is a public limited liability company incorporated and domiciled in Sri Lanka on 23 March 1992. The registered office and place of business of the Company is No. 2, Deal Place, Colombo 03. The shares of the Company have a primary listing on the Colombo Stock Exchange. The staff strength of the Group as at 31 March 2016 is 86 (2015 – 86).

The Financial Statements for the year 2015/16 include the Company and its Subsidiaries (together referred to as the “Group” and individually as “Group entities”).

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

There were no significant changes in the nature of the principal activities of the Group Companies.

1.1 Principal Activities

1.1.1 Company

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

1.1.2 Subsidiaries

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

Note A

The Board of Directors of First Capital Limited and First Capital Investments (Private) Limited resolved to amalgamate First Capital Investments (Private) Limited with First Capital Limited during the year under a single corporate entity, First Capital Limited and the amalgamation is in progress.

2. BASIS OF PREPARATION

2.1 Statement of Compliance

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

2.2 Approval of Financial Statements by Directors

The Consolidated Financial Statements for the year ended 31 March 2016 were authorised for issue by the Board of Directors on 2 August 2016.

2.3 Basis of Measurement

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

- » Non – derivative Financial instruments at fair value through profit or loss are measured at fair value
- » Derivative financial instruments are measured at fair value.
- » Financial investments - available for sale are measured at fair value.
- » Retirement benefit obligations - present value of the defined benefit obligations.

2.4 Functional and Presentation Currency

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

Notes to the Financial Statements Contd.

2.5 Materiality and Aggregation

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

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

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

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

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

2.6 Use of Judgments and Estimates

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

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

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

2.6.1 Going Concern

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

2.6.2 Fair Valuation of Financial Instruments

Where the fair values of financial assets and financial liabilities recorded in the statement of financial position

cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of mathematical models. The inputs to these models are derived from observable market data where possible. However, if they are not available, judgment is required to establish fair values. The valuation of financial instruments is described in more detail in Note 38.

2.6.3 Impairment of Available for Sale Investments

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

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

2.6.4 Defined Benefit Obligations

The group annually measures the present value of the promised retirement benefits for gratuity, which is a Defined Benefit Plan. The cost of providing benefits under the defined benefits plans is determined using the projected unit credit method. This involves making assumptions on discount rates, future salary increases, mortality rates. All assumptions are reviewed at each reporting date. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty. See Note 31 for the assumptions used.

2.6.5 Useful Life Time of Property, Plant and Equipment

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

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements, and have been applied consistently by Group entities.

3.1 Basis of Consolidation

3.1.1 General

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

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

3.1.2 Business Combinations

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

The Group measures goodwill at the acquisition date as:

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

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

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

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

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

3.1.3 Subsidiaries

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

The 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 common financial year end of 31 March.

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

3.1.4 Step Acquisitions

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

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

3.1.5 Non-Controlling Interests

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

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

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

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

3.1.6 Acquisitions of Non-Controlling Interest

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

A list of Subsidiaries within the Group is provided on Page 55.

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

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

3.1.8 Loss of Control

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

3.1.9 Transactions Eliminated on Consolidation

Intra-Group balances, and income and expenses arising from intra-Group transactions are eliminated in preparing the Consolidated Financial Statements. Unrealised gains arising from transactions with equity accounted investees are

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

3.1.10 Interest in Equity accounted Investees

The Group's interest in equity accounted investee comprises 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 include the Group's share of profit or loss and Other Comprehensive Income of equity accounted investees, until the date on which significant influence ceases.

3.1.11 Material Gains or Losses, Provisional Values or Error Corrections

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

3.1.12 Unconsolidated Structured Entities

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

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

The details relating to unconsolidated structured Entities are disclosed in Note 37 to the financial statements.

3.2 Foreign Currency

3.2.1 Foreign Currency Transactions

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

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

in the foreign currency translated at the spot exchange rate at the end of the year.

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

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

3.3 Interest Income and Expense

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

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

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

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

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

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

fair value through profit or loss in the statement of profit or loss and Other Comprehensive Income (OCI).

3.4 Gain on Sale of Financial Investments Held for Trading

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

3.5 Gain on Redemption of Units

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

3.6 Gain on Disposal of Financial Investments Available for Sale

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

3.7 Interest Rate Swap Income

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

3.8 Gain on Fair Valuation of Financial Investments Held for Trading

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

3.9 Fee and Commission Income

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

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

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

3.10 Dividends

Dividend income is recognised in profit or loss on an accrual basis when the Company's right to receive the dividend is established.

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

3.11 Income Tax

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

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

3.11.1 Current Tax

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

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

3.11.2 Deferred Tax

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

Deferred tax is not recognised for:

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

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

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

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

3.11.3 Other Tax Exposures

3.11.3.1 Withholding Tax on Dividends (WHT)

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

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

3.11.3.2 Value Added Tax on Financial Services (FVSAT)

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

3.11.3.3 Value Added Tax (VAT)

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

3.11.3.4 Economic Service Charge (ESC)

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

3.11.3.5 Nation Building Tax (NBT)

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

3.12 Financial Assets and Financial Liabilities

3.12.1 Recognition

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

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

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

3.12.2 Classification

Financial Assets

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

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

Financial Liabilities

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

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

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

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

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

3.12.2.2 Loans and Receivables

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

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

3.12.2.3 Held-to-Maturity Financial Assets (HTM)

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

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

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

3.12.2.4 Available-for-Sale Financial Assets (AFS)

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

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

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

3.12.2.5 Financial Liabilities Measured at Amortised Cost

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

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

3.12.3 Derecognition

3.12.3.1 Financial Assets

The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains

substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

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

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

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

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

3.12.3.2 Financial Liabilities

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

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

3.12.4 Reclassification

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

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

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

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

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

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

3.12.5 Offsetting

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

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

3.12.6 Amortised Cost Measurement

The amortised cost of a financial asset or liability is the amount at which the financial asset or liability is measured

at initial recognition, minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initial amount recognised and the maturity amount, minus any reduction for impairment.

3.12.7 Fair Value Measurement

'Fair value' is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Group has access at that date. The fair value of a liability reflects its non-performance risk.

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

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

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

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

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

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

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

3.12.8 Identification and Measurement of Impairment

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

Objective evidence that financial assets are impaired includes:

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

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

Those found not to be specifically impaired are then collectively assessed for any impairment that has been

incurred but not yet identified. Loans and advances and held-to-maturity investment securities that are not individually significant are collectively assessed for impairment by grouping together loans and advances and held-to-maturity investment securities with similar risk characteristics.

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

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

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

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

Impairment losses are recognised in profit or loss and reflected in an allowance account against loans and receivables or held-to-maturity investment securities. If an event occurring after the impairment was recognised causes

the amount of impairment loss to decrease, then the decrease in impairment loss is reversed through profit or loss.

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

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

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

3.13 Cash and Cash Equivalents

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

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

3.14 Reverse Repurchase Agreements

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

3.15 Derivative Financial Instruments

Derivatives are financial instruments that derive their value in response to changes in interest rates, financial instrument prices, commodity prices, foreign exchange rates, credit risk

and indices. Derivatives are categorised as trading unless they are designated as hedging instruments. The Group has not designated any derivatives as hedging instruments and has not followed hedge accounting as at the reporting date.

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

3.16 Property, Plant and Equipment

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

3.16.1 Recognition and Measurement

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

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

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

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

3.16.2 Subsequent Costs

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

3.16.3 Depreciation

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

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will obtain ownership by the end of the lease term. Land is not depreciated.

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

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

3.16.4 Derecognition

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

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

3.17 Non-Current Assets held for Sale

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

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

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

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

3.18 Intangible Assets and Goodwill

3.18.1 Goodwill

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

3.18.2 Software

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

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

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

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

3.18.3 Business License

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

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

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

3.19 Impairment of Non-Financial Assets

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

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

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

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

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

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

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

3.20 Debt Securities

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

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

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

3.21 Provisions

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

3.22 Commitments and Contingencies

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

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

3.23 Employee Benefits

3.23.1 Defined Contribution Plan

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

3.23.1 (a) Employees' Provident Fund

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

3.23.1 (b) Employees' Trust Fund

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

3.23.2 Defined Benefit Plans

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

Notes to the Financial Statements Contd.

Gratuity

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

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

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

3.23.3 Short-term Employee Benefits

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

3.24 Earnings per Share (EPS)

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

3.25 Statement of Cash Flows

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

3.26 Subsequent Events

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

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

3.27 Comparative Information

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

3.28 New Standards issued but Not yet Effective as at Reporting Date

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

3.28.1 SLFRS 09 - Financial Instruments

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

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

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

3.28.2 SLFRS 15 - Revenue Recognition from Customer Contracts

SLFRS 15 – "Revenue from Contracts with Customers" establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces existing revenue recognition guidance under LKAS

18 – “Revenue” and LKAS 11 – “Construction Contracts”.
and IFRIC 13 “Customer Loyalty Programmes”.

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

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

Notes to the Financial Statements Contd.

For the Year ended 31 March,	Group		Company	
	2016 Rs. '000	2015 Rs. '000	2016 Rs. '000	2015 Rs. '000
4 INCOME				
Direct income (Note 5)	1,510,990	2,572,949	321,112	143,964
Other income (Note 7)	39,790	244,684	29,327	445,762
	1,550,780	2,817,633	350,439	589,726
5 DIRECT INCOME				
Interest income on financial investments - held for trading	890,242	1,159,501	-	-
Interest income on financial investments - loans and receivables	262,353	118,156	318,131	143,764
Margin trading income	55,685	54,164	-	-
Gain on sale of financial investments - held for trading	68,529	984,942	-	-
Gain on redemption of Units	9,292	995	1,126	-
Interest rate swap income	-	14,951	-	-
Fee and commission income	168,540	154,480	1,855	200
Broking income	56,349	85,760	-	-
	1,510,990	2,572,949	321,112	143,964
6 DIRECT EXPENSES				
Interest expense on re-purchase agreements	647,131	824,694	-	62
Interest expense on corporate debt securities	239,347	105,521	210,463	80,465
Brokerage cost	22,048	18,575	156	-
Interest expense on listed debentures	89,839	70,501	69,740	67,708
Other direct expenses	8,311	23,533	-	300
	1,006,676	1,042,824	280,359	148,535
7 OTHER INCOME				
Gain on disposal of equity accounted investee	12,699	-	27,544	-
Loss on sale of property, plant and equipment	(142)	(729)	-	-
Dividend income	7,836	3,531	-	212,477
Gain on reclassification of Financial Investment - Available for sale (Note 35)	-	233,285	-	233,285
Exchange gain	9,061	-	-	-
Miscellaneous income	10,336	8,597	1,783	-
	39,790	244,684	29,327	445,762
8 GAIN/(LOSS) ON FAIR VALUATION OF FINANCIAL INVESTMENTS - HELD FOR TRADING				
Government securities	(66,334)	(226,287)	-	-
Listed debentures	27,005	(51,407)	-	-
Listed shares	(74,373)	(16,790)	-	-
Unit trusts	(3,048)	386	-	-
Derivative financial instruments - Government securities	10,776	(10,595)	-	-
	(105,974)	(304,693)	-	-

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

For the Year ended 31 March,	Group		Company	
	2016 Rs. '000	2015 Rs. '000	2016 Rs. '000	2015 Rs. '000
9 OTHER OPERATING EXPENSES				
Professional services	26,487	19,302	3,624	3,134
Sales promotion	35,337	29,433	338	72
Value added tax/ Nation Building tax on Financial Services	17,054	16,437	6,321	-
Communication and Information Technology	19,988	19,763	375	435
Travelling expenses	8,590	11,553	484	1,659
Miscellaneous expenses	12,521	6,154	1,406	(2,040)
	119,977	102,642	12,548	3,260
10 PROFIT BEFORE TAX				
Profit before taxation is stated after charging all expenses including the following:				
Directors' emoluments	22,771	24,997	-	-
Auditors' remuneration - Audit services	1,640	1,529	315	285
- Other services	154	425	44	165
Salaries	113,051	94,088	-	-
Depreciation of property, plant and equipment (Note 24)	20,532	23,719	277	1,647
Amortisation of intangible assets (Note 25)	2,102	2,430	-	-
Employer's contribution to EPF & ETF	21,333	17,466	-	-
Retirement benefit cost (Note 31)	6,801	5,488	-	-
Legal fees	6,093	8,541	-	-
Donations	1,832	3,806	-	-
Specific allowance for impairment of trade and other receivables	224	3,121	-	-
Specific allowance for impairment of non-current assets held for sale	2,000	1,000	-	-

11 TAXATION

The company is liable for income tax at the rate of 12% on its income on venture capital operations (other business operations are liable for income tax at the rate of 28%) and its subsidiaries are liable for income tax at the rates of 28% on its taxable profits except for interest income arising in First Capital Treasuries PLC which is tax free and management fee income relating to Unit Trust operations in First Capital Asset Management Limited which is liable for income tax at the rate of 10%.

For the year ended 31 March,	Group		Company	
	2016 Rs. '000	2015 Rs. '000	2016 Rs. '000	2015 Rs. '000
11.1 Income tax expenses				
Current tax expenses	11,846	18,595	5,782	-
Deferred tax expense (Note 23)	2,556	7,914	-	-
Taxes on dividend	198	59,715	-	-
	14,600	86,224	5,782	-

Notes to the Financial Statements Contd.

For the year ended 31 March,	Group		Company	
	2016 Rs. '000	2015 Rs. '000	2016 Rs. '000	2015 Rs. '000
Reconciliation of accounting profit to income tax				
Profit before taxation	62,060	1,071,123	52,993	435,754
Adjustment for non-taxable income	(784,588)	(1,099,223)	(27,544)	(435,754)
	(722,528)	(28,100)	25,449	-
Income tax using the corporate tax rate	(202,308)	(7,868)	-	-
Tax effect of expenses disallowed for tax	233,998	38,411	7,712	469
Tax effect of deductible expenses for tax	3,533	(3,894)	(160)	(469)
Tax effect of qualifying payments	-	(141)	-	-
Tax on taxable profits	35,223	26,508	7,552	-
Increase/(decrease) in carried forward loss	(23,377)	(7,913)	(1,770)	-
	11,846	18,595	5,782	-
Under/(over) provision for taxes	-	-	-	-
Income tax charge/(reversal) for the year	11,846	18,595	5,782	-
Withholding tax on inter-company dividend	198	59,715	-	-
Income tax expenses	12,044	78,310	5,782	-
Deferred tax expense (Note 23)	2,556	7,914	-	-
	14,600	86,224	5,782	-

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

A decision made by the Board of Review of the Department of Inland Revenue in respect of income tax for the year 2003/04 acknowledged the above position in July 2010. No tax provisions have been made in this regard in the financial statements subsequently. However the said judgment above does not preclude the Department of Inland Revenue from issuing assessments in the future. Details relating to current assessments have been disclosed in Note 39(d) to the financial statements (Contingent Liabilities).

12 EARNINGS PER SHARE

12.1 Basic earnings per share

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

For the year ended 31 March,	Group		Company	
	2016	2015	2016	2015
Profit attributable to equity holders of the parent (Rs. '000)	46,566	944,704	47,211	435,754
Weighted average number of ordinary shares in issue	101,250,000	101,250,000	101,250,000	101,250,000
Basic earnings per share (Rs.)	0.46	9.33	0.47	4.30

12.2 Diluted earnings per share

There were no potential dilutive ordinary shares outstanding at anytime during the year ended 31 March 2016. Therefore Diluted earnings per share is same as Basic earnings per share.

As at,	Group		Company	
	31.03.2016 Rs. '000	31.03.2015 Rs. '000	31.03.2016 Rs. '000	31.03.2015 Rs. '000
13 DERIVATIVE FINANCIAL INSTRUMENTS				
Forward purchase contracts	40,227	31,398	-	-
Forward sales contracts	634	9,211	-	-
	40,861	40,609	-	-
14 FINANCIAL INVESTMENTS - HELD FOR TRADING				
Quoted shares (Note 14.1)	294,238	171,641	-	-
Government securities (Note 14.2)	9,206,856	8,637,938	-	-
Quoted debentures (Note 14.3)	1,267,633	1,262,385	-	-
Investment in unit trusts (Note 14.4)	557,436	164,486	-	-
	11,326,163	10,236,450	-	-

14.1 Quoted shares - Group

As at,	No. of shares		Market values		Cost	
	31.03.2016	31.03.2015	31.03.2016 Rs. '000	31.03.2015 Rs. '000	31.03.2016 Rs. '000	31.03.2015 Rs. '000
ACL Cables PLC	207,989	-	20,814	-	25,255	-
Janashakthi Insurance Company PLC	1,703,446	1,135,631	27,032	25,266	35,975	25,470
MTD Walkers PLC	226,242	-	7,472	-	14,533	-
Lanka IOC PLC	333,002	383,002	10,734	15,262	20,128	22,837
Laugfs Gas PLC	554,445	629,446	20,071	22,344	21,704	24,640
Lanka Walltile PLC	398,816	-	39,080	-	51,598	-
Nations Trust Bank PLC	475,000	-	34,956	-	50,658	-
Orient Finance PLC	3,333,300	-	42,978	-	50,000	-
Renuka Agri Foods PLC	5,000,509	5,000,509	15,374	23,239	25,278	25,278
Royal Ceramics Lanka PLC	217,375	217,375	21,581	23,858	25,278	25,278
Seylan Bank PLC	466,401	-	39,782	-	50,603	-
Softlogic Finance PLC	378,179	669,642	14,364	23,109	14,392	27,205
Commercial Bank of Ceylon PLC	-	150,000	-	24,532	-	25,292
Textured Jersey Lanka PLC	-	588,798	-	14,031	-	12,431
Total			294,238	171,641	385,402	188,431

14.2 Government securities - Group

As at,	Market values		Face values	
	31.03.2016 Rs. '000	31.03.2015 Rs. '000	31.03.2016 Rs. '000	31.03.2015 Rs. '000
Treasury bills	1,674,508	3,482,432	1,796,481	3,550,956
Treasury bonds	7,532,348	5,155,506	7,759,078	4,969,786
	9,206,856	8,637,938	9,555,559	8,520,742

Notes to the Financial Statements Contd.

14.2.1 Securities pledged as collateral

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

As at,	Group			
	Market Values		Face Values	
	31.03.2016 Rs. '000	31.03.2015 Rs. '000	31.03.2016 Rs. '000	31.03.2015 Rs. '000
Treasury bills	1,655,974	2,816,098	1,788,959	2,869,376
Treasury bonds	6,946,981	4,611,473	7,392,319	4,431,416
	8,602,955	7,427,571	9,181,278	7,300,792

	Group			
	Group		Company	
	31.03.2016 Rs. '000	31.03.2015 Rs. '000	31.03.2016 Rs. '000	31.03.2015 Rs. '000
14.3 Quoted debentures				
Lanka Orix Leasing Company PLC	533,041	539,598	-	-
Janashakthi PLC	495,071	482,612	-	-
Lanka Orix Finance PLC	239,521	240,175	-	-
	1,267,633	1,262,385	-	-
14.4 Investment in unit trusts				
First Capital Wealth Fund	437,331	75,953	-	-
First Capital Gilt-Edged Fund	7,535	49,972	-	-
First Capital Money Market Fund	75,093	38,561	-	-
First Capital Equity Fund	36,465	-	-	-
JB Vantage Short Term Gilt Fund	1,012	-	-	-
	557,436	164,486	-	-
15 FINANCIAL INVESTMENTS - AVAILABLE FOR SALE				
Investment in Bartleet Transcapital Limited	1,000	1,000	1,000	1,000
Investment in Lanka Financial Service Bureau Limited	1,000	1,000	-	-
Investment in Orient Finance PLC (Note 15.1)	-	-	-	-
	2,000	2,000	1,000	1,000
15.1 Investment in Orient Finance PLC				
Balance at the beginning of the year	-	302,938	-	302,938
Gain on fair valuation	-	20,812	-	20,812
	-	323,750	-	323,750
Less: Transferred to equity accounted investee	-	(323,750)	-	(323,750)
Balance at the end of the year	-	-	-	-

As at,	Group		Company	
	31.03.2016 Rs. '000	31.03.2015 Rs. '000	31.03.2016 Rs. '000	31.03.2015 Rs. '000
16 FINANCIAL INVESTMENTS - LOANS AND RECEIVABLES				
Corporate debt securities	284,040	177,858	-	-
Short term lending (Note 16.1)	2,245,703	1,265,462	2,834,628	2,131,112
Long term lending	-	-	634,727	561,164
Investments under re-sale agreements (Note 16.2)	5,985,365	7,435,706	180,909	1,372
Investment in fixed deposits (Note 16.3)	14,224	41,186	400	2,234
	8,529,332	8,920,212	3,650,664	2,695,882
16.1 Short term lending (Gross)	2,433,363	1,453,122	2,834,628	2,131,112
Less: Specific allowance for impairment	(187,660)	(187,660)	-	-
	2,245,703	1,265,462	2,834,628	2,131,112
16.2 Investments under re-sale agreements				
Government securities	5,903,738	7,365,895	-	-
Corporate debt securities	81,627	69,811	180,909	1,372
	5,985,365	7,435,706	180,909	1,372
16.3 Investment in fixed deposits				
Fixed deposits (Note 16.3.a)	19,224	46,186	5,400	7,234
Less: Specific allowance for impairment	(5,000)	(5,000)	(5,000)	(5,000)
	14,224	41,186	400	2,234

16.3.a Investment in fixed deposits amounting to Rs. 7 Mn (Company Rs. 5 Mn) have been pledged as collateral for banking facilities (As at 31 March 2015 - Group/ Company - Rs. 5 Mn).

	Group		Company	
	31.03.2016 Rs. '000	31.03.2015 Rs. '000	31.03.2016 Rs. '000	31.03.2015 Rs. '000
17 TRADE AND OTHER RECEIVABLES				
Trade receivables (Note 17.1)	388,071	418,213	-	-
Loans (Note 17.2)	936	729	-	-
Other receivable (Note 17.3)	187,346	105,582	1,073	709
	576,353	524,524	1,073	709
17.1 Trade receivables				
Margin trading debtors (Note 17.1.a)	311,177	357,444	-	-
Stock broking debtors (Note 17.1.b)	76,894	60,769	-	-
	388,071	418,213	-	-
17.1.a Margin trading debtors				
Margin trading debtors	374,685	420,952	-	-
Less: Specific allowance for impairment	(63,508)	(63,508)	-	-
	311,177	357,444	-	-

Notes to the Financial Statements Contd.

As at,	Group		Company	
	31.03.2016 Rs. '000	31.03.2015 Rs. '000	31.03.2016 Rs. '000	31.03.2015 Rs. '000
17.1.b Stock broking debtors				
Stock broking debtors	77,118	163,403	-	-
Less: Specific allowance for impairment	-	(217)	-	-
Less: Write offs during the year	(224)	(102,417)	-	-
	76,894	60,769	-	-
17.2 Loans				
Koolair Venture Power (Private) Limited	28,000	28,000	-	-
Specific allowance for impairment	(28,000)	(28,000)	-	-
	-	-	-	-
Staff loans	936	729	-	-
	936	729	-	-
17.3 Other receivable				
Rent Deposit	21,125	50,375	-	-
Dividend Receivable	-	10,130	-	-
Deposit with CSE	7,750	7,790	-	-
Advance paid for land and premises (Note 40(a))	77,300	-	-	-
Miscellaneous	81,171	37,287	1,073	709
	187,346	105,582	1,073	709

As at,	31.03.2016 Rs. '000	31.03.2015 Rs. '000
18 NON-CURRENT ASSETS HELD FOR SALE - GROUP		
Investments in equities (Note 18.1)	42,416	42,416
Freehold land (Note 18.2)	-	2,000
	42,416	44,416

As at,	No. of shares	31.03.2016 Rs. '000	31.03.2015 Rs. '000
18.1 Investments in equities			
Ceyspence (Private) Limited	2,861,856	71,432	71,432
Ceyaki Shipping (Private) Limited	3,116,600	29,928	29,928
		101,360	101,360
Specific allowance for impairment		(58,944)	(58,944)
		42,416	42,416

This represents equity investments in shipping business made by First Capital Limited. All these businesses are in the process of liquidation and stated at their realisable values as at the reporting date. The details relating to tax assessment and litigation of the investment in equities (above) have been disclosed in Note 39(g) to the Financial Statements (Contingent Liabilities).

As at,	31.03.2016	31.03.2015
	Rs. '000	Rs. '000
18.2 Freehold Land		
Balance at the beginning of the year	2,000	3,000
Less : Specific allowance for impairment	(2,000)	(1,000)
Balance at the end of the year	-	2,000

This represents the freehold ownership of one acre land in Kegalle. Full provision has been made on account of the said asset as at 31 March 2016.

As at,	Group		Company	
	31.03.2016	31.03.2015	31.03.2016	31.03.2015
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
19 TAXES RECEIVABLE				
Balance at the beginning of the year	65,972	62,549	5,628	5,600
Provision for the year	(12,044)	(78,310)	(5,782)	-
Payments made during the year	8,451	81,733	124	28
Balance at the end of the year	62,379	65,972	(30)	5,628
19.1 Taxes payable				
Balance at the beginning of the year	1,719	-	-	-
Payments made during the year	(1,388)	-	-	-
Balance at the end of the year	331	1,719	-	-
20 INVESTMENTS IN VENTURE CAPITAL				
Balance at the beginning of the year	8,600	8,600	8,600	8,600
Specific allowance for impairment	(2,600)	(2,600)	(2,600)	(2,600)
	6,000	6,000	6,000	6,000
Less : Disposal during the year	(6,000)	-	(6,000)	-
Balance at the end of the year	-	6,000	-	6,000
21 INVESTMENT IN EQUITY ACCOUNTED INVESTEE				
Orient Finance PLC (Stake of 25%)				
No. of shares	-	28,907,500	-	28,907,500
Balance at the beginning of the year	408,876	-	405,201	-
Transferred from Financial Investments - Available for Sale (Note 15.1)	-	323,750	-	323,750
Amount invested in equity accounted investee	-	81,451	-	81,451
Share of:				
- Profit or loss from continuing operations	9,606	5,925	-	-
- Other comprehensive income/(expense)	1,564	(2,250)	-	-
Less: Dividend received	-	-	-	-
Disposal made during the year	(420,046)	-	(405,201)	-
Equity value of investment as at the year end	-	408,876	-	405,201

Notes to the Financial Statements Contd.

As at,	No. of shares		Value of shares	
	31.03.2016	31.03.2015	31.03.2016 Rs. '000	31.03.2015 Rs. '000
22 INVESTMENT IN SUBSIDIARY - COMPANY				
First Capital Limited				
Balance at the beginning of the year	11,688,653	11,687,653	311,072	310,872
Shares acquired during the year	-	1,000	-	200
Balance at the end of the year	11,688,653	11,688,653	311,072	311,072
Holding percentage	99.9%	99.9%	99.9%	99.9%

As at,	Group		Company	
	31.03.2016 Rs. '000	31.03.2015 Rs. '000	31.03.2016 Rs. '000	31.03.2015 Rs. '000
23 DEFERRED TAX ASSET				
Balance at the beginning of the year	40,259	48,173	-	-
Through the acquisition	-	-	-	-
Reversal during the year (Note 11.1)	(2,556)	(7,914)	-	-
Balance at the end of the year	37,703	40,259	-	-

Deferred tax asset is recognised by capitalising the brought forward tax losses if there is an assurance beyond reasonable doubt that sufficient future taxable income will be available to allow the benefit of the loss to be realised. Having considered the matter, First Capital Holdings PLC ("the company") has decided not to recognise the deferred tax asset arising from the carried forward tax losses amounting to Rs. 149.8 Mn for the financial year ended 2015/16.

The deferred tax asset has been computed on the basis of 28% (tax rate which is applicable for 2015/16 and 2014/15) except for unit trust operations of First Capital Asset Management Limited which is based on 10% (2014/15 – 10%).

	Office Equipment Rs. '000	Furniture Rs. '000	Fixtures and Fittings Rs. '000	Motor Vehicles Rs. '000	Total Rs. '000
24 PROPERTY, PLANT AND EQUIPMENT - GROUP					
Cost					
As at 1 April 2015	49,990	8,474	24,009	21,906	104,379
Additions	8,413	671	2,225	9	11,318
Disposals	(25)	(920)	(418)	-	(1,363)
As at 31 March 2016	58,378	8,225	25,816	21,915	114,334
Accumulated depreciation/Impairment losses					
As at 1 April 2015	41,683	5,488	14,972	15,879	78,022
Charge for the year	6,331	2,731	7,543	3,927	20,532
Disposals	-	(708)	(160)	-	(868)
As at 31 March 2016	48,014	7,511	22,355	19,806	97,686
Carrying values					
As at 31 March 2016	10,364	714	3,461	2,109	16,648
As at 31 March 2015	8,307	2,986	9,037	6,027	26,357

	Office Equipment Rs. '000	Motor Vehicles Rs. '000	Total Rs. '000
24 PROPERTY, PLANT AND EQUIPMENT - COMPANY			
Cost			
As at 1 April 2015	-	4,940	4,940
Additions	12	-	12
Disposals	-	-	-
As at 31 March 2016	12	4,940	4,952
Accumulated depreciation/Impairment losses			
As at 1 April 2015	-	4,666	4,666
Charge for the year	3	274	277
Disposals	-	-	-
As at 31 March 2016	3	4,940	4,943
Carrying values			
As at 31 March 2016	9	-	9
As at 31 March 2015	-	274	274

	Software Rs. '000	Business License Rs. '000	Goodwill Rs. '000	Total Rs. '000
25 INTANGIBLE ASSETS - GROUP				
Gross value				
Balance as at 1 April 2015	25,444	28,800	80,872	135,116
Additions	1,732	-	-	1,732
Disposals	-	-	-	-
Balance as at 31 March 2016	27,176	28,800	80,872	136,848
Amortisation/Impairment losses				
Balance as at 1 April 2015	19,383	-	-	19,383
Amortisation	2,102	-	-	2,102
Disposals	-	-	-	-
Balance as at 31 March 2016	21,485	-	-	21,485
Carrying Values as at 31 March 2016	5,691	28,800	80,872	115,363
Carrying Values as at 31 March 2015	6,061	28,800	80,872	115,733

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

Notes to the Financial Statements Contd.

Goodwill on acquisition of subsidiary companies

Subsidiary As at,	Gross	Impairment	Carrying	Carrying
	Goodwill	provision	values	value
	Rs.'000	Rs.'000	31.03.2016	31.03.2015
			Rs.'000	Rs.'000
First Capital Limited	54,535	-	54,535	54,535
First Capital Equities (Private) Limited	26,337	-	26,337	26,337
	80,872	-	80,872	80,872

As required by LKAS 36 - "Impairment of Assets", goodwill is tested for impairment annually and assessed for any indications of impairment at each reporting date to ensure that the carrying amount does not exceed the recoverable amount. Accordingly, the management of the company conducted an assessment and concluded that there are no indications of impairment of the goodwill as at 31 March 2016.

As at,	Group		Company	
	31.03.2016	31.03.2015	31.03.2016	31.03.2015
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
26 DERIVATIVE FINANCIAL INSTRUMENTS				
Forward sale contracts	20,304	30,132	-	-
Forward purchase contracts	531	1,227	-	-
	20,835	31,359	-	-
27 SECURITIES SOLD UNDER REPURCHASE AGREEMENTS				
Against government securities	13,250,762	13,918,506	-	-
Against corporate debt instruments	1,236,952	918,673	-	-
	14,487,714	14,837,179	-	-
28 SHORT TERM BORROWINGS				
Borrowings on corporate debt securities	2,886,142	2,224,579	2,820,725	2,124,385
	2,886,142	2,224,579	2,820,725	2,124,385
29 GROUP BALANCES				
Receivable				
First Capital Limited	-	-	16,837	-
	-	-	16,837	-
Payable				
First Capital Treasuries PLC	-	-	399	49
First Capital Asset Management Limited	-	-	-	6
	-	-	399	55

As at,	Group		Company	
	31.03.2016 Rs. '000	31.03.2015 Rs. '000	31.03.2016 Rs. '000	31.03.2015 Rs. '000
30 TRADE AND OTHER PAYABLES				
Accrued expenses	47,051	54,926	-	-
Advance against non-current assets held for sale	80,218	80,218	-	-
Provision for statutory liabilities	34,309	29,192	6,321	-
Dividend payable	14,774	14,536	14,703	14,536
Other liabilities	61,568	107,404	5,573	5,127
	237,920	286,276	26,597	19,663

As at,	Group		Company	
	31.03.2016 Rs. '000	31.03.2015 Rs. '000	31.03.2016 Rs. '000	31.03.2015 Rs. '000
31 RETIREMENT BENEFIT OBLIGATIONS				
Balance at the beginning of the year	19,036	19,040	-	-
Gratuity charge for the year	4,411	3,767	-	-
Interest charge for the year	2,390	1,721	-	-
Actuarial gain for the year	(541)	(4,107)	-	-
Paid during the year	(911)	(1,385)	-	-
Balance at the end of the year	24,385	19,036	-	-
The total amount charged to profit or loss in respect of Retirement Benefit Obligations:				
Gratuity charge for the year	4,411	3,767	-	-
Interest charge for the year	2,390	1,721	-	-
	6,801	5,488	-	-

The total amount charged to other comprehensive income in respect of Retirement Benefit Obligations:

Actuarial Gain for the year	(541)	(4,107)	-	-
	(541)	(4,107)	-	-

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

The principal assumptions used are as follows:	2015/16	2014/15
Expected annual average salary increment	9%	10%
Discount rate/interest Rate :	11%	10%
Staff turnover factor (as a %):	5%	5%
Retirement age of employees :	55 Years	55 Years

Notes to the Financial Statements Contd.

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.

		2015/16 Rs. '000	2014/15 Rs. '000
Increase/(decrease) in discount rate	1%	(2,086)	(1,592)
	-1%	3,922	2,239
Increase/(decrease) in salary increment	1%	3,947	2,220
	-1%	(1,067)	(1,607)

As at,	Group		Company	
	31.03.2016 Rs. '000	31.03.2015 Rs. '000	31.03.2016 Rs. '000	31.03.2015 Rs. '000
32 BORROWING ON DEBENTURES				
Debentures issued	711,310	709,560	500,000	500,000
Transaction cost	(2,589)	(2,589)	(930)	(930)
	708,721	706,971	499,070	499,070
Interest payable	21,679	18,805	16,734	16,010
Debentures redeemed	-	-	-	-
Balance as at 31 March (Note 32.1)	730,400	725,776	515,804	515,080
32.1 Debentures issued				
First Capital Holdings PLC	515,804	515,080	515,804	515,080
First Capital Treasuries PLC	214,596	210,696	-	-
	730,400	725,776	515,804	515,080

Debentures issued by the Company

The debentures include 5,000,000 Rated, Senior, Unsecured, Redeemable, 3 year (2014/2017), 4 year (2014/2018) and 5 year (2014/2019) Debentures of Rs.100/- each issued in March 2014.

The debentures are quoted on the Colombo Stock Exchange.

Type	Tenure	No. of Debentures	Face Value	Carrying value	Carrying value	Allotment Date	Maturity Date	Rate of Interest	Frequency on interest
			31.03.2016 Rs. '000	31.03.2016 Rs. '000	31.03.2015 Rs. '000				
Type A	3 year	1,854,000	185,400	191,293	190,958	12-Mar-14	11-Mar-17	13.50% (AER-13.50%)	Annually
Type B	4 year	1,292,000	129,200	133,268	133,089	12-Mar-14	11-Mar-18	13.75% (AER-13.75%)	Annually
Type C	5 year	1,854,000	185,400	191,243	191,033	12-Mar-14	11-Mar-19	14.00% (AER-14.00%)	Annually
		5,000,000	500,000	515,804	515,080				

Debentures issued by First Capital Treasuries PLC - (Subsidiary)

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

The debentures are quoted on the Colombo Stock Exchange.

Tenure	No. of Debentures	Face Value		Carrying value		Allotment Date	Maturity Date	Rate of Interest	Frequency on interest
		31.03.2016 Rs. '000	31.03.2016 Rs. '000	31.03.2015 Rs. '000	31.03.2015 Rs. '000				
5 year	5,000,000	500,000	509,953	505,143	05-Feb-15	06-Feb-20	9.50% (AER-9.50%)	Annually	
	5,000,000	500,000	509,953	505,143					

Inter-Company investments in Listed Debentures of First Capital Treasuries PLC amounting to Rs. 289Mn (face value) has been eliminated as at 31 March 2016 (Rs. 290Mn as at 31 March 2015).

As at,	No. of shares		Group		Company	
	31.03.2016	31.03.2015	31.03.2016 Rs. '000	31.03.2015 Rs. '000	31.03.2016 Rs. '000	31.03.2015 Rs. '000
33 STATED CAPITAL						
Balance at the beginning of the year	101,250,000	101,250,000	227,500	227,500	227,500	227,500
New share issue	-	-	-	-	-	-
Balance at the end of the year	101,250,000	101,250,000	227,500	227,500	227,500	227,500

As at,	Group		Company	
	31.03.2016 Rs. '000	31.03.2015 Rs. '000	31.03.2016 Rs. '000	31.03.2015 Rs. '000
34 RISK RESERVE				
Balance at the beginning of the year	820,964	648,793	-	-
Transfers made during the year	1,058	172,171	-	-
Balance at the end of the year	822,022	820,964	-	-

A sum equivalent to 10% (25% - 2014/15) of the profit after tax of First Capital Treasuries PLC (subsidiary company) has been transferred to the risk reserve in accordance with the directions issued by the Central Bank of Sri Lanka.

Notes to the Financial Statements Contd.

As at,	Group		Company	
	31.03.2016 Rs. '000	31.03.2015 Rs. '000	31.03.2016 Rs. '000	31.03.2015 Rs. '000
35 FAIR VALUATION RESERVE				
Balance at the beginning of the year	(1,564)	212,473	-	212,473
Gain/ (loss) on fair valuation of financial investments - Available For Sale	-	20,812	-	20,812
Transfers made to profit or loss during the year (Note 7)	-	(233,285)	-	(233,285)
Transfers made to profit or loss during the year (Equity accounted Investee)	1,564	(1,564)	-	-
Balance at the end of the year	-	(1,564)	-	-

36 DIVIDEND

The Board of Directors of First Capital Holdings PLC did not declare dividend for 2015/16 (2014/15 - Rs. 4/- per share totalling Rs. 405 Mn).

37 INVOLVEMENT WITH UNCONSOLIDATED STRUCTURED ENTITIES

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

Name of the fund	Nature of Business	Date of Incorporation	Managing Company	Investment made by 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	437,331	37,689
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	75,093	6,421
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	7,535	3,063

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 Fixed Income Fund	The Unit Trust engages in investment in fixed income securities (i.e. Government Securities and Corporate Debt Securities) on behalf of its clients.	25 April 2014	First Capital Asset Management Limited	-	1,592
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	36,465	291

Summarised financial performance of the above unit trusts for the year ended 31 March 2016 are as follows.

Name of the fund	Income Rs. '000	Profit/ (loss) after tax for the year Rs. '000	Total Equity Rs. '000	Net Asset per Unit Rs.
First Capital Wealth Fund	373,384	220,141	2,781,563	1,200
First Capital Money Market Fund	117,125	98,979	1,257,041	1,099
First Capital Gilt -Edged Fund	23,791	17,680	47,146	1,101
First Capital Fixed Income Fund	28,404	24,480	303,209	1,113
First Capital Equity Fund (Operations for 8 months)	1,575	(2,224)	53,627	960

Notes to the Financial Statements Contd.

38 FINANCIAL INSTRUMENTS - FAIR VALUE AND RISK MANAGEMENT**38.1 (a) Accounting classifications**

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

38.1 (b) Accounting Classifications

Group - As at 31 March 2015	Held for trading Rs. '000	Loans and receivables/ Borrowings at amortised cost Rs. '000	Available for sale Rs. '000	Held to maturity Rs. '000	Total carrying amount Rs. '000	Fair value Rs. '000
Financial assets measured at fair value						
Financial investments - Held for trading	10,236,450	-	-	-	10,236,450	10,236,450
Derivative Financial Instruments	40,609	-	-	-	40,609	40,609
Financial investments - Available for sale	-	-	2,000	-	2,000	2,000
	10,277,059	-	2,000	-	10,279,059	10,279,059
Financial assets not measured at fair value						
Cash at banks and in hand	-	33,193	-	-	33,193	33,193
Financial investments - Loans and receivables	-	8,920,212	-	-	8,920,212	8,920,212
Trade receivables	-	418,213	-	-	418,213	418,213
	-	9,371,618	-	-	9,371,618	9,371,618
Total Financial Assets	10,277,059	9,371,618	2,000	-	19,650,677	19,650,677
Financial liabilities measured at fair value						
Derivative Financial Instruments	31,359	-	-	-	31,359	31,359
	31,359	-	-	-	31,359	31,359
Financial liabilities not measured at fair value						
Bank overdrafts	-	866	-	-	866	866
Securities sold under re-purchase agreements	-	14,837,179	-	-	14,837,179	14,827,991
Short term borrowings	-	2,224,579	-	-	2,224,579	2,224,579
Borrowings on debentures	-	725,776	-	-	725,776	726,154
	-	17,788,400	-	-	17,788,400	17,779,590
Total financial liabilities	31,359	17,788,400	-	-	17,819,759	17,810,949

Notes to the Financial Statements Contd.

38.1 (c) Accounting Classification

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

38.1 (d) Accounting Classification

Company - As at 31 March 2015	Loans and receivables/ Borrowings		Available for sale Rs. '000	Held to maturity Rs. '000	Total carrying amount Rs. '000	Fair value Rs. '000
	Held for trading Rs. '000	at amortised cost Rs. '000				
Financial assets measured at fair value						
Financial investments - Available for sale	-	-	1,000	-	1,000	1,000
	-	-	1,000	-	1,000	1,000
Financial assets not measured at fair value						
Cash at banks and in hand	-	10,804	-	-	10,804	10,804
Financial investments - Loans and receivables	-	2,695,882	-	-	2,695,882	2,695,882
	-	2,706,686	-	-	2,706,686	2,706,686
Total financial assets	-	2,706,686	1,000	-	2,707,686	2,707,686
Financial liabilities measured at fair value						
	-	-	-	-	-	-
	-	-	-	-	-	-
Financial liabilities not measured at fair value						
Short term borrowings	-	2,124,385	-	-	2,124,385	2,124,385
Borrowings on debentures	-	515,080	-	-	515,080	521,359
	-	2,639,465	-	-	2,639,465	2,645,744
Total financial liabilities	-	2,639,465	-	-	2,639,465	2,645,744

Notes to the Financial Statements Contd.

38.2 Financial Instruments - Fair Value

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

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

38.2 (b) Group - As at 31 March 2015	Total Carrying	Level 1	Level 2	Level 3	Total Fair Value
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Financial assets measured at fair value					
Derivative financial instruments					
Forward purchase contracts	31,398	31,398	-	-	31,398
Forward sale contracts	9,211	9,211	-	-	9,211
	40,609	40,609	-	-	40,609
Financial investments - Held for trading					
Investment in government securities	8,637,938	8,637,938	-	-	8,637,938
Investment in shares	171,641	171,641	-	-	171,641
Investment in listed debentures	1,262,385	-	1,262,385	-	1,262,385
Investment in unit trust	164,486	-	164,486	-	164,486
	10,236,450	8,809,579	1,426,871	-	10,236,450
Financial investments - Available for sale	2,000	-	-	2,000	2,000
	2,000	-	-	2,000	2,000
	10,279,059	8,850,188	1,426,871	2,000	10,279,059
Financial assets not measured at fair value					
Financial investments - Loans and receivables	8,920,212	-	-	8,920,212	8,920,212
Trade receivables	418,213	-	-	418,213	418,213
	9,338,425	-	-	9,338,425	9,338,425
Total financial investments	19,617,485	8,850,189	1,426,871	9,340,425	19,617,485
Financial liabilities measured at fair value					
Derivative financial instruments					
Forward purchase contracts	30,132	30,132	-	-	30,132
Forward sale contracts	1,227	1,227	-	-	1,227
	31,359	31,359	-	-	31,359
Financial liabilities not measured at fair value					
Securities sold under re-purchase agreements	14,837,179	-	-	14,827,991	14,827,991
Short term borrowings	2,224,579	-	-	2,224,579	2,224,579
Borrowings on debentures	725,776	-	726,154	-	726,154
	17,787,534	-	726,154	17,052,570	17,778,724
Total financial liabilities	17,818,893	31,359	726,154	17,052,570	17,810,083

Notes to the Financial Statements Contd.

38.2 (c) Company - As at 31 March 2016	Total Carrying	Level 1	Level 2	Level 3	Total Fair Value
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Financial assets measured at fair value					
Financial investments - Available for sale	1000	-	-	1000	1000
	1000	-	-	1,000	1000
Financial assets not measured at fair value					
Financial investments - Loans and receivables	3,650,664	-	-	3,650,664	3,650,664
	3,651,664	-	-	3,651,664	3,651,664
Total financial investments	3,651,664	-	-	3,651,664	3,651,664
Financial liabilities measured at fair value					
	-	-	-	-	-
Financial liabilities not measured at fair value					
Short term borrowings	2,820,725	-	-	2,820,725	2,820,725
Borrowings on debentures	515,804	-	497,636	-	497,636
	3,336,529	-	497,636	2,820,725	3,318,361
Total financial liabilities	3,336,529	-	497,636	2,820,725	3,318,361
38.2 (D) Company - As at 31 March 2015					
	Total Carrying	Level 1	Level 2	Level 3	Total Fair Value
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Financial assets measured at fair value					
Financial investments - Available for sale	1,000	-	-	1,000	1,000
	1,000	-	-	1,000	1,000
Financial assets not measured at fair value					
Financial investments - Loans and receivables	2,695,882	-	-	2,695,882	2,695,882
	2,695,882	-	-	2,695,882	2,695,882
Total financial investments	2,696,882	-	-	2,696,882	2,696,882
Financial liabilities measured at fair value					
	-	-	-	-	-
Financial liabilities not measured at fair value					
Short term borrowings	2,124,385	-	-	2,124,385	2,124,385
Borrowings on debentures	515,080	-	521,359	-	521,359
	2,639,465	-	521,359	2,124,385	2,645,744
Total financial liabilities	2,639,465	-	521,359	2,124,385	2,645,744

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

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

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

38.3 Measurement of fair values

38.3.(a) Valuation techniques and significant unobservable inputs

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

Financial instruments measured at fair value

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

38.3.(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.

	Listed Debentures	Unit Trust Rs.'000	Equity securities (Financial Investments -Available for Sale) Rs.'000	Total Rs.'000
Balance as at 1 April 2015	1,262,384	164,486	2,000	1,428,870
Purchase	-	1,113,322	-	1,113,322
Sales	(21,756)	(717,324)	-	(739,080)
Gain/ (loss) on fair valuation of financial investments	27,005	(3,048)	-	23,957
Recognised in Level 1	(1,267,633)	-	-	(1,267,633)
Balance as at 31 March 2016	-	557,436	2,000	559,436

Notes to the Financial Statements Contd.

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

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

	(-) 0.5% Decrease Rs.'000	(-) 1% Decrease Rs.'000	(+) 0.5% Increase Rs.'000	(+) 1% Increase Rs.'000
Lanka Orix Leasing Company PLC	8,241	16,632	(8,095)	(16,044)
Janashakthi PLC	7,046	14,235	(6,908)	(13,679)
Lanka Orix Finance PLC	3,848	3,848	(3,776)	(7,483)
	19,135	34,715	(18,779)	(37,206)

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

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

	(-) 0.5% Decrease Rs.'000	(-) 1% Decrease Rs.'000	(+) 0.5% Increase Rs.'000	(+) 1% Increase Rs.'000
First Capital Wealth Fund	(21,867)	(43,733)	21,867	43,733
First Capital Money Market Fund	(3,755)	(7,509)	3,755	7,509
First Capital Gilt-Edged Fund	(377)	(754)	377	754
First Capital Equity Fund	(1,919)	(3,838)	1,919	3,838
JB Vantage Short Term Gilt Fund	(51)	(101)	51	101
	(27,969)	(55,935)	27,969	55,935

38.5 Risk Management Framework

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

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

38.5 (a) Market Risk

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

Management of market risk includes the following elements:

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

38.5 (b) Liquidity Risk

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

Management of liquidity risk includes the following elements:

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

Maturity Analysis of the Financial Assets and Financial Liabilities

Group	Carrying Amount Rs.'000	On Demand Rs.'000	Up to 3 Months Rs.'000	3 Months to 1 Year Rs.'000	1-3 Years Rs.'000	3-5 Years Rs.'000	Over 5 Years Rs.'000
Assets							
Cash at banks and in hand	31,066	31,066	-	-	-	-	-
Derivative financial instruments	40,861	-	40,861	-	-	-	-
Financial investments							
- Held for trading	11,326,163	-	388,344	1,730,281	7,129,826	1,799,391	278,321
Financial investments							
- Available for sale	2,000	-	-	-	-	-	2,000
Financial investments							
- Loans and receivables	8,529,332	-	8,397,467	68,717	63,148	-	-
Other financial assets							
(Trade receivables - Net)	388,071	367,189	3,193	17,689	-	-	-
Total As at 31 March 2016	20,317,493	398,255	8,829,865	1,816,687	7,192,974	1,799,391	280,321
As at 31 March 2015	19,650,677	33,193	11,490,796	1,588,916	2,955,063	1,680,023	1,902,686
Liabilities							
Bank overdrafts	207,681	207,681	-	-	-	-	-
Derivative financial instruments	20,835	-	20,835	-	-	-	-
Securities sold under repurchase							
agreements	14,487,714	-	10,588,033	2,866,067	796,381	237,233	-
Short term borrowings	2,886,142	-	2,019,485	866,657	-	-	-
Borrowings on debentures	730,400	-	-	191,293	324,511	214,596	-
Total As at 31 March 2016	18,332,772	207,681	12,628,353	3,924,017	1,120,892	451,829	-
As at 31 March 2015	17,819,759	866	12,808,050	3,541,586	5,352	1,463,905	-

Notes to the Financial Statements Contd.

Company	Carrying Amount Rs.'000	On Demand Rs.'000	Up to 3 Months Rs.'000	3 Months to 1 Year Rs.'000	1-3 Years Rs.'000	3-5 Years Rs.'000	Over 5 Years Rs.'000
Assets							
Cash at banks and in hand	4,998	4,998	-	-	-	-	-
Financial investments							
- Loans and receivables	3,650,664	400	2,142,959	1,110,012	397,293	-	-
Total As at 31 March 2016	3,655,662	5,398	2,142,959	1,110,012	397,293	-	-
As at 31 March 2015	2,706,686	10,804	1,413,946	720,771	353,865	207,300	-
Liabilities							
Short term borrowings	2,820,725	-	1,954,069	866,656	-	-	-
Borrowings on debentures	515,804	-	-	-	515,804	-	-
Group balances payable	399	399	-	-	-	-	-
Total As at 31 March 2016	3,336,928	399	1,954,069	866,656	515,804	-	-
As at 31 March 2015	2,639,520	55	1,407,565	732,830	-	499,070	-

38.5 (c) 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 counterparties.
- » Reviewing compliance through regular audits by internal audit.

Credit Quality by Class of Financial Assets

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

Group - As at 31 March 2015	Neither Past due Nor Impaired Rs.'000	Past due But Not Impaired Rs.'000	Individually Impaired Rs.'000	Total Rs.'000
Assets				
Cash at banks and in hand	33,193	-	-	33,193
Derivative financial instruments	40,609	-	-	40,609
Financial investments - Held for trading	10,236,450	-	-	10,236,450
Financial investments - Available for sale	2,000	-	-	2,000
Financial investments - Loans and receivables	8,920,212	-	-	8,920,212
Other financial assets (Trade receivables)	418,213	-	193,817	612,030
Total financial assets	19,650,677	-	193,817	19,844,494

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

Company - As at 31 March 2015	Neither Past due Nor Impaired Rs.'000	Past due But Not Impaired Rs.'000	Individually Impaired Rs.'000	Total Rs.'000
Assets				
Cash at banks and in hand	10,804	-	-	10,804
Financial investments - Available for sale	1,000	-	-	1,000
Financial investments - Loans and receivables	2,695,882	-	-	2,695,882
Total financial assets	2,707,686	-	-	2,707,686

Notes to the Financial Statements Contd.

Analysis of Concentration Risk

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

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

Group - As at 31 March 2015	Cash at Banks and in Hand Rs.'000	Derivative Financial Instruments Rs.'000	Financial Investments -Held for Trading Rs.'000	Financial Investments -Loans and Receivables Rs.'000	Financial Investments -Available for Sale Rs.'000	Other Financial Assets (Trade Receivables -Net) Rs.'000	Total Financial Assets Rs.'000
Sector Wise Breakdown							
Government	-	-	8,637,938	7,365,895	-	-	16,003,833
Corporate	33,193	40,609	1,598,512	1,424,391	2,000	185,199	3,283,904
Others	-	-	-	129,926	-	233,014	362,940
Total	33,193	40,609	10,236,450	8,920,212	2,000	418,213	19,650,677

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

Company - As at 31 March 2015							Other	Total
Cash at	Derivative	Financial	Financial	Financial	Financial	Assets (Trade	Financial	Total
Banks and	Financial	Investments	Investments	Investments	Investments	Receivables	Assets	Financial
in Hand	Instruments	-Held for	-Loans and	-Available	-Available	-Net)	-Net)	Assets
Rs.'000	Rs.'000	Trading	Receivables	for Sale	for Sale	Rs.'000	Rs.'000	Rs.'000
Government	-	-	-	-	-	-	-	-
Corporate	10,804	-	-	2,695,882	1,000	-	-	2,707,686
Others	-	-	-	-	-	-	-	-
Total	10,804	-	-	2,695,882	1,000	-	-	2,707,686

Sector Wise Breakdown

38.5 (d) Operational Risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Group's involvement with financial instruments, including processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour.

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

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.

39. CONTINGENT LIABILITIES

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

Company

- a. The company has appealed against an assessment of Rs. 5.5Mn issued by the Department of Inland Revenue (DIR) relating to turnover tax from 1994/95 to 1997/98 on the grounds that the related income is outside the scope of chargeability to Turnover Tax.

Notes to the Financial Statements Contd.

- b. The company pledged fixed deposits as guarantee to Hatton National Bank PLC amounting to Rs. 5Mn. against the credit facilities given by the bank to SECO International Marketing Limited. This amount has been provided for in full since the said company is not in operation.
- c. First Capital Holdings PLC has provided a corporate guarantee on behalf of First Capital Limited (subsidiary) amounting to Rs. 200Mn for its Banking Facilities.

Group

- d. First Capital Treasuries PLC has appealed against an assessment for 2008/09 amounting to Rs. 101.3Mn. This has been referred to the Court of Appeal and the hearing is in progress. During the year, First Capital Treasuries PLC received assessments on income tax for 2012/13 and 2013/14 amounting to Rs. 341.1Mn and an assessment on Financial VAT for 2012/13 amounting to Rs. 62.4Mn. In addition, the Commissioner General of Inland Revenue (CGIR) issued a determination in favour of the DIR in relation to Financial VAT - 2010/11 amounting to Rs. 90.2Mn.
- e. The CGIR issued a determination in favour of the DIR in relation to an income tax appeal of First Capital Limited (2010/11) amounting to Rs. 153.5Mn. A hearing is in progress with the Tax Appeals Unit of the DIR with respect to income tax 2011/12 amounting to Rs. 16.9Mn. Further, First Capital Limited received an assessment on Financial VAT for 2012/13 amounting to Rs. 18.6Mn.
- f. During the year, First Capital Equities (Private) Limited received an assessment on income tax for 2012/13 amounting to Rs. 7.2Mn.

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

- g. A provision of Rs. 23.58 Mn has been made in the financial statements of First Capital Limited as the estimated potential liability arising from a 20% equity interest in Ceyspence (Private) Limited. This entity has been assessed income tax of Rs. 116.76 Mn. Additionally a provision of Rs. 14.2Mn has been made as the estimated potential liability arising from a 20% equity interest in Ceyaki Shipping (Private) Limited in relation to the settlement of a creditor. Both these cases are currently being heard by the Supreme Court of Sri Lanka.

There were no other material litigations or claims that could have a material impact on the financial position of the group, or which would lead to a disclosure in the financial statements for the year ended 31 March 2016.

40. COMMITMENTS

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

a. Capital Commitments

During the year, First Capital Treasuries PLC entered into a sale and purchase agreement to acquire a property (land and premises) for a consideration of Rs. 382Mn and an advance of Rs. 77.3Mn was paid. However consequent to the seller failing to honour the terms of the agreement, legal proceedings were initiated against the seller and an enjoining order was obtained preventing the disposal of the property to a third party.

b. Other Commitments

The value of forward purchase contracts (government securities) and forward sales contracts (government securities) as at 31 March 2016 is Rs. 1,788 Mn (31 March 2015 - Rs. 5,355 Mn) and Rs. 1,334 Mn (31 March 2015 - Rs. 8,383 Mn) respectively.

41 RELATED PARTY DISCLOSURES**41.1 Directorships in other companies**

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

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

KMP - Key Management Personnel

Notes to the Financial Statements Contd.

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

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

Nature of transaction	Group		Company	
	2015/16 Rs.'000	2014/15 Rs.'000	2015/16 Rs.'000	2014/15 Rs.'000
41.2 Transactions with Parent Company				
Statement of Profit or Loss and Other Comprehensive Income				
Interest income	-	30,935	-	-
Fee income	10,727	1,424	-	-
Brokerage income (Stock broking)	106	2,707	-	-
Interest expense	8,219	6,106	-	-
Reimbursement of expenses	29,413	21,660	-	-
Statement of Changes in Equity				
Dividend paid	152,026	303,674	152,026	303,674
Statement of Financial Position				
Securities sold under re-purchase agreements	-	921	-	-

Nature of transaction	Group		Company	
	2015/16 Rs.'000	2014/15 Rs.'000	2015/16 Rs.'000	2014/15 Rs.'000
41.3 Transactions with Subsidiaries				
Statement of Profit or Loss and Other Comprehensive Income				
Interest income	-	-	300,718	151,743
Interest expense	-	-	4,382	1,349
Dividend receipts	-	-	-	210,396
Statement of Financial Position				
Short term lending	-	-	2,834,628	2,131,112
Long term lending	-	-	634,727	561,164
Investments under re-sale agreements	-	-	180,909	1,372
Current account receivable	-	-	16,137	-
Current account payable	-	-	399	55

Nature of transaction	Group		Company	
	2015/16 Rs.'000	2014/15 Rs.'000	2015/16 Rs.'000	2014/15 Rs.'000
41.4 Transactions with other related companies				
Statement of Profit or Loss and Other Comprehensive Income				
Secretarial fees	850	874	298	355
Interest income	91,784	33,719	-	-
Fee income	4,453	2,079	-	-
Brokerage income (Stock broking)	196	1,916	-	-
Gain/(loss) on sale of government securities	24,729	24,622	-	-
Gain/(loss) on sale of corporate debt securities	-	40,042	-	-
Interest expense	26,750	629	-	-
Statement of Changes in Equity				
Dividend paid by unit trust	-	25,675	-	-
Statement of Financial Position				
Investment in unit trust	556,424	164,486	-	-
Short term lendings	733,063	157,213	-	-
Investment under resale agreements	393,357	4,927	-	-
Repurchase agreements against corporate debt securities	237,144	209,841	-	-
Short term borrowings	65,416	-	-	-

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

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

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

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

Close Family Members are related parties to the Entity.

Transactions with Key Management Personnel and their close family members are disclosed on page 102.

Notes to the Financial Statements Contd.

Nature of transaction	Group		Company	
	2015/16 Rs.'000	2014/15 Rs.'000	2015/16 Rs.'000	2014/15 Rs.'000
Transactions with KMP/CFM				
Statement of Profit or Loss and Other Comprehensive Income				
Interest income	39	118	-	-
Brokerage income (Stock broking)	1,314	1,835	-	-
Management fee income (Discretionary fund management)	542	714	-	-
Interest expense	3,894	3,717	-	-
Emoluments paid - Short term benefits	34,433	57,438	-	-
Statement of Changes in Equity				
Dividend paid by unit trust	-	3,803	-	-
Statement of Financial Position				
Investment in unit trust	61,523	49,926	-	-
Securities sold under re-purchase agreements	4,824	3,517	-	-
Investment in discretionary fund management	55,707	67,345	-	-

41.6 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 Treasuries PLC/ First Capital Wealth Fund	Subsidiary/ Related Party via Key Management Personnel	Reverse Repos (Lending) to Unit Trust	306,627	20%	Reverse Repos (Lending) made by the Subsidiary at commercial terms.
Dunamis Capital PLC/First Capital Wealth Fund	Parent/Related Party via Key Management Personnel	Investment in Unit Trust	171,543	11%	Investment in Unit Trust made by the Parent Company at the prevailing price.
First Capital Limited/First Capital Wealth Fund	Subsidiary/ Related Party via Key Management Personnel	Investment in Unit Trust	431,331	28%	Investment in Unit Trusts made by First Capital Limited at the prevailing price.
First Capital Limited/ Nextventures Limited	Subsidiary/ Related Party via Key Management Personnel	Short term lending to Nextventures by First Capital Limited	473,855	31%	Short term lending made by the Subsidiary at commercial terms.

42 SUBSEQUENT EVENTS

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

43 DIRECTORS' RESPONSIBILITY STATEMENT

The Board of Directors of the Company is responsible for the preparation and presentation of these financial statements. The statement of Directors' responsibility in relation to the financial statements of the Company is set out on page 42.

INVESTORS' INFORMATION

INFORMATION ON ORDINARY SHARES

1. Stock Exchange Listing

The Issued ordinary shares of First Capital Holdings PLC are listed on the Colombo Stock Exchange.

2. Distribution of Shareholding

No. of Shares held	31 March 2016				31 March 2015			
	Shareholders		Holding		Shareholders		Holding	
	Number	%	Number	%	Number	%	Number	%
1-1,000	4,533	73.72	1,610,092	1.59	4,542	73.90	1,617,687	1.60
1,001 - 10,000	1,309	21.29	4,614,763	4.56	1,314	21.38	4,621,528	4.56
10,001 - 100,000	276	4.49	7,345,983	7.26	260	4.23	7,434,774	7.34
100,001 - 1,000,000	26	0.42	6,592,346	6.51	25	0.41	7,533,895	7.44
Over 1,000,000	5	0.08	81,086,816	80.08	5	0.08	80,042,116	79.06
Total	6,149	100.00	101,250,000	100.00	6,146	100.00	101,250,000	100.00

3 Analysis of Shareholders

Category of Shareholders	31 March 2016				31 March 2015			
	Shareholders		Holding		Shareholders		Holding	
	Number	%	Number	%	Number	%	Number	%
Individuals	5,977	97.20	15,445,504	15.25	5,989	97.45	14,998,209	14.81
Institutions	172	2.80	85,804,496	84.75	157	2.55	86,251,791	85.19
Total	6,149	100.00	101,250,000	100.00	6,146	100.00	101,250,000	100.00
Resident	6,121	99.54	98,726,801	97.51	6,112	99.45	97,168,108	95.97
Non-Resident	28	0.46	2,523,199	2.49	34	0.55	4,081,892	4.03
Total	6,149	100.00	101,250,000	100.00	6,146	100.00	101,250,000	100.00

4. Public Holding

	2015/16	2014/15
Number of shares held by the public	25,236,852	25,326,552
Percentage held by the public	24.93%	25.01%

5 Share Price Movement for the Year

	2015/16	2014/15
	Rs.	Rs.
Highest	43.00	58.60
Lowest	13.80	18.60
Year-end	19.10	27.00

Investors' Information Contd.

6. Information on Share Trading and Market Capitalisation

	2015/16	2014/15
Number of transactions	12,350	30,447
Number of shares traded	12,433,072	54,577,639
Value of shares traded (Rs.)	437,672,545	2,163,273,922
Market capitalisation (Rs.)	1,933,875,000	2,733,750,000

Top Twenty Shareholders

Names of shareholders	No. of Shares as at 31 March 2016		No. of Shares as at 31 March 2015	
		Holding (%)		Holding (%)
1 1.1Dunamis Capital PLC	45,626,756	45.06	45,626,756	45.06
1.2 Seylan Bank PLC/Dunamis Capital PLC	25,400,000	25.09	25,400,000	25.09
1.3 Commercial Bank of Ceylon PLC/Dunamis Capital PLC	4,986,392	4.92	4,891,692	4.83
2 Seylan Bank PLC/Janashakthi PLC	2,917,000	2.88	1,967,000	1.94
3 HSBC International Nominees Ltd - SSBT Deutsche Bank AG Singapore A/C No. 1	2,156,668	2.13	2,156,668	2.13
4 Janashakthi General Insurance Limited	858,650	0.85	858,650	0.85
5 Life Insurance Corporation (Lanka) Limited	740,000	0.73	665,000	0.66
6 Mr. Kankanamge Sunil Dharmabandu Senaweera	435,000	0.43	437,000	0.43
7 People's Leasing & Finance PLC/Mr. D.M.P. Disanayake	356,250	0.35	239,250	0.24
8 Mr. Charitha Prasanna De Silva	355,000	0.35	355,000	0.35
9 Mr. Arunasalam Sithampalam	339,000	0.33	339,000	0.33
10 Commercial Bank of Ceylon PLC/Janashakthi PLC	300,703	0.30	300,703	0.30
11 Mr. Mahibalan Murugesu	278,756	0.28	-	-
12 Pan Asia Banking Corporation PLC/S.R. Fernando	254,624	0.25	-	-
13 Mr. Dhanusha Senajit Duke De Lanerolle	235,000	0.23	206,000	0.20
14 Commercial Bank of Ceylon PLC/U.C. Bandaranayake	230,000	0.23	250,000	0.25
15 Mr. Nagen Dayaranjan Kurukulasuriya	208,836	0.21	208,836	0.21
16 Mr.Hans Anton Van Starrex	203,985	0.20	-	-
17 Dr. Subashi Nemindi Samarasinghe	200,616	0.20	200,616	0.20
18 Mr. Kumaraswamy Gajanthan	200,000	0.20	-	-
19 Hatton National Bank PLC/Sanka Ramoorthy Nadaraj Kumar	175,566	0.17	-	-
20 Mrs. Eileen Monica Perera	151,033	0.15	-	-
	86,609,835	85.54	84,102,171	83.07

INFORMATION ON LISTED DEBENTURES

1. INFORMATION ON LISTED DEBENTURES

1.1 First Capital Holdings PLC

Date of Allotment	Type	Frequency on interest payment	No. of Debentures issued and allotted	Face Value Rs. '000	Rate of Interest	Tenure	Date of Maturity
12-Mar-14	Type A	Annually	1,854,000	185,400	13.50% (AER-13.50%)	3 years	11-Mar-17
12-Mar-14	Type B	Annually	1,292,000	129,200	13.75% (AER-13.75%)	4 years	11-Mar-18
12-Mar-14	Type C	Annually	1,854,000	185,400	14.00% (AER-14.00%)	5 years	11-Mar-19
			5,000,000*	500,000			

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

1.2 First Capital Treasuries PLC

Date of Allotment	Frequency on interest payment	No. of Debentures issued and allotted	Face Value Rs. '000	Rate of Interest	Tenure	Date of Maturity
5-Feb-15	Annually	5,000,000**	500,000	9.50% (AER-9.50%)	5 years	6-Feb-20

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

2. OBJECTIVE OF THE ISSUES

First Capital Holdings PLC

- » To minimise assets and liabilities mismatch and minimise the interest rate risk by diversifying the funding mix of the Company.

First Capital Treasuries PLC

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

3. MARKET VALUE

3.1 First Capital Holdings PLC

Debentures with 3 year, 4 year and 5 year maturities have not been traded during the year ended 31 March 2016. Hence, the par value is recognised as their respective market values.

3 year fixed rate (13.50% p.a. payable annually)	31-03-2016	31-03-2015
Highest price	-	108.55
Lowest price	-	100.10
Last traded price	-	100.10

Information on Listed Debentures Contd.

4 year fixed rate (13.75% p.a. payable annually)	31-03-2016	31-03-2015
Highest price	-	111.40
Lowest price	-	105.10
Last traded price	-	110.10
5 year fixed rate (14.00% p.a. payable annually)		
Highest price	-	110.34
Lowest price	-	110.34
Last traded price	-	110.34

Debenture Interest Yield	As at 31-03-2016	As at 31-03-2015
3 year fixed rate (13.50 % p.a. payable annually)	13.50%	13.49%
4 year fixed rate (13.75 % p.a. payable annually)	13.75%	12.49%
5 year fixed rate (14.00 % p.a. payable annually)	14.00%	12.69%

Yield of comparable Government Securities (%)	As at 31-03-2016	As at 31-03-2015
3 Year treasury bond	10.55%	7.74%
4 Year treasury bond	10.99%	8.58%
5 Year treasury bond	11.74%	8.50%

3.2 First Capital Treasuries PLC

Debentures with 5 year maturity have been traded during the year ended 31 March 2016. Traded price is recognised as its respective market value.

5 year fixed rate (9.50% p.a. payable annually)	31-03-2016	31-03-2015
Highest price	98.27	-
Lowest price	95.37	-
Last traded price	95.37	-

Debenture Interest Yield	As at 31-03-2016	As at 31-03-2015
5 year fixed rate (9.50 % p.a. payable annually)	9.96%	9.50%

Yield of Comparable Government Securities (%)	As at 31-03-2016	As at 31-03-2015
5 Year treasury bond	12.19%	8.50%

4. DEBT RELATED RATIOS

4.(a) Debt Ratios (Group)	As at 31-Mar-16	As at 31-Mar-15
Debt/equity ratio (times)	8.37	7.61
Quick asset ratio (times)	1.15	1.14
Interest cover (times)	1.07	2.07

4.(b) Debt Ratios (Company)	As at 31-Mar-15	As at 31-Mar-14
Debt/equity ratio (times)	5.32	3.39
Quick asset ratio (times)	1.30	1.27
Interest cover (times)	1.20	3.94

5. CREDIT RATINGS

5.1 First Capital Holdings PLC

ICRA Lanka Limited has assigned a credit rating of [SL]A- to First Capital Holdings PLC. Long and short term corporate credit ratings of the company have been rated [SL]A- and [SL]A2+ respectively. Company's long term issue rating of LKR 500Mn Listed, Unsecured, Senior Debenture (2014/19) have also been rated [SL]A- by ICRA Lanka Limited.

5.2 First Capital Treasuries PLC

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

TEN YEAR SUMMARY

Year ended 31 March	2015/16	2014/15	2013/14	2012/13	2011/12	2010/11	2009/10	2008/09	2007/08	2006/07
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Group Trading Results	Based on LKAS/SLFRS - (Note A)					Based on SLAS				
Gross income	1,550,780	2,817,633	1,829,852	1,768,713	935,806	1,716,279	2,728,174	2,333,106	1,997,223	126,586
Profit before tax	62,060	1,071,123	398,785	517,319	(310,279)	605,172	1,164,349	349,263	114,481	22,166
Taxation	(14,600)	(86,224)	(68,689)	(23,272)	(14,858)	378,303	(482,105)	(157,679)	(39,475)	(7,997)
Profit/(loss) after tax	47,460	984,899	330,096	494,047	(325,137)	983,475	682,244	191,584	75,006	14,169
Other comprehensive income, net of income tax	2,105	(210,616)	(44,438)	254,098	-	-	-	-	-	-
Total comprehensive income/(loss)	49,565	774,283	285,658	748,145	(325,137)	-	-	-	-	-

Year ended 31 March	2015/16	2014/15	2013/14	2012/13	2011/12	2010/11	2009/10	2008/09	2007/08	2006/07
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Group Financial Position	Based on LKAS/SLFRS - (Note B)					Based on SLAS				
ASSETS										
Cash at banks and in hand	31,066	33,193	38,298	18,304	7,187	6,436	6,748	5,673	13,758	1,701
Derivative financial instruments	40,861	40,609	19,844	10,378	17,583	74,328	-	-	-	-
Financial investments - Held for trading	11,326,163	10,236,450	11,639,241	9,932,984	3,720,979	8,271,366	-	-	-	-
Financial investments - Available for sale	2,000	2,000	304,938	346,563	92,465	2,000	-	-	-	-
Financial investments - Loans and receivables	8,529,332	8,920,212	3,276,554	3,590,811	3,100,936	2,226,568	-	-	-	-
Dealing securities	-	-	-	-	-	-	8,334,377	8,458,981	6,088,740	2,071,864
Taxes receivable	62,379	65,972	62,549	17,426	-	-	-	-	-	-
Resale agreements	-	-	-	-	-	-	1,422,439	2,175,624	5,242,193	4,481,297
Trade and Other Receivables	576,353	524,524	755,566	356,608	428,861	877,148	261,589	68,477	223,097	489,117
Investment securities	-	-	-	-	-	-	379,259	617,234	-	-
Investment in venture capital	-	6,000	6,000	6,000	8,000	8,000	8,000	19,486	30,100	30,100
Investment in equity accounted investees	-	408,876	-	-	-	-	203,198	-	-	-
Property, plant and equipment	16,648	26,357	51,517	30,301	4,353	8,128	10,070	7,807	8,178	4,950
Other assets	195,482	200,408	206,424	147,458	191,209	192,248	198,148	198,280	250,842	505,842
TOTAL ASSETS	20,780,284	20,464,601	16,360,931	14,456,833	7,571,573	11,666,222	10,823,828	11,551,562	11,856,908	7,584,871
LIABILITIES										
Bank overdrafts	207,681	866	7,775	5,338	662	9,578	1,586	312	16,311	27,003
Derivative financial instruments	20,835	31,359	-	837	-	117	-	-	-	-
Securities sold under re-purchase agreements	14,487,714	14,837,179	12,368,398	11,771,296	4,845,633	8,687,508	9,128,799	9,501,917	11,235,067	5,711,861
Short term borrowings	2,886,142	2,224,579	1,052,435	579,471	1,338,519	997,342	391,053	1,143,300	-	-
Tax payables	331	1,719	-	-	4,120	15,754	453,724	145,256	68,665	128,988
Retirement benefit obligations	24,385	19,036	19,040	9,677	7,055	7,483	5,637	5,172	4,668	6,773
Borrowings on debentures	730,400	725,776	452,248	-	-	-	-	-	-	-
Other liabilities	237,920	286,276	432,032	135,056	159,808	204,539	212,560	153,926	122,103	1,530,714
TOTAL LIABILITIES	18,595,408	18,126,790	14,331,928	12,501,675	6,355,797	9,922,321	10,193,359	10,949,883	11,446,814	7,405,339

Year ended 31 March	2015/16	2014/15	2013/14	2012/13	2011/12	2010/11	2009/10	2008/09	2007/08	2006/07
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Group Financial Position	Based on LKAS/SLFRS - (Note B)						Based on SLAS			
EQUITY										
Stated capital	227,500	227,500	227,500	227,500	227,500	227,500	227,500	387,480	387,480	199,980
Risk reserve	822,022	820,964	648,793	553,704	432,916	432,916	224,287	61,082	19,896	869
Retained earnings	1,052,693	1,209,178	859,019	842,508	500,572	1,019,616	129,044	5,088	(86,130)	(175,262)
Fair value reserve	-	(1,564)	212,473	254,098	-	-	-	-	-	-
	2,102,215	2,256,078	1,947,785	1,877,810	1,160,988	1,680,032	580,831	453,650	321,246	25,587
Non-controlling interests	82,661	81,733	81,218	77,348	54,788	63,869	-	-	-	-
Minority interest	-	-	-	-	-	-	49,638	148,029	88,848	153,945
TOTAL EQUITY	2,184,876	2,337,811	2,029,003	1,955,158	1,215,776	1,743,901	630,469	601,679	410,094	179,532
TOTAL EQUITY AND LIABILITIES	20,780,284	20,464,601	16,360,931	14,456,833	7,571,573	11,666,222	10,823,828	11,551,562	11,856,908	7,584,871
Financial Ratios										
Earning/(Loss) per Share - Times	0.46	9.33	3.13	4.57	(3.13)	9.23	6.38	3.92	1.91	0.94
Dividend per Share	-	4.00	4.00	-	2.00	-	15.00	-	-	-
Dividend Payout (%)	-	42.87%	127.80%	-	-	-	235.11%	-	-	-
Return on Equity (%)	2.10%	45.11%	16.57%	31.16%	-21.97%	82.84%	110.74%	37.87%	25.44%	11.23%
Leverage (Times)	8.37	7.61	6.84	6.32	5.09	5.55	15.10	17.69	27.40	31.82

Note A

Group Trading Results relating to 2015/16, 2014/15, 2013/14, 2012/13 and 2011/12 have been presented in accordance with the new volume of Sri Lanka Accounting Standards (SLFRSs).

Note B

Group Financial Position as at 31 March 2016, 31 March 2015, 31 March 2014, 31 March 2013, 31 March 2012 and 31 March 2011 have been presented in accordance with the new volume of Sri Lanka Accounting Standards (SLFRSs).

GLOSSARY OF FINANCIAL AND BUSINESS TERMS

- » **Accounting Policies:** The specific principles, bases, conventions, rules and practices adopted by an entity in preparing and presenting financial statements.
- » **Accrual Basis:** Recognising the effects of transactions and other events when they occur without waiting for receipt or payment of cash or cash equivalent.
- » **Additional Issue:** The issuance of new shares for sale to public by a company that has already held its Initial Public Offering (IPO).
- » **Amortisation:** The systematic allocation of the depreciable amount of an intangible asset over its useful life.
- » **Amortised Cost:** Amount at which the financial asset or financial liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount and minus any reduction for impairment or uncollectability.
- » **Annual Equivalent Rate (AER):** The interest rate on a financial product, loan or investment re-stated from its nominal interest rate to an interest rate with annual compound interest payable in arrears.
- » **Annual Equivalent basis:** The methodology of using the Annual Equivalent Rate to depict the interest rate on a financial product.
- » **Asset:** A resource controlled by the entity as a result of past events and from which future economic benefits are expected to flow to the entity.
- » **Assets Under Management (AUM):** The total market value of all the financial assets which a financial institutions such as an asset manager of unit trusts, investment company, venture capital firm or private equity company manages on behalf of its clients and themselves.
- » **Associate:** An associate is an entity, including an unincorporated entity such as a partnership, over which the investor has significant influence and that is neither a subsidiary nor an interest in a joint venture.
- » **Available for Sale (AFS):** AFS are those non-derivative financial assets that are designated as available for sale or are not classified as loans and receivable, held-to-maturity investments or financial assets at fire value through profit or loss.
- » **Asset Backed Securitisations:** Short or long-term financial securities which are backed by financial assets and also referred to Securitisations.
- » **Average Weighted Deposit Rate (AWDR):** Weighted average interest rates offered for interest bearing deposits by commercial banks.
- » **Business Model/Business Platform:** Is a representation for the operation of a business, identifying its revenue sources, customer base, products, services and financing sources. In this report we use the term business platform to refer to the core services or main businesses represented in the Company's business model. These core areas are Capital Markets Advisory, Wealth Management Fixed Income and Equities.
- » **Call Money Rate:** Inter-bank overnight lending rate.
- » **Capital Adequacy Ratio (CAR):** A measure of a Primary Dealer's capital and is a prudential requirement reflecting the dealer's level of stability. Two categories of capital are measured by the CAR namely Tier 1 and Tier 2.
 - » Tier 1 capital in view of local Primary Dealers consists of shareholders' equity, retained earnings or other surpluses and preference shares types as selectively set out by the Central Bank of Sri Lanka.
 - » Tier 2 capital includes revaluation reserves, subordinated term debt, perpetual subordinated debt and cumulative preference shares as selectively set out by the Central Bank of Sri Lanka.
- » **Capital Employed:** The sum of shareholders' equity and debt liabilities simplified as Total Assets less Current Liabilities denoting the total amount of capital used in the acquisition of profits.
- » **Capital Reserves:** The profits of a company that (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 that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

- » **Commercial Paper:** A short term unsecured promissory note issued in the open market by quoted public companies representing an obligation of the issuing entity.
- » **Consolidated Financial Statements:** Financial Statement of a holding company and its subsidiaries based on their combined assets, liabilities and operating results.
- » **Contingent Liabilities:** Conditions or situations at the reporting date, the financial affects of which are to be determined by future events which may or may not occur.
- » **Core Businesses:** Principal areas of business. In this report we refer to core businesses of the Company as Capital Markets Advisory, Wealth Management Fixed Income and Equities.
 - » **Capital Market Advisory** refers to a range of advisory services offered by the Company including capital raising, capital market strategy, treasury/ liquidity management and project finance.
 - » **Wealth Management** refers to the Company's wealth and asset management activities which include unit trust investments, discretionary portfolio management and tailored financial advice and products such as lifestyle investment.
 - » **Fixed Income** refers to the range of fixed income based investment products and secondary market trading services in addition to primary dealing offered by the Company.
 - » **Equities** refer to the stock broking and margin trading services offered by the Company in view of secondary market trading in equity products.
- » **Corporate Governance:** Process by which corporate entities are governed to promote stakeholder interest. Shareholders exert collective pressure on management to ensure equitable decision making on matters that may affect the value of their holdings and base their response on statutory requirements or on so called "Best Practice".
- » **Cost Method:** Cost method is a method of accounting for an investment whereby the investment is recognised at cost. The investor recognises income from the investment only to the extent that the investor receives distributions from accumulated profits of the investee arising after the date of acquisition. Distributions received in excess of such profits are regarded as a recovery of investment and are recognised as a reduction of the cost of the investment.
- » **Credit Rating:** An evaluation of a corporate's ability to repay its obligations or likelihood of not defaulting, carried out by an independent rating agency.
- » **Credit Risk:** The risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.
- » **Deal Pipeline:** Is 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:** Also called the bond market is a financial market where participants can issue new fixed income securities, known as the primary market, or buy and sell fixed income securities, known as the secondary market.
- » **Deferred Tax:** Sum set aside in the financial statements for taxation that may become payable in a financial year other than the current financial year.
- » **De-recognition:** Removal of a previously recognised financial asset or financial liability from an entity's Statement of Financial Position.
- » **Dividend Cover:** Post-tax profit divided by gross dividends. This measures the number of times the dividend is covered by distributable profits.
- » **Depreciation:** The systematic allocation of the depreciable amount of an asset over its useful life.
- » **Dividend Yield:** Dividend earned per share as a percentage of its market value.
- » **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

Glossary of Financial and Business Terms Contd.

- (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period.
- » **Events occurring after the Reporting Period:** Significant events that occur between the reporting date and the date on which financial statements are authorised for issue.
 - » **Equity Instrument:** Equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities.
 - » **Equity Method:** The equity method is a method of accounting whereby the investment is initially recognised at cost and adjusted thereafter for the post-acquisition changes in the investor's share of net assets of the investee. The profit or loss of the investor includes the investor's share of the profit or loss of the investee.
 - » **Fair Value:** The price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.
 - » **Financial Asset or Financial Liability at Fair Value through Profit or Loss:** Financial asset or financial liability that is held for trading or upon initial recognition designated by the entity as 'at fair value through profit or loss'.
 - » **Financial Instrument:** Any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.
 - » **Fixed Income Securities:** Securities whose current income is fixed or based on some underlying index. These are also known as debt securities since they represent a fixed obligation of the company unlike equity, which pays dividends only when the company makes profits.
 - » **Fixed Income AUM:** Refers to Assets Under Management which are made up purely of fixed income investments and also referred to Assets Under Management.
 - » **Forward Rate Agreement:** An agreement between two parties who wish to protect themselves against a future movement in interest rates.
 - » **Full Service Investment Banking:** Where an investment bank provides both advisory services in addition to trading, market making and research amongst other services on a broad array of financial products. This is in contrast to boutique or non-full service investment banking where the investment bank provides at least one but not all types of fee and fund based services that comprise investment banking.
 - » **Fund:** See Unit Trust.
 - » **Gross Dividends:** The portion of profit inclusive of tax withheld distributed to shareholders.
 - » **Group:** A group is a parent and all its subsidiaries.
 - » **Guarantee:** A promise made for a fee by a third party (Guarantor), who is not a party to the contract between two others, that the guarantor will be liable if one of the parties fails to fulfill the contractual obligations.
 - » **Held to Maturity Investment:** Non-derivative financial assets with fixed or determinable payments and fixed maturity that an entity has the positive intention and ability to hold to maturity.
 - » **Impairment:** This occurs when recoverable amount of an asset is less than its carrying amount.
 - » **Impairment Allowances:** Impairment allowances are provisions held on the Statement of Financial Position as a result of the raising of a charge against profit for the incurred loss. An impairment allowance may either be identified or unidentified and individual (specific) or collective respectively.
 - » **Inorganic Growth:** Business expansion and enhanced outreach achieved by acquiring new businesses through mergers, acquisitions and take-overs.
 - » **Intangible Asset:** An identifiable non-monetary asset without physical substance held for use in the production/ supply of goods/services or for rental to others or for administrative purposes.
 - » **Interest Rate Risk:** The risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.
 - » **Interest Rate SWAP:** An interest rate SWAP is a contract, whereby two parties agree to exchange a set of interest cash flows based on a notional principle on pre-arranged dates. Normally fixed rate is exchanged for a floating rate.

- » **Interest Cover:** A ratio showing the number of times interest charges is covered by earnings before interest and tax.
- » **IPO or Initial Public Offering:** The first sale of a company's shares to the public, leading to the listing of its shares on the stock market.
- » **Joint Control:** Joint control is the contractually agreed sharing of the control over an economic activity and exists only when the strategic financial and operating decisions relating to the activity require the unanimous consent of the parties sharing control.
- » **Key Management Personnel:** Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly.
- » **Lease:** An agreement whereby the lessor conveys to the lessee in return for a payment or series of payments the right to use an asset for an agreed period of time.
- » **Liabilities:** Debt or obligations of a business.
- » **Liquidity Risk:** The risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities.
- » **Listed:** A company or its financial securities which are admitted for trading on a stock exchange.
- » **Loans and Receivables:** Non derivative financial assets with fixed or determinable payments that are not quoted in an active market other than those intends to sell immediately or in the near term and designated as fair value through profit or loss or available for sale on initial recognition.
- » **Margin Trading:** A credit facility given to investors who wish to expand their investment portfolio.
- » **Market Maker:** In the local context a market maker is a Primary Dealer that undertakes to buy or sell securities at specified prices for buying and selling, at all times, thus providing liquidity in that security.
- » **Market Value per Share:** The price at which an ordinary share is transacted in the stock market.
- » **Market Capitalisation:** The market value of a company at a given date obtained by multiplying the share price by the number of issued shares.
- » **Materiality:** The relative significance of a transaction or an event, the omission or misstatement of which could influence the decisions of users of financial statements.
- » **Money Broker:** Inter-bank money broker approved by the Central Bank of Sri Lanka.
- » **Mergers and Acquisitions (M&A):** Transactions in which the ownership of companies, other businesses or their operating units are transferred or combined. They are considered as capital market strategy or tactical management transactions that can allow companies to grow, decrease in size, change the nature of their business or enhance their competitive position.
- » **Net Assets per Share:** Net assets (total assets less total liabilities) divided by the number of shares issued.
- » **Non-controlling Interest:** Portion of the profit or loss and net assets of a subsidiary attributable to equity interests that are not owned, directly or indirectly through subsidiaries, by the parent.
- » **Operational Risk:** This refers to the risk of loss resulting from inadequate or failed internal processes, people and systems, or from external events.
- » **Organic Growth:** The process of business growth through increased output, customer base expansion, or new product development, as opposed to through Mergers and Acquisitions-which is inorganic growth.
- » **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:** Is the rate that is used by a central bank to implement or signal its monetary policy stance. The

Glossary of Financial and Business Terms Contd.

- Central Bank of Sri Lanka uses the Standing Deposit Facility Rate and Standing Lending Facility Rate as policy rates.
- » **Portfolio:** Income generating assets such as loans, finance leases, investment securities and bills discounted etc.
 - » **Price Earnings Ratio:** Market price of a share divided by earnings per share.
 - » **Primary Market:** Is a capital market where newly issued securities are offered to the public directly by the issuer. Initial Public Offerings and new issues where a company offers its shares or debentures directly to investors constitute the primary market.
 - » **Primary Dealer:** A dealer in government securities licensed by the Central Bank of Sri Lanka.
 - » **Prime Lending Rate (PLR):** The interest rate a commercial bank will offer to its best customers.
 - » **Related Parties:** Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions.
 - » **Related Party Transactions:** A transfer of resources, services or obligations between related parties, regardless of whether a price is charged or not.
 - » **Repurchase Agreement:** An agreement (Repo for short) is the simultaneous sale and repurchase of a security on different settlement dates.
 - » **Return on Equity (ROE):** Profit after tax less preference share dividends if any, expressed as a percentage of ordinary shareholders' equity.
 - » **Return on Total Assets:** Post-tax profit divided by average total assets.
 - » **Revenue Reserves:** Reserves which may be distributed to shareholders as dividends.
 - » **Reverse Repurchase Agreement:** An agreement (Reverse Repo for short) is the simultaneous purchase and resale of a security on different settlement dates.
 - » **Rights Issue:** The issue of new shares with the right given to existing shareholders to purchase them in proportion to their shareholdings. This raises new capital for the company, often including a premium.
 - » **Secondary Market:** A capital market where investors purchase securities or assets from other investors, rather than from the issuing companies themselves. The Colombo Stock Exchange is a secondary market.
 - » **Securitisation:** Taking an illiquid asset, or group of assets, and through financial engineering, transforming these into a security.
 - » **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 with commercial banks on an overnight basis providing the ceiling rate for the injection of overnight liquidity to the banking system by the Central Bank of Sri Lanka.
 - » **Statutory Reserve Requirement (SRR):** The proportion of rupee deposit liabilities that commercial banks are required to maintain as a deposit with the Central Bank of Sri Lanka.
 - » **Subsidiary:** A subsidiary is an enterprise that is controlled by another enterprise (known as the parent company). Control is the power to govern the financial and operating policies of an enterprise so as to obtain benefits from its activities.
 - » **Substance Over Form:** The consideration that the accounting treatment and the presentation in financial statements of transactions and the events are governed by their financial reality and not merely by its legal form.
 - » **Swap (currency):** The simultaneous purchase and sale of identical amounts of a currency for different value dates.

- » **Term Repo:** Is 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 that is 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. Also refers to a company that has not been admitted to the stock exchange or acquired 'listed' status.
- » **Venture Capital Company:** Venture Capital Company is an entity which is specialised in engagement of the business of providing equity investment in relation to commencement or expansion of business project.
- » **Yield Curve:** The graphical depiction of the relationship between the yield on Treasury securities and the corresponding period.

NOTICE OF MEETING

Notice is hereby given that the 24th Annual General Meeting of First Capital Holdings PLC will be held on 2 September 2016 at the Auditorium of the Institute of Chartered Accountants of Sri Lanka, No. 30A, Malalasekera Mawatha, Colombo 07 at 10.00 a.m. to transact the following businesses.

ORDINARY BUSINESS

1. To receive the Report of the Board of Directors and the Audited Financial Statements of the Company for the year ended 31 March 2016 together with the report of the Auditors thereon.
2. To re-elect Mr. Chandana L. de Silva who retires by rotation in terms of Article 93 of the Articles of Association of the Company and offers himself for re-election.
3. To appoint Mr. A.D.E.I. Perera as a Director of the Company in terms of Section 211 of the Companies Act, No. 7 of 2007,

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

K H L Corporate Services Limited
Secretaries

At Colombo
10 August 2016

Note:

1. A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote on behalf of him/her.
2. A proxy need not be a member of the Company.
3. A Form of Proxy is enclosed for this purpose.
4. The Completed Form of Proxy must be deposited at the Registered Office of the Company, No. 2, Deal Place, Colombo 03 not less than 48 hours before the time fixed for the meeting.

FORM OF PROXY

I / We, of
 being a Member/s of the Company, hereby appoint
 Mr/Mrs/Miss
 (holder of NIC No.) of
 whom failing,

- | | |
|--|--------------|
| 1. Ms. Manjula Mathews of Nugegoda | whom failing |
| 2. Mr. Dinesh Schaffter of Colombo | whom failing |
| 3. Mr. A.D.E.I. Perera of Colombo | whom failing |
| 4. Ms. Minette D.A. Perera of Dehiwela | whom failing |
| 5. Mr. W. Nishan I.C. Fernando of Moratuwa | whom failing |
| 6. Mr. Chandana L. de Silva of Colombo | |

as my/our Proxy to represent me/us and vote on my/our behalf at the 24th Annual General Meeting of the Company to be held on 2 September 2016 at the Auditorium of the Institute of Chartered Accountants of Sri Lanka, No. 30A, Malalasekera Mawatha, Colombo 07 at 10.00 a.m. and at any adjournment thereof and at every poll which may be taken in consequence thereof

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

ORDINARY BUSINESS

	FOR	AGAINST
1. Receiving of the Report of the Board of Directors and the Audited Financial Statements of the Company for the year ended 31 March 2016 together with the report of the Auditors thereon.	<input type="checkbox"/>	<input type="checkbox"/>
2. Re-election of Mr. Chandana L. de Silva who retires by rotation in terms of Articles 93 of the Articles of Association	<input type="checkbox"/>	<input type="checkbox"/>
3. Appointment of Mr. A.D.E.I. Perera as a Director in terms of Section 211 of the Companies Act No. 7 of 2007.	<input type="checkbox"/>	<input type="checkbox"/>
4. Re-appointment of Messrs KPMG, Chartered Accountants as Auditors of the Company for the ensuing year and authorising the Directors to determine their remuneration.	<input type="checkbox"/>	<input type="checkbox"/>
5. Authorising Directors to determine and make donations.	<input type="checkbox"/>	<input type="checkbox"/>

Signed on thisday of2016.

Signature/s.....

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

Form of Proxy Contd.

INSTRUCTIONS FOR THE COMPLETION OF THE FORM OF PROXY

1. Please perfect the Form of Proxy overleaf, after filling in legibly your full name and address, by signing in the space provided and fill in the date of signature and your National Identity Card Number.
2. The completed Form of Proxy should be deposited at the Office of the Secretaries, K H L Corporate Services Limited of No. 2, Deal Place, Colombo 03, 48 hours before the time appointed for the holding of the meeting.
3. If an Attorney has signed the Form of Proxy, the related Power of Attorney should also accompany the completed Form of Proxy for registration, if such Power of Attorney has not already been registered with the Company.
4. If the Shareholder is a company or a corporate body, the Proxy should be executed under its Common Seal in accordance with its Articles of Association or Constitution.
5. If there is any doubt as to how the vote is to be exercised, by reason of the manner in which the Form of Proxy has been completed, no vote will be recorded by the Form of Proxy.

CORPORATE INFORMATION

NAME OF COMPANY	- First Capital Holdings PLC
NAME OF SUBSIDIARIES	- First Capital Limited First Capital Treasuries PLC First Capital Markets Limited First Capital Asset Management Limited First Capital Investments (Private) 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	- Manjula Mathews Dinesh Schaffter Eardley Perera Minette Perera Nishan Fernando Chandana de Silva
SECRETARIES	- K H L Corporate Services Limited No. 2, Deal Place, Colombo 3 Tel: 0112 639807 / 0112 639898
REGISTRARS	- SSP Corporate Services (Private) Limited No. 101 Inner Flower Road, Colombo 03 Tel: 0112 573894
LAWYERS	- Messrs Neelakandan & Neelakandan Attorneys-at-Law and Notaries Public M&N Building (Level 5) No. 2 Deal Place, Colombo 3
EXTERNAL AUDITORS	- Messrs KPMG Chartered Accountants 32 A, Sir Mohamad Macan Marker Mawatha P.O. Box 186, Colombo 03
PRINCIPAL BANKERS	- Seylan Bank PLC Hatton National Bank PLC Bank of Ceylon Peoples' Bank Commercial Bank of Ceylon PLC Cargills Bank Limited Union Bank of Colombo PLC



For more information...
<http://www.firstcapital.lk/>