



FIRST CAPITAL HOLDINGS PLC

Annual Report 2009/2010

**CONTENTS**

Group Financial Highlights	3
Executive Director's Report	4-5
Profile of the Board of Directors	6
Group Network	7
Principal Activities & Products	8-9

FINANCIAL INFORMATION

Financial Reports	10
Annual Report of the Board of Directors	11-15
Statement of Directors' Responsibility	16
Corporate Governance	17
Independent Auditors' Report	18
Income Statement	19
Balance Sheet	20
Statement of Changes in Equity	21
Cash Flow Statement	22
Notes to the Financial Statements	23-43
Investors' Information	44-45
Five Year Summary	46
Glossary of Financial Terms	47-48
Corporate Information	49
Notice of Meeting	50
Form of Proxy	51





GROUP FINANCIAL HIGHLIGHTS

Year ended 31 March	2010	2009	2008
	Rs. '000	Rs. '000	Rs. '000

Operating Performance

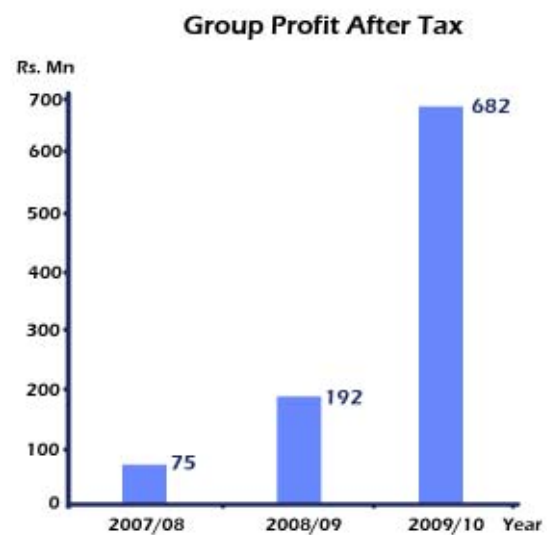
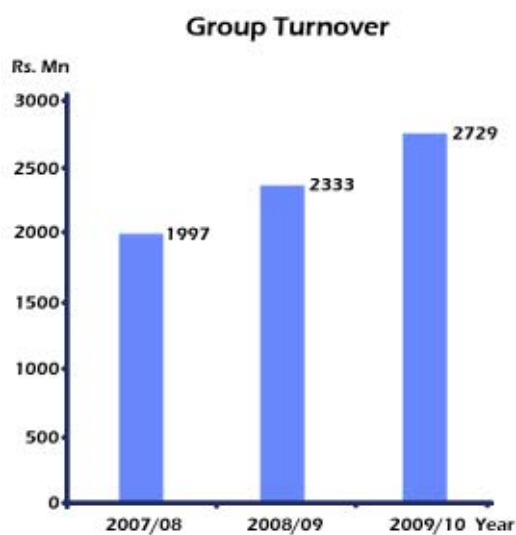
Gross Income	2,728,792	2,333,106	1,997,223
Profit before Taxation	1,164,349	349,263	114,481
Profit after Taxation	682,244	191,584	75,006
Profit Attributable to Equity Holders of the Parent	646,137	132,403	50,665

Balance Sheet Highlights

Shareholders' Funds (Capital and Reserves)	580,831	453,649	321,246
Total Liabilities	10,193,359	10,949,883	11,446,814
Total Assets	10,823,828	11,551,562	11,856,908

Investor Information

	Rs.	Rs.	Rs.
Earnings per Share	19.14	3.92	1.91
Net Assets per Share	17.21	13.44	9.52
Market value at the year end	58.00	9.75	10.25





EXECUTIVE DIRECTOR'S REPORT

On behalf of the Board of Directors, it is with great pleasure that I welcome you to the 18th Annual General Meeting of First Capital Holdings PLC and present to you the Annual Report and the audited financial statements for the year ended 31 March 2010.

ECONOMIC OVERVIEW

The Sri Lankan economy grew by 3.5% in 2009, while managing significant challenges arising both locally and globally. The post-conflict scenario opened up many growth opportunities within the country with reconstruction and expansion activities being undertaken in the North and East. Economic growth which entered its growth momentum in the second quarter ended the year at a brisk pace of 6.2%. Annualised inflation which stood at 22.6% at the end of 2008 dropped to 3.4% at the end of the year.

The ripples of the global financial crisis manifested in our economy in the form of large capital outflows and depressed exports. The negative impact was felt directly in the export related manufacturing sector and in tourism related industries. These effects culminated in stretching the country's reserves which were already tested through funding of the prolonged military conflict. In mid 2009, the IMF came on board with a \$2.6 billion reserve-boosting initiative. This, together with a cessation of hostilities, rapidly declining inflation, and signs of global recovery placed our economy firmly on a growth trajectory. During the year 2009, one year Treasuries declined 980 basis points having opened the year at 19.12%, and 3 year tenors settled below 10% - down from 20.1% at the beginning of the year. The Central Bank of Sri Lanka cut its key policy rates several times during 2009. The Repurchase Rate and Reverse Repurchase Rates of 10% and 12% at the start of the year closed at 7.50% and 9.75% respectively.

INDUSTRY OVERVIEW

With intra year interest rate gyrations ranging from the high teens down to single digit levels, 2009 presented a strong recipe for extraordinary capital gain opportunities for the Primary dealing community. Through the year, perceptions of reducing interest rates were re-enforced by a myriad of factors including, Central Bank policy rate reductions, an end of the military conflict, IMF funding, some moderation of government borrowing, increase in market liquidity, other significant inflows of foreign funds, and a resurgent share market.

Primary dealers reported exceptional profits in the wake of declining yields and high volume trading of government securities. Market activity in corporate debt instruments was stimulated by the rate reductions and the opening of new markets in the post-war period.

The private corporate sector got throttled by high funding cost and crowded out by government borrowing pressure in 2008 and the first half of 2009. Thereafter however, much needed respite came their way with both liquidity and interest rates easing up concurrently. The investing community which embraced government securities during the height of the interest rate cycle started migrating to higher yielding corporate securities at the bottom of the interest rate cycle. Dormancy was replaced with keen activity in both short term and long term corporate paper markets.

Regionally, Sri Lanka still lags behind its peers in terms of market development. Both our regulators and market players seem keen to fast track progress in corporate debt and derivatives markets. As an integrated debt market service provider, First Capital plans to be fully engaged and pro-active in helping catalyze this process.

FINANCIAL PERFORMANCE

For the financial year ended 31 March 2010, the group recorded a gross turnover of Rs. 2.73 billion, a growth of Rs.396 million (17%) over the previous year. Consolidated profit after tax of Rs 682 million represented a substantial improvement from the previous year's profits of Rs. 192 million. Gains on sale of dealing securities (government securities and corporate debt securities) contributed 920Mn (68%) to the consolidated net income before expenses of the group while Interest income on dealing securities, re-sale agreements and other income contributed 32%.

In November 2009, the Board of Directors of company disposed of the group's equity investment in money broking. This operation had been discontinued in 2008 due to limited profitability. In June 2009 the company acquired a 29.99% stake in the listed entity Kotmale Holdings PLC via its subsidiaries.

On the back of strong results, the Company declared and paid a dividend of Rs.15/- per share in February 2010.



EXECUTIVE DIRECTOR'S REPORT (Contd.)

THE FUTURE

Sri Lanka is expected to continue registering GDP growth in excess of 6% in the foreseeable future. The economy registering a growth of 7.1% for the first quarter of 2010 reinforces this initial forecast. Private sector demand for credit is already showing signs of expansion and is expected to continue as long as interest rates are moderate. This will encourage capital market development resulting in buoyancy in both debt capital and equity capital markets.

Sri Lanka has traditionally had wide swings in inflation leading to stunting of long term financial products and markets. Now however, with the end of a protracted and consuming military conflict, a wide range of parameters has changed. We are entering a period of deeper global integration, higher domestic production and hopefully a more stable social and political environment.

In order to achieve the desired levels of economic growth, it is important to keep inflation and interest rates in close check. Barring any compelling global factors such as high commodity prices and liquidity crises, we are not likely to see inflation in the mid to high teens in the next 2 – 4 year period.

First Capital has recognized the need for agility, focus and alertness to change in order to remain a key player in the next decade. As fund based activities are not likely to yield the returns they had in the past, we propose to be more aggressive and innovative in pursuing our fee based areas of business. We plan to offer a more inclusive and attractive menu of products and to capture a wider spectrum of investors. We are offering the group's management and market expertise to those who need help in managing their investments in an environment growing in complexity. For those who seek financing to push their businesses forward, we will be customizing solutions outside the traditional funding models. At both management and operational levels, we have adopted a "can do" mentality and this, we believe, will auger well for us in realizing our aspirations.

ACKNOWLEDGEMENTS

I take this opportunity to express my deep appreciation to my fellow Board members for their unstinted support and guidance given during the year.

I also wish to express my sincere gratitude to our clients and all stakeholders for the confidence they have placed in us, particularly the management team and staff at all levels of the First Capital Group, without whose support we would not have been able to achieve all that we did.

(Sgd.)

Manjula Mathews (Ms)

Executive Director

5 July, 2010

Colombo



PROFILE OF THE BOARD OF DIRECTORS

Ms. Manjula Mathews – Executive Director

MBA, FCMA

Ms. Mathews brings to the Board over 21 years experience in General Management and Finance, both in Sri Lanka and overseas. She currently serves as Managing Director of Dunamis Capital PLC, a diversified conglomerate, and as a Director of other Dunamis subsidiaries.

Ms. Mathews was formerly the Finance Director at Janashakthi Insurance PLC one of the leading insurers in the country. She continues to hold a Non-Executive position at Janashakthi Insurance PLC. Ms. Mathews is a Fellow Member of the Chartered Institute of Management Accountants of (UK), and holds a Masters Degree in Business Administration from the University of Cambridge (UK).

Mr. Dinesh Schaffter – Executive Director

ACMA, LLB

Mr. Dinesh Schaffter counts over 20 years experience in the Financial Services and Manufacturing sectors. He also serves as a Director of Dunamis Capital PLC, and its subsidiaries. Mr. Schaffter is an Associate Member of the Chartered Institute of Management Accountants (UK), and holds a Bachelor of Law – Honours Degree (LLB) from the United Kingdom.

Mr. Nihara Rodrigo – Independent Non-Executive Director

President's Counsel

Mr. Rodrigo's professional career span of over 30 years is enriched with diversified expertise and experience in various fields including different aspects of law and e-commerce. He serves as the Chairman of the Grants Board of the Information and Communication Technology Agency of Sri Lanka - Capacity Building Program. He was appointed as a President's Counsel in May 2010. Mr. Rodrigo also serves as a Director of Dunamis Capital PLC and its listed subsidiaries namely Kotmale Holdings PLC and Kelsey Development PLC.

Mr. Jude Fernando – Non-Executive Director

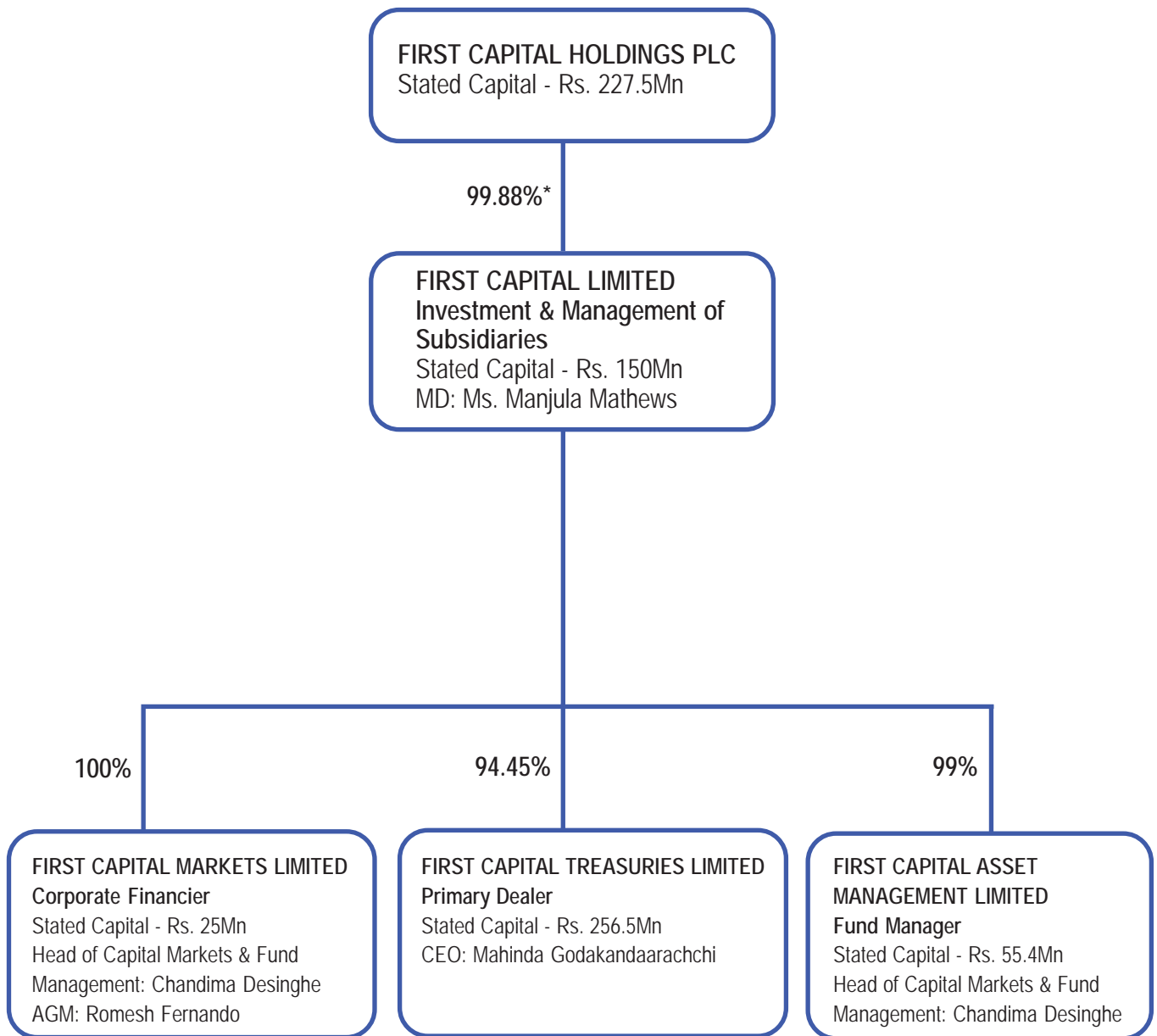
MBA, FCMA, Dip. M (UK), MCIM

Mr. Fernando brings to the Board over 17 years of experience in the fields of Supply Chain Management, Finance, Strategic Planning and International Marketing.

Prior to joining the Group, Mr. Fernando held the position of Director – Supply Chain, at Hemas Manufacturing (Private) Limited. He joined the Hemas Group following a career in Finance at Royal Ceramic PLC where he headed the finance operations as Finance Manager. Mr. Fernando currently serves as Director/ Chief Executive Officer of Kotmale Holdings PLC and also as a Director of Dunamis Capital PLC. Mr. Fernando is a Fellow Member of the Chartered Institute of Management Accountants (UK), a member of the Chartered Institute of Marketing (UK) and holds a Masters Degree in Business Administration from the University of Wales.



GROUP NETWORK



* First Capital Holdings PLC increased its stake in First Capital Limited to 99.88% during the year.



PRINCIPAL ACTIVITIES AND PRODUCTS

FIRST CAPITAL LIMITED

Investing in and managing of subsidiaries. First Capital Limited is the holding company of First Capital Treasuries Limited, First Capital Asset Management Limited and First Capital Markets Limited.

FIRST CAPITAL TREASURIES LIMITED

Appointed as a Primary Dealer by the Central Bank of Sri Lanka (CBSL) in June 1992. First Capital Treasuries Limited continues to enjoy that status, being one of only 11 fully functioning dedicated Primary Dealers. All outright issues of fixed income securities by the CBSL are channeled exclusively through this Primary Dealer network.

- (a) **Primary Auctions**
Participate in primary auctions conducted by the CBSL for Treasury Bills (investments up to one year), Treasury Bonds (investments beyond one year), Dollar Denominated Bonds (SLDB) and other instruments issued by the Government and the CBSL.
- (b) **Secondary Market Activities**
Engage in the secondary market in Treasury Bills, Treasury Bonds and other Government and CBSL Securities with

The CBSL by,
 - participating in auctions offered by the Department of Open Market Operations (OMO)
 - accessing the CBSL Repo and Reverse Repo Discounting Windows.
Retail and Corporate Clients by,
 - bidding on their behalf, at Primary Auctions
 - distributing the securities purchased from CBSL by way of "outright sale" or on the basis of a "repurchase agreement"
 - providing a specialized and personalized advisory service for better investment options.
- (c) **Promoting and developing a secondary market in Treasury Bills, Treasury Bonds and other Government and CBSL Securities by,**
 - maintaining a Trading Portfolio (leveraged within parameters placed by CBSL) of a range of these securities, and trading actively based on a view of market movements.
 - quoting narrow buy/sell spreads and trading with a wide range of counter parties which includes commercial banks, other primary dealers, specialized banks, corporate clients with the objective of contributing to a vibrant trading environment.
- (d) **Advisory Services - Fixed Income Securities**
Dedicated market research is conducted in examining trends in Sri Lankan macro statistics and global factors to arrive at yield curve forecasts and market positioning.
- (e) **Structure/Place or underwrite derivatives in the form of Interest Rate Swaps and Forward Arrangements for hedging purposes where the underlying security is a gilt edged government debt paper.**

The Company has branch offices in Kandy and Matara which serve the needs of its expanding client base.



PRINCIPAL ACTIVITIES AND PRODUCTS (Contd.)

FIRST CAPITAL MARKETS LIMITED

First Capital Markets Limited is the group's arm dealing with non-government securities and its primary mandate is to intermediate in the debt capital markets. The Company interacts closely with corporate entities in assisting them with structuring and placing both short term and long term debt issues. In doing so, First Capital Markets Limited draws from a pool of resources which includes corporate lawyers, market researchers, custodians, trustees, underwriters, broking houses and regulators.

The vehicles utilized for these purposes are commercial papers, promissory notes, asset backed papers, debentures, interest rate swaps and forward rate agreements and syndications.

Complementing this function is the large and growing client base of the Company which acts as a strong placement platform for structured debt paper. First Capital Markets Limited is also a Margin Provider licensed by the Securities and Exchange Commission of Sri Lanka for listed equity. In this function, the Company facilitates leveraging for investors in the share market enabling them to capitalize on both short term and medium term market opportunities.

FIRST CAPITAL ASSET MANAGEMENT LIMITED

First Capital Asset Management Limited is an Investment Manager licensed by the Securities and Exchange Commission of Sri Lanka specializing in managing wealth for Trusts, Provident Funds, High Networth Individuals and for Companies.

As part of a group with high visibility and understanding of the financial markets, the Company is able to avail clients of investment option which would otherwise not be available to them. In doing so, First Capital Asset Management Limited can secure significantly higher returns on funds entrusted to them for management.



FINANCIAL REPORTS

Annual Report of the Board of Directors	11-15
Statement of Directors' Responsibility	16
Corporate Governance	17
Independent Auditors' Report	18
Income Statement	19
Balance Sheet	20
Statement of Changes in Equity	21
Cash Flow Statement	22
Notes to the Financial Statements	23-43



ANNUAL REPORT OF THE BOARD OF DIRECTORS

The Board of Directors takes pleasure in presenting the Annual Report together with the audited financial statements for the year ended 31 March 2010.

These Financial Statements were approved by the Board of Directors on 5 July 2010.

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.

Directors' Responsibility for Financial Reporting

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

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.

Principal Activities

The principal activities of the company are the investment and management of subsidiaries. In November 2009, the management decided to dispose of the equity investment held in First Capital Money Brokers Limited. Apart from this, there were no significant changes in the nature of principal activities of the Company or any of its subsidiaries during the financial year.

Review of Operations

A review of the operations of the Company during the financial year and the results of those operations are contained in the Executive Director's Report on pages 4-5 of the Annual Report. This report forms an integral part of the Directors' Report.

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 page 17 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.



ANNUAL REPORT OF THE BOARD OF DIRECTORS (Contd.)

Financial Results

Group results for the current year are summarized below with comparative figures for the previous year.

	2009/10	2008/09
	Rs. '000	Rs. '000
Revenue	2,728,792	2,333,106
Profit Before Tax	1,164,349	349,263
Income Tax Expense	(482,105)	(157,679)
Profit After Tax	682,244	191,584

The financial statements of the Company are set out in pages 18 to 43 of the Annual Report.

Dividends

The Directors recommended and paid an interim dividend of Rs.15/-per share for the financial year 2009/10.

Significant Accounting Policies

The accounting policies adopted in the preparation of the financial statements is given on pages 23 to 30. There were no changes in the accounting policies adopted by the Company during the year under review.

Directorate

The following were the Directors of the Company as at 31 March 2010.

1. Ms. Manjula Mathews
2. Mr. Dinesh Schaffter
3. Mr. Jude Fernando
4. Mr. Nihara E. Rodrigo

There were no new appointments/ resignations with respect to Directorate during the Year.
The profiles of the Directors are given on page 6 of the Annual Report.

Retirement by Rotation and Re-Election

Mr. Nihara E. Rodrigo retires by rotation in terms of Article 93 and being eligible offers himself for re-election. The continuing Directors recommend his re-election.

Related Party Transactions

Related party transactions have been declared at meetings of the Directors and are detailed in Note 31 to the financial statements.

Interests Register

The Interests Register is maintained by the Company as per the Companies Act No. 7 of 2007. 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.



ANNUAL REPORT OF THE BOARD OF DIRECTORS (Contd.)

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 31 to the Financial Statements.

Directors' Shareholding

The shareholdings of the Directors at the beginning of the year and as at the end of the year are as follows.

	No. of Shares 31.03.2010	No. of Shares 01.04.2009
Mrs. Manjula Mathews	Nil	Nil
Mr. Dinesh Schaffter	956,702	956,702
Mr. M S Jude Fernando	Nil	Nil
Mr. Nihara E. Rodrigo	Nil	Nil

Remuneration and Fees

Details of Directors remuneration and fees are set out in Note 08 to the financial statements. All fees and remuneration have been duly approved by the Board of Directors of the Company.

Income Tax Expenses

Income tax expenses have been computed at the rates given in Note 09 to the financial statements.

Capital Expenditure

Details of property, plant & equipment and their movements during the year are given in Note 21 to the financial statements.

Fixed Assets

Details of movements in fixed assets of the Group during the year are set out in Note 21 to the financial statements.

Reserves

There were no other material transfers to or from reserves during the financial year other than disclosed in Note 28 to the financial statements.

Stated Capital

The stated capital of the Company as at 31 March 2010 was Rs. 227.5 Million consisting of 33,750,000 ordinary shares.

Subsequent to the Balance Sheet date, on 10 May 2010, the Company made a sub-division of its shares without a change to the stated capital of Rs. 227,500,000/- by splitting every one (01) existing voting ordinary share into three (03) voting ordinary shares. The shares so divided rank equal and pari passu in all respects with the existing shares from which the division arose.

The movements in profits and reserves are given in the statement of changes in equity on page 21 to the financial statements.



ANNUAL REPORT OF THE BOARD OF DIRECTORS (Contd.)

Share Information & Substantial Shareholders

As at 31 March 2010 there were 5645 registered shareholders. Share information and the twenty largest shareholders as at 31 March 2010 are listed in pages 44 to 45 of the Annual Report.

Information relating to earnings, net assets per share, market value of a share and information on share trading is stated under Shareholder and Investor information in page 44 of the Annual Report.

Corporate Donations

The Group did not make any donations to charities during the year.

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 the Group has not 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 after the Balance Sheet Date

No material events have taken place after the balance sheet date which requires an adjustment to or a disclosure in the financial statements, other than as disclosed in Note 32 to the Financial Statements.

Independent Auditors

The Company's Auditors during the period under review were Messrs KPMG Ford, Rhodes, Thornton & Company, Chartered Accountants. The fees paid to auditors are disclosed in Note 8 to the Financial Statements.

Based on the declaration from Messrs KPMG Ford, Rhodes, Thornton & Company, 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 Ford, Rhodes, Thornton & Company, 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 Ford, Rhodes, Thornton & Company, 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 18 of the Annual Report.

**ANNUAL REPORT OF THE BOARD OF DIRECTORS (Contd.)****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 18th Annual General Meeting of the Company will be held on 5 August 2010. The notice convening the Meeting and the Agenda are given on page 50.

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

(Sgd.)
Manjula Mathews (Ms)
Executive Director

(Sgd.)
Mr. Dinesh Schaffter
Director

5 July, 2010
Colombo



STATEMENT OF DIRECTORS' RESPONSIBILITY

The Directors of the Company are responsible for ensuring that the Company and the Group keep proper books of accounts of all the transactions and prepare Financial Statements that gives a true and fair view of the state of affairs of the Company at Balance Sheet date and of the profit or loss for the year ending on that Balance Sheet date in accordance with the Sections 150 (1), 151 (1), 152 (1) and 153 (1) of the Companies Act No. 07 of 2007. 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 Act. The Financial Statements of the Company has been signed by two Directors on July 5, 2010 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. As a result, the Directors have caused the Company and the Group to maintain proper books of accounts and review the financial reporting system at their meetings. The Board also reviews the 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 on a consistent basis and appropriate estimates and judgments made to reflect the true substance and form of transactions.

The Financial Statements of the Company for the year ended 31 March 2010 are in conformity with the requirements of Sri Lanka Accounting Standards laid down by the Institute of Chartered Accountants of Sri Lanka (ICASL).

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

The External Auditor of the Company, Messrs KPMG Ford, Rhodes, Thornton & Co. who were reappointed in accordance with a resolution passed at the last Annual General Meeting were made available all details required by them to express an opinion which is appearing in page 18 in this Annual Report.

The Directors confirm that to the best of their knowledge, all statutory payments relating to employees and Government and other statutory bodies that were due in respect of Company and its Subsidiaries as at the balance Sheet date have been paid or provided for. Directors further confirm that after considering the financial position, operating conditions, regulatory and other factors required to be considered, the Directors have a reasonable expectation that the Company possesses adequate resources to continue in operation for the foreseeable future. For this reason, we continue to adopt the Going Concern basis in preparing Financial Statements.

(Sgd.)
K H L Corporate Services Lintied
Secretaries

5 July, 2010
Colombo



CORPORATE GOVERNANCE

The Directors acknowledge their responsibility for the Company's corporate governance and the system of internal control. The directors are responsible to the stakeholder for providing strategic direction to the company and safeguarding the assets of the business. Currently the Board comprises of one independent non-executive director, one non-executive director and two executive directors all of whom possess a broad range of skills and experience.

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. Advice and guidance is provided to the senior management team at monthly performance review meetings. These meetings provide an opportunity to assess progress and ensures accountability of the senior management team.

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.

First Capital Holdings PLC is in the process of regularizing the composition of the Board of Directors to comply with the requirements of the CSE Listing Rules. The company has two non-executive directors on its board and meets the requirements of Rule 7.10.1 (a). However it is currently not in compliance with Rule 7.10.2 (b) which requires two or one-third of the non-executive directors (whichever is higher) to be independent. The independent non-executive director on the Board, Mr. Nihara Rodrigo has submitted a declaration of his independence. Mr. Rodrigo does not qualify as independent against the criteria set out in the listing rules because he is a director of other companies in which a majority of the other directors of the Company are employed or are directors. However the Board is of the opinion that this does not affect his independence as he does not have a business relationship or a significant shareholding in either First Capital Holdings PLC or other associate companies of which he is a director.

The proper constitution of Remuneration and Audit committees that meet the requirements of the CSE listing rules have been hampered due to the lack of adequate independent directors within the company. The company is in the process of regularizing the composition of the Board to comply with the requirements of the listing rules.

The Remuneration Committee currently consists of two non-executive directors Mr. Nihara Rodrigo and Mr. Dinesh Schaffter with Mr. Rodrigo functioning as the Chairman. The committee therefore does not comply with the criteria of listing rule 7.10.5(a).

The remuneration policy of the Company is to base remuneration on both individual and company performance whilst recognizing the importance of attracting and retaining high calibre personnel. The recommendations of the Remuneration Committee on payments to executive directors was duly adopted by the Board of Directors.

The company currently does not meet the requirements of the listing rules with respect to an audit committee. An audit committee will be constituted by the Company that meets the criteria as set out in the listing rules of the CSE.



INDEPENDENT AUDITORS' REPORT



KPMG Ford, Rhodes, Thornton & Co.
(Chartered Accountants)
32A, Sir Mohamed Macan Markar Mawatha,
P.O. Box 186,
Colombo 00300,
Sri Lanka.

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+94 – 11 542 6426
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+94 – 11 244 6058
+94 – 11 254 1249
+94 – 11 230 7345
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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 consolidated financial statements of the Company and its subsidiaries as at 31 March 2010, which comprise the balance sheet as at 31 March 2010, and the income statement, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Sri Lanka Accounting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Scope of Audit and Basis of Opinion

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 plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit. We therefore believe that our audit provides a reasonable basis for our opinion.

Opinion - Company

In our opinion, so far as appears from our examination, the Company maintained proper accounting records for the year ended 31 March 2010 and the financial statements give a true and fair view of the Company's state of affairs as at 31 March 2010 and its profit and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

Opinion - Group

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs as at 31 March 2010 and the profit and cash flows for the year then ended, in accordance with Sri Lanka Accounting Standards, of the Company and its subsidiaries dealt with thereby, so far as concerns the shareholders of the Company.

Report on Other Legal and Regulatory Requirements

These financial statements also comply with the requirements of Sections 153(2) to 153(7) of the Companies Act No. 07 of 2007.

(Sgd.)
CHARTERED ACCOUNTANTS
Colombo, 05 July 2010

KPMG Ford, Rhodes, Thornton & Co, 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.

A. N. Fernando FCA
Ms. M. P. Perera FCA
T. J. S. Rajakarier FCA
Ms. S. M. B. Jayasekara ACA

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W. W. J. C. Perera FCA
W. K. D. C. Abeyrathne ACA

M. R. Mihular FCA
C. P. Jayatilake FCA
Ms. S. Joseph ACA
S. T. D. L. Perera FCA



INCOME STATEMENT

For the year ended 31 March,	Note	Group		Company	
		2010 Rs. '000	2009 Rs. '000	2010 Rs. '000	2009 Rs. '000
Income	4	2,728,792	2,333,106	570,359	28,238
Direct income	5	2,684,484	2,320,174	10,871	27,491
Direct expenses	6	(1,374,335)	(1,852,030)	(20,482)	(26,805)
Net operating income		1,310,149	468,144	(9,611)	686
Other income	7	43,690	12,931	559,488	747
		1,353,839	481,076	549,877	1,433
Less : operating expenses	8				
Personnel expenses		72,592	38,568	-	-
Premises, equipment and establishment expenses		17,539	11,000	20	27
Staff retirement benefit cost		1,771	1,196	-	-
Other overhead expenses		112,786	81,049	8,009	24,960
		(204,688)	(131,813)	(8,029)	(24,987)
Share of associate company profit (net of taxation)		15,198	-	-	-
Profit/(loss) before taxation		1,164,349	349,263	541,848	(23,554)
Taxation	9	(482,105)	(157,679)	(10)	(17,474)
Profit/(loss) for the year		682,244	191,584	541,838	(41,028)
Attributable to:					
Equity holders of the parent		646,137	132,403	541,838	(41,028)
Minority interest		36,107	59,181	-	-
		682,244	191,584	541,838	(41,028)
Earnings /(loss) per share (Rs.)	10	19.14	3.92	16.05	(1.22)
Dividend per share (Rs.)	11	15.00	-	15.00	-

The Notes disclosed on pages 23 to 43 form an integral part of these Financial Statements.



BALANCE SHEET

As at 31 March,	Note	Group		Company	
		2010 Rs. '000	2009 Rs. '000	2010 Rs. '000	2009 Rs. '000
ASSETS					
Cash at banks and in hand		6,748	5,673	1,938	677
Short term investments	12	9,756,816	10,636,431	51,606	310,977
Trade and other receivables	13	261,589	68,477	2,306	2,218
Group balances receivable	14	-	-	-	-
Investment securities		379,259	617,234	1,000	1,000
Assets held for sale	15	80,218	82,430	-	-
Tax receivables	16	5,684	5,684	5,684	5,684
Investment in venture capital	17	8,000	19,486	8,000	19,486
Investment in associates	18	203,198	-	-	-
Investment in subsidiary	19	-	-	398,204	219,484
Deferred tax asset	20	56,831	107,537	-	-
Property, plant and equipment	21	10,070	7,807	-	20
Intangible assets	22	55,415	803	-	-
Total Assets		10,823,828	11,551,562	468,738	559,546
LIABILITIES					
Bank overdrafts		1,586	312	-	-
Securities sold under re-purchase agreements		7,360,786	9,501,917	3,577	-
Short term borrowings		2,159,066	1,143,300	-	309,745
Trade and other payables	23	212,560	121,467	15,816	3,257
Group balances payable	24	-	32,458	200,000	32,777
Tax payables	25	453,724	145,257	17,670	17,680
Retirement benefit obligations	26	5,637	5,172	-	-
Total Liabilities		10,193,359	10,949,883	237,063	363,459
EQUITY					
Stated capital	27	227,500	387,480	227,500	387,480
Risk reserve	28	224,287	61,082	-	-
Retained earnings / (loss)		129,044	5,087	4,175	(191,393)
Equity attributable to the equity holders of the parent		580,831	453,649	231,675	196,087
Minority interest		49,638	148,030	-	-
Total Equity		630,469	601,679	231,675	196,087
TOTAL EQUITY AND LIABILITIES		10,823,828	11,551,562	468,738	559,546
Net Asset Value per share (Rs.)		17.21	13.44	6.86	5.81

The Notes disclosed on pages 23 to 43 form an integral part of these Financial Statements. The Financial Statements are prepared and presented in compliance with the requirements of the Companies Act No.07 of 2007.

(Sgd.)
Mangala Jayashantha
 Chief Financial Officer

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

(Sgd.)
Manjula Mathews (Ms)
 Director

(Sgd.)
Dinesh Schaffter
 Director

5 July, 2010
 Colombo



STATEMENT OF CHANGES IN EQUITY

GROUP

For the year ended 31 March 2010

	Attributable to equity holders of parent				Minority Interest	Total Equity
	Stated Capital	Risk Reserve	Retained Earnings / (Loss)	Total		
	Rs. '000	Rs. '000	Rs. '000	Rs. '000		
Balance as at 1 April 2008	387,480	19,896	(86,130)	321,246	88,848	410,094
Profit for the year	-	-	132,403	132,403	59,182	191,585
Transfers to risk reserve	-	41,186	(41,186)	-	-	-
Balance as at 31 March 2009	387,480	61,082	5,087	453,649	148,030	601,679
Balance as at 1 April 2009	387,480	61,082	5,087	453,649	148,030	601,679
Capital reduction (Note 27.A)	(159,980)	-	159,980	-	-	-
Profit for the year	-	-	646,137	646,137	36,107	682,244
Adjustment due to acquisition	-	-	(12,705)	(12,705)	(112,099)	(124,804)
Transfers to risk reserve	-	163,205	(163,205)	-	-	-
Dividend paid	-	-	(506,250)	(506,250)	(22,400)	(528,650)
Balance as at 31 March 2010	227,500	224,287	129,044	580,831	49,638	630,469

COMPANY

For the year ended 31 March 2010

	Stated Capital	Retained Earnings / (Loss)	Total Equity
	Rs. '000	Rs. '000	Rs. '000
	Balance as at 1 April 2008	387,480	(150,365)
Loss for the year	-	(41,028)	(41,028)
Balance as at 31 March 2009	387,480	(191,393)	196,087
Balance as at 1 April 2009	387,480	(191,393)	196,087
Capital reduction (Note 27.A)	(159,980)	159,980	-
Profit for the year	-	541,838	541,838
Dividend paid	-	(506,250)	(506,250)
Balance as at 31 March 2010	227,500	4,175	231,675

The Notes disclosed on pages 23 to 43 form an integral part of these Financial Statements.



CASH FLOW STATEMENT

For the year ended 31 March 2010

	Group		Company	
	2010 Rs. '000	2009 Rs. '000	2010 Rs. '000	2009 Rs. '000
Cash flows from operating activities				
Interest receipts and gains realized	2,643,316	2,320,139	10,873	12,679
Interest payments and other direct cost	(1,340,721)	(1,852,030)	(20,483)	(9,151)
Other receipts	41,300	11,408	-	-
Cash payments to employees and suppliers	(129,052)	(114,661)	(8,009)	(8,304)
Operating profit / (loss) before changes in operating assets and liabilities	1,214,843	364,856	(17,620)	(4,776)
(Increase) / decrease in short term investments	891,490	696,859	259,569	(294,872)
(Increase) / decrease in debtors and advances	(134,321)	149,792	(295)	(408)
Increase / (decrease) in trade and other payables	(47,321)	20,257	12,559	(210)
Increase / (decrease) in group balances payable	(32,458)	11,010	167,223	(8,817)
Increase / (decrease) in short term borrowings	1,015,766	1,143,300	(309,745)	309,745
Increase / (decrease) in borrowings against re-purchase agreements	(2,174,746)	(1,733,152)	3,578	-
Cash generated from operations	733,252	652,922	115,269	662
Tax paid	(122,932)	(33,047)	(10)	-
Gratuity paid	(1,296)	-	-	-
Net cash flow from operating activities	609,024	619,875	115,259	662
Cash flow from investing activities				
Purchase of property, equipment and intangible assets	(8,495)	(7,621)	-	-
Investment in associate (Note 18)	(206,800)	-	-	-
Investment in subsidiary (Note 19)	(178,720)	(335)	(178,720)	(335)
Proceeds on sale of investment securities	237,975	-	(339)	-
Other long term investments	(119,121)	-	-	-
Proceeds on disposal of subsidiary	10,000	-	-	-
Proceeds on sale of venture capital investments	11,486	-	11,486	-
Sale of property and equipment	102	7,174	-	-
Proceeds on sale of other long term investments	150,833	-	786	-
Acquisition of investment securities	-	(616,234)	-	-
Dividend receipts	18,997	228	559,039	-
Staff loans capital recovered	3,170	4,827	-	-
Net cash generated / (used in) investing activities	(80,573)	(611,961)	392,252	(335)
Cash flow from financing activities				
Dividend paid (Note 11)	(506,250)	-	(506,250)	-
Net payments to minority shareholders	(22,400)	-	-	-
Net cash flow from financing activities	(528,650)	-	(506,250)	-
Net cash inflow / (outflow) for the year	(199)	7,914	1,261	327
Cash and cash equivalents at the beginning of the year (Note A)	5,361	(2,553)	677	350
Cash and cash equivalents at the end of the year (Note B)	5,162	5,361	1,938	677
Note A				
Cash at bank and hand	5,361	13,758	677	350
Bank overdraft	-	(16,311)	-	-
	5,361	(2,553)	677	350
Note B				
Cash at bank and hand	6,748	5,673	1,938	677
Bank overdraft	(1,586)	(312)	-	-
	5,162	5,361	1,938	677

The Notes disclosed on pages 23 to 43 form an integral part of these Financial Statements.



NOTES TO THE FINANCIAL STATEMENTS

1. REPORTING ENTITY - CORPORATE INFORMATION

1.1 Domicile and Legal Form

First Capital Holdings PLC ("Company") is a limited liability company incorporated and domiciled in Sri Lanka on 23 March 1992. The registered office and place of business of the company is at No.75, Arnold Ratnayake Mawatha, Colombo 10.

In the Annual Report of the Board of Directors "the company" refers to First Capital Holding PLC, as the holding company and "the group" refers to the consolidated results of First Capital Holding PLC and its subsidiary company of First Capital Ltd and sub-subsidiaries namely, First Capital Treasuries Ltd, First Capital Markets Ltd and First Capital Asset Management Ltd.

1.2 Principal Activities and Nature of Operations

The principal activity of the Company is engaging in venture capital investments.

1.3 Parent entity and ultimate parent entity

The Company's parent entity is PVIC Management Company Limited. In the opinion of the Directors, the Company's ultimate parent undertaking and controlling party is Dunamis Capital PLC, which is incorporated in Sri Lanka.

1.4 Number of Employees

The number of employees of the group as at 31 March 2010 is 36 (35 - 31 March 2009)

2. BASIS OF PREPARATION

2.1 Statement of Compliance

The Financial Statements have been prepared in accordance with the Sri Lanka Accounting Standards (SLASs) laid down by the Institute of Chartered Accountants of Sri Lanka and are in compliance with the requirements of the Companies Act No. 07 of 2007.

2.2 Approval of Financial Statements by Directors

The Financial Statements were authorized for issue by the Board of Directors on July 5, 2010.

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.

The Group Financial Statements comprise a consolidation of the Financial Statements of the Company and its subsidiaries in accordance with Sri Lanka Accounting Standard (SLAS)-26 on "Consolidated and separate Financial Statements" and SLAS-27 "Investment in Associates".



NOTES TO THE FINANCIAL STATEMENTS

2.4 Subsidiaries

Subsidiaries are those enterprises controlled by the Company. Control exists when the company has the power, directly or indirectly, to govern the financial and operating policies of an enterprise so as to obtain benefits from its activities. The Financial Statements of subsidiaries are included in the Consolidated Financial Statements from the date that control commences until the date that control ceases. The Consolidated Financial Statements are prepared to a common financial year ending 31 March. All Subsidiaries in the Group have a common financial year ending 31 March. Details of investments in subsidiaries is set out in Note 19 to the Financial Statements. The interest of the outside shareholders of the Group is disclosed separately under the heading "Minority Interest".

2.5 Associates

Associates are those enterprises in which the Group has significant influence, but not control, over the financial and operating policies. The consolidated financial statements include the Group share of the total recognized gains and losses of associates on an equity accounted basis, from the date that significant influence effectively commences until the date that significant influence effectively ceases.

2.6 Goodwill and Negative Goodwill arise 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 acquired. When the excess is negative (negative goodwill), it is recognized immediately in the Consolidated Income Statement. Goodwill is stated at cost less accumulated impairment losses. Goodwill is tested for impairment as described in SLAS 25 (Revised) - "Business Combinations".

Goodwill on the acquisition of subsidiaries is presented as intangible assets.

2.7 Transactions Eliminated on Consolidation

Inter-company transactions and balances and any unrealized gains arising from such inter-company transactions and balances have been eliminated in preparing the Consolidated Financial Statements.

2.8 Functional and Presentation Currency

The Financial Statements are presented in Sri Lanka Rupees, which is the company's functional currency.

2.9 Use of Estimates and Judgments

The preparation of Financial Statements 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 recognized in the period in which the estimate is revised and in any future periods affected.

2.10 Classification of Dealing (Trading) and Investment Securities

In classifying securities as "Dealing" (Trading), the company has determined that it meets the description set out in Note 3.6.

In classifying securities as "Investment", the company has determined that it has both the positive intention and ability to hold the securities until their maturity date as required by Note 3.6.

2.11 Assessment of Impairment

The company assesses at each Balance Sheet date whether there is objective evidence that an asset or a portfolio of assets is impaired. If any such indication exists the recoverable amount of the asset is estimated and shown in the Balance Sheet. The impairment loss, if any, is taken to Statement of Income.



NOTES TO THE FINANCIAL STATEMENTS

2.12 Employee Retirement Benefits

The liability as at Balance Sheet date was assessed based on formula methods as disclosed in Note 26.

2.13 Comparative Information

Where necessary, amounts shown for the previous year have been reclassified to correspond to current year to facilitate comparison.

2.14 Going Concern

The Board of Directors certifies that the company has adequate resources to continue its operations in the foreseeable future. Therefore the going concern basis has been adopted in preparing the Financial Statements.

3 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies are applied consistently with due regard to prudence, materiality and substance over form criteria as explained in Sri Lanka Accounting Standard No. 3 on "Presentation of Financial Statements", on accrual basis. Where appropriate, the accounting policies are disclosed in the succeeding notes.

3.1 Changes in Accounting Policies

The accounting policies applied by the company are, unless otherwise stated, consistent with those used in the previous year. There were no changes to the accounting policies of the company during the year.

SLASs that are not yet effective and therefore not adopted by the company

The following standards have been published and are mandatory for the Company's accounting period, beginning on or after 01 January 2011 or later period.

SLAS 44 Financial Instruments; Presentation

The objective of this Standard is to establish principles for presenting financial instruments as liabilities or equity and for offsetting financial assets and financial liabilities. It applies to the classification of financial instruments, from the perspective of the issuer, into financial assets, financial liabilities and equity instruments; the classification of related interest, dividend, losses and gains; and the circumstances in which financial liabilities should be offset.

The substance of the financial instrument, rather than its legal form governs its classification on the entity's balance sheet. Substance and legal form are commonly consistent, but not always. Some financial instruments take the legal form of equity but are liabilities in substance and others may combine features associated with equity instruments and features associated with financial liabilities. Accordingly the preference share that provides for mandatory redemption by the issuer for a fixed determinable future date, or gives holder the right to require the issuer to redeem the instrument at or after a particular date for a fixed or determinable amount, is a financial liability.

SLAS 45 Financial Instruments; Recognition and Measurement

The objective of this standard is to establish principles for recognizing and measuring the financial assets, financial liabilities, and some contracts to buy or sell non financial items.

3.2 Transactions of Foreign Exchange

Transactions in foreign currencies are translated to Sri Lankan Rupees at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies as at the Balance Sheet date are converted to Sri Lankan Rupees at the exchange rate at the date of the transaction. Exchange differences arising on transactions are recognized in the Income Statement.



NOTES TO THE FINANCIAL STATEMENTS

ASSETS AND THE BASES OF THEIR VALUATION

3.3 Cash and Cash Equivalents

Cash and Cash Equivalents comprise cash in hand and balance with banks. They are brought to account at the face value or the gross value where appropriate.

3.4 Investment in Government Securities and Corporate Securities held for Dealing

Investments in Government Securities and Corporate Securities in dealing portfolio are those investments that the company acquires or incurs principally for the purpose of selling, or holds as a part of a portfolio that is managed for short term profit. These investments are accounted at the lower of cost and market value as at the Balance Sheet date on an aggregate portfolio basis in accordance with Sri Lanka Accounting Standard No. 22- "Accounting for Investments".

Securities denominated in foreign exchange have been converted into the reporting currency at rates prevailing at the balance sheet date.

3.5 Receivables under Resale Agreements

These are lending collateralized by the purchase of Government Securities and Corporate Securities from the counter party to whom lending is made. The sale by the counter party is subject to a commitment by the company to sell back the underlying Debt securities to the borrower at a pre-determined price. The lending is stated at cost plus interest as at the Balance Sheet date.

3.6 Investments

Dealing (Trading) Securities

Dealing (Trading) securities are those investments that are acquired or incurred principally for the purpose of selling or holding as part of a portfolio that is managed for short term profit.

These investments are equivalent of Current Investments as defined in Sri Lanka Accounting Standard No. 22- "Accounting for Investments", and are accounted for at the lower of cost and market value as at the Balance Sheet date on an aggregate portfolio basis. Dealing Securities currently comprise Treasury Bills, Bonds and Commercial Papers.

Securities denominated in foreign exchange have been converted into the reporting currency at the balance sheet date.

Investment Securities

These are securities which are acquired and held for yield or capital growth in the medium/ long term with the positive intent and ability to hold until maturity. Such securities are recorded at cost.

3.7 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. Immediately before classification as held for sale, the assets are measured in accordance with the group accounting policies. Thereafter generally the assets are measured at the lower of their carrying amount and fair value less cost to sell. Impairment losses on initial classification as held for sale and subsequent gain or losses on remeasurement are recognized in profit and loss. Gains are not recognized in excess of any cumulative impairment loss.

3.8 Intangible Assets

All software licensed for use by the Company, not constituting an integral part of related hardware are included in the Balance Sheet under the category intangible assets and carried at cost less accumulated amortization and any impairment losses.

The initial acquisition cost comprises license fee paid at the inception; import duties such other cost applicable, cost of customizing the software to meet the specific requirements of the Company and other directly attributable expenditure in preparing the asset for its intended use. The cost is amortized using the straight-line method at a rate of 33 1/3 % per annum commencing from the date the application software is available for use. The amortization cost is recognized as an expense.



NOTES TO THE FINANCIAL STATEMENTS

3.9 Property, Plant and Equipment

Property, Plant and Equipment are stated on the Balance Sheet at cost less accumulated depreciation, and any impairment losses. Leased assets are capitalized at their cash cost, and depreciated thereon.

Depreciation is calculated on the cost or valuation of Property, Plant and Equipment in order to write off such amounts over the estimated useful lives of such assets. Depreciation is provided from the time the asset is available for use, up to the date of disposal. Depreciation is provided on a straight-line basis using the following rates:

<u>Asset Type</u>	<u>Depreciation Rate</u>
Fixtures & Fittings	33 1/3 % per annum
Furniture	33 1/3 % per annum
Office Equipment	33 1/3 % per annum
Motor Vehicles	33 1/3 % per annum

3.10 Other Assets

All other assets are valued net of specific provisions, where necessary, so as to reduce the carrying value of such assets to their estimated realizable values.

LIABILITIES AND PROVISIONS

3.11 Liabilities

All material liabilities as at the Balance Sheet date have been included in the accounts and adequate provision has been made for liabilities which are known to exist but the amounts of which cannot be determined accurately.

3.12 Securities sold under Re- Purchase Agreement

Securities sold under Re- Purchase Agreements to repurchase are recorded separately in the financial statements. These are borrowings collateralized by sale of Government Securities & Corporate Securities held by the Company to the counter party from whom the Company borrowed, subject to a commitment to repurchase them at a predetermined price.

3.13 Employee Retirement Benefits

Defined Benefits Plan – Gratuity

As required by (SLAS)-16 (Revised 2006) "Employee Benefits", which become effective from 1 July 2007, the company has provided for gratuity liability based on the gratuity formula method, for the current financial year.

However under the Payment of Gratuity Act No.12 of 1983, the liability to an employee arises only on completion of five years of continued service.

The liability is not externally funded.



NOTES TO THE FINANCIAL STATEMENTS

Defined Contribution Plan – Employees' Provident Fund and Employees' Trust Fund

A defined contribution plan is a post employment benefit plan under which an entity pays fixed contribution in to separate entity and will have no legal or constructive obligation to pay further amounts.

All employees who are eligible for Employees' Provident Fund and Employees' Trust Fund are covered by relevant contribution fund to the defined contribution plans are recognized as an expense in the financial statements when incurred.

(a) Employees' Provident Fund

The company and employee contribute 15% and 10% respectively on the salary of each employee to the approved provident fund.

(b) Employees' Trust Fund

The company contributes 3% of the salary of each employee to the employee's trust fund.

3.14 Provisions, Contingent Assets and Contingent Liabilities

Provisions are recognized when the Company has present legal or constructive obligation, as result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a realizable estimate of the amount of such obligation can be made.

Contingent assets if exist, are disclosed, when inflow of economic benefit is probable.

All contingent liabilities are disclosed, as notes to the financial statements unless the outflow of resources is remote.

3.15 Capital Commitments and Contingencies

All material contingencies and commitments as at balance sheet date have been identified and disclosed in Note 30 to the financial statements.

3.16 Events Occurring after Balance Sheet Date

All material events occurring at the Balance Sheet date have been considered and where appropriate, adjustment to, or disclosure has been made in the Financial Statements.

INCOME STATEMENT

3.17 Revenue Recognition

(a) Capital Gains/ (Losses) on Securities

Capital Gains/ (Losses) on Securities are accounted on the date of sale by deducting the carrying value of the securities from the sales proceeds.

(b) Interest Income on Resale Agreements & Dealing Securities

Interest income is accounted for on an accrual basis.



NOTES TO THE FINANCIAL STATEMENTS

(c) Dividend Income

Dividend income is recognized, when right to receive the dividend is established.

(d) Profit on Sale of Other Investments

Profits earned on the sale of other Investments have been accounted for in the Income Statement on the basis of realized net profits.

(e) Brokerage Income

Brokerage income is recognized on the completion of the respective deal.

3.18 Expenses

(a) Expenditure Recognition

Expenses are recognized in the income statement on the basis of a direct association between the costs incurred and the earning of specific items of income. All expenditure incurred in the running of the business and in maintaining the property, plant & equipment in a state of efficiency has been charged to income in arriving at the profit for the period.

For the purpose of presentation of the income statement, the Directors are of the opinion that the function of expenses method presents fairly the elements of the company's performance, and hence such presentation method is adopted.

(b) Interest Expense

Interest expense is recognized on an accrual basis.

(c) Operating Expense

All other expenditure incurred in the functioning of the business and in maintaining the capital assets in a state of efficiency has been charged to revenue in arriving at the Company profit for the period.

(d) Taxation

Taxation comprises of current and deferred tax.

Current Taxation

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted on the balance sheet 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 provision of the Inland Revenue Act No. 10 of 2006 and subsequent amendments thereto.

The company is liable for income tax at the rate of 20% and its subsidiaries are liable for income tax at the rate of 35% on its taxable profit.



NOTES TO THE FINANCIAL STATEMENTS

Deferred Taxation

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted by the reporting date. Deferred tax assets, including those related to temporary tax effects of income tax losses and credits available to be carried forward available against which the asset can be utilized. 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 realized.

3.19 Earning Per Share (EPS)

The company presents basic earnings per share for its ordinary shares. Basic EPS is calculated by dividing the profits or loss attributable to ordinary shareholders of the company by the weighted average number of ordinary shares outstanding during the period.

3.20 Related Party Transactions

For the purpose of these Financial Statements, parties are considered to be related to the Company if the Company has the ability directly or indirectly, to control the party or exercise significant influence over the party or vice versa. The relevant disclosure notes are provided in the Financial Statements.

3.21 Cash Flow Statement

The Cash Flow Statement has been prepared using the "Direct Method" of preparing cash flows in accordance with the Sri Lanka accounting standard 09, "Cash Flow Statements". 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.

3.22 Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these Financial Statements in accordance with Sri Lanka Accounting Standards. This responsibility includes: designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.



NOTES TO THE FINANCIAL STATEMENTS

For the Year ended 31 March,

	Group		Company	
	2010 Rs. '000	2009 Rs. '000	2010 Rs. '000	2009 Rs. '000
4 Income				
Direct income (Note 5)	2,684,484	2,320,174	10,871	27,491
Other income (Note 7)	44,308	12,932	559,488	747
	2,728,792	2,333,106	570,359	28,238
5 Direct income				
Interest income on dealing securities	1,341,132	1,508,269	9,818	27,491
Interest income on re-sale agreements	390,598	542,491	1,053	-
Money brokering	-	628	-	-
Margin trading	13,703	11,081	-	-
Capital gain on sale of securities	920,289	243,440	-	-
Interest rate swaps income	10,214	-	-	-
Fee and commission income	8,548	14,265	-	-
	2,684,484	2,320,174	10,871	27,491

Notional Credit for Withholding Tax on Government Securities on Secondary Market Transactions

Section 137 of the Inland Revenue Act No .10 of 2006 and subsequent amendments provided that a company which derives interest income from Secondary Market transactions in Government Securities be entitled to a notional credit (being one ninth of the Net Interest Income) provided such Interest Income forms part of the statutory income of the company for that year of assessment.

Net Income earned from Secondary market transactions in Government Securities for the year by the Group has been grossed up in the financial statements and the resulting notional tax credit amounts to Rs.39.048 Mn (2008/09 - Rs.19.997 Mn).

For the Year ended 31 March,

	Group		Company	
	2010 Rs. '000	2009 Rs. '000	2010 Rs. '000	2009 Rs. '000
6 Direct expenses				
Interest expense on re-purchase agreement	1,075,667	1,584,081	25	-
Interest expense on corporate debt securities	274,530	224,810	20,457	26,805
Brokerage cost	15,690	10,055	-	-
Interest rate swaps expenses	2,352	32,681	-	-
Other direct expenses	6,096	403	-	-
	1,374,335	1,852,030	20,482	26,805
7 Other income				
Profit / (loss) on sale of property, plant and equipment	(1,143)	1,331	-	-
Placement fee	5,051	10,648	-	-
Profit on sale of shares	36,593	(35)	449	-
Dividends	197	228	559,039	-
Negative Goodwill	618	-	-	-
Miscellaneous income	2,374	760	-	747
	43,690	12,932	559,488	747
8 Operating expenses				

Operating expenses among other expenses include the following:

Directors' emoluments	4,334	3,260	-	-
Directors' fees	-	-	-	-
Auditors' remuneration	820	770	190	178
Staff cost	22,507	20,074	-	-
VAT on financial services	71,502	6,231	-	-
Depreciation	4,535	4,536	20	27
Amortization of intangible assets and goodwill	375	619	-	-
Employer's contribution to EPF	3,370	2,987	-	-
Employer's contribution to ETF	674	597	-	-
Retirement benefit cost	1,761	1,196	-	-
Legal fees	1,647	1,055	49	8
Provision for fall in value of venture capital investment	-	10,614	-	10,614



NOTES TO THE FINANCIAL STATEMENTS

9 Taxation

The company is liable for income tax at the rate of 20% and its subsidiaries are liable for income tax at the rate of 35% on its taxable profit.

For the 31 March,	Group		Company	
	2010 Rs. '000	2009 Rs. '000	2010 Rs. '000	2009 Rs. '000
9.1 Income tax expense				
Current tax expense	368,454	109,302	10	17,474
Deferred tax expense (Note 20)	50,706	48,157	-	-
Taxes on Dividends	62,945	220	-	-
	482,105	157,679	10	17,474
9.2 Reconciliation of accounting profit to income tax				
Profit / (loss) before taxation	1,164,349	349,263	541,848	(23,554)
Inter group adjustments	(5,356)	(1,980)	-	-
	1,158,993	347,283	541,848	(23,554)
Income tax using the corporation tax rate	405,649	129,796	189,647	-
Tax effect of expenses disallowed for tax	27,115	8,331	-	9,380
Tax effect of deductible expenses for tax	(1,857)	(1,033)	-	-
Tax effect of other income (net)	12	(1,059)	-	-
Tax effect of tax exempt income	(12,893)	(1,403)	(195,821)	-
Tax on taxable profits (including SRL)	418,026	134,632	(6,174)	(23,544)
Increase / (decrease) in carried forward loss	(55,052)	(44,357)	-	-
Other income	-	655	-	-
SRL charges	5,480	1,363	-	-
	368,454	92,293	(6,174)	(23,544)
(Over) / under provision during prior years	-	17,009	-	17,474
Income tax charge for the period	368,454	109,302	10	-
Withholding tax on inter-company dividend	62,945	220	-	-
Deemed dividend tax	-	-	-	-
Income tax expenses (including SRL)	431,399	109,522	10	17,474
Provision / (reversal) of deferred tax	50,706	48,157	-	-
	482,105	157,679	10	17,474
Effective tax rates	41%	45%	N/A	N/A

First Capital Holdings PLC is a venture capital company Gazetted under section 22DDD, of the Inland Revenue Act. In terms of the said Gazette, the profit of the company that relate to the business of venture capital are exempt for a period of ten years. The exemption commenced from the year of assessment 1993/94 being the year the company commenced its business.

The Department of Inland Revenue has taken the view that interest income earned from a separate business activity which is not approved under section 22DDD is liable for income tax and accordingly an assessment for the period 1993/94 to 1997/98 was issued. The company appealed to the Board of Review. The Board of Review upheld the position taken by Commissioner General of Inland Revenue and increased the deductibility of company expenditure up to 50% as against the 10% approved by Commissioner General of Inland Revenue. Further the Company referred this case to Court of Appeal. However due to a judgment given by the Court of Appeal on a similar case, full provision for the period under review was made in the financial statements amounting to Rs. 17,473,717/-.

10 Earnings / (loss) per share

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

	Group		Company	
	2010 Rs. '000	2009 Rs. '000	2010 Rs. '000	2009 Rs. '000
Net profit / (loss) attributable to equity holders of the parent	646,137	132,403	541,838	(41,028)
Weighted average number of ordinary shares in issue	33,750	33,750	33,750	33,750
Earnings / (loss) per share	19.14	3.92	16.05	(1.22)

11 Dividend per share

Directors declared a dividend of Rs.15/- per share totalling Rs. 506.25Mn as an interim dividend for the year 2009/2010.



NOTES TO THE FINANCIAL STATEMENTS

As at 31 March,	Group		Company	
	2010 Rs. '000	2009 Rs. '000	2010 Rs. '000	2009 Rs. '000
12 Short term investments				
Quoted shares (12.1)	2,195	1,827	-	339
Quoted debentures	4,000	13,007	-	-
Investments under re-sale agreements (12.2)	1,422,439	2,175,624	51,399	-
Dealing securities (12.3)	8,328,182	8,445,973	207	310,638
	9,756,816	10,636,431	51,606	310,977

12.1 Quoted shares Group	No. of shares		Market value		Cost	
	2010	2009	2010 Rs. '000	2009 Rs. '000	2010 Rs. '000	2009 Rs. '000
Kegalle Plantations PLC	35000	35000	1,645	665	2,338	2,338
Merchant Bank of Sri Lanka PLC	5000	-	94	-	150	-
Ceylinco Insurance PLC	2800	2800	456	213	490	490
Sierra Cables PLC	-	206500	-	227	-	475
HDFC PLC	-	2300	-	117	-	436
Seylan Bank PLC (Non-voting)	-	110000	-	605	-	1,190
			2,195	1,827	2,978	4,929
Provision for fall in value			-	-	(783)	(3,102)
			2,195	1,827	2,195	1,827

Quoted shares Company	No. of shares		Market value		Cost	
	2010	2009	2010 Rs. '000	2009 Rs. '000	2010 Rs. '000	2009 Rs. '000
Sierra Cables PLC	-	206500	-	227	-	475
HDFC PLC	-	2200	-	112	-	414
			-	339	-	889
Provision for fall in value			-	-	-	(550)
			-	339	-	339

12.2 Investments under re-sale agreements						
Government securities			1,242,352	1,806,267	8,001	-
Corporate debt securities			180,087	369,357	43,398	-
			1,422,439	2,175,624	51,399	-

12.3 Dealing securities						
Government Securities (Note 12.3.A)			7,080,525	7,349,929	-	-
Fixed deposits and other investments			5,207	5,207	5,207	5,207
Commercial papers			1,247,450	1,095,837	-	310,431
			8,333,182	8,450,973	5,207	315,638
Provision for fall in value			(5,000)	(5,000)	(5,000)	(5,000)
			8,328,182	8,445,973	207	310,638

Note 12.3.A

In accordance with accounting policy of the Group, Government Securities (Under dealing securities) are accounted for at the lower of cost and market value as at the balance sheet on aggregate portfolio basis. However, if Government Securities are accounted for at the market value, the value of such securities are as follows.

Treasury Bills	1,822,040	612,364	-	-
Treasury Bonds	5,444,484	6,899,389	-	-
	7,266,524	7,511,753	-	-



NOTES TO THE FINANCIAL STATEMENTS

As at 31 March,	Group		Company	
	2010 Rs. '000	2009 Rs. '000	2010 Rs. '000	2009 Rs. '000
13 Trade and other receivables				
Trade receivables (13.1)	254,382	58,670	-	-
Interest receivable	1,346	2,048	1,346	2,048
WHT receivable	170	170	170	170
Loans (13.2)	4,419	7,589	-	-
Other receivable	1,272	-	790	-
	261,589	68,477	2,306	2,218
13.1 Trade receivables				
Trade debtors	-	-	-	-
Margin trading debtors	219,307	30,188	-	-
Provision for doubtful debts	-	-	-	-
	219,307	30,188	-	-
Receivable from portfolio management account	49	37	-	-
Other account receivable	35,026	28,445	-	-
	254,382	58,670	-	-
13.2 Loans				
Koolair Ventures Power (Pvt) Limited	28,000	28,000	-	-
Provision for doubtful debts	(28,000)	(28,000)	-	-
	-	-	-	-
Staff loans	4,419	7,589	-	-
	4,419	7,589	-	-
14 Group balances receivable				
Jayasevana Housing (Pvt) Limited	3,000	3,000	3,000	3,000
Provision for group balances receivable	(3,000)	(3,000)	(3,000)	(3,000)
	-	-	-	-

15 Assets held for sale

Group

As at 31 March,

	No of shares	Directors' valuation Rs. '000	2010 Carrying value Rs. '000
Ceyspense (Pvt) Limited	2,861,856	70,370	71,432
Ceycapital Shipping (Pvt) Limited	2,835,000	-	-
Ceyaki Shipping (Pvt) Limited	3,116,600	9,848	29,928
		80,218	101,360
Provision for diminution in value		-	(21,142)
		80,218	80,218

As at 31 March,

	No of shares	Directors' valuation Rs. '000	2009 Carrying value Rs. '000
Ceyspense (Pvt) Limited	2,861,856	70,370	71,432
Ceycapital Shipping (Pvt) Limited	2,835,000	-	-
Ceyaki Shipping (Pvt) Limited	3,816,600	12,060	36,928
		82,430	108,360
Provision for diminution in value		-	(25,930)
		82,430	82,430

The above assets held for sale represent equity investments in shipping business made by subsidiary companies. All these investments are in the process of liquidation now and stated at their realizable values as at the balance sheet date.



NOTES TO THE FINANCIAL STATEMENTS

As at 31 March,	Group		Company	
	2010 Rs. '000	2009 Rs. '000	2010 Rs. '000	2009 Rs. '000
16 Tax receivables				
Balance as at 01 April	5,684	5,684	5,684	5,684
Recoveries during the year	-	-	-	-
Balance at end of the year	5,684	5,684	5,684	5,684
17 Venture capital investments				
Jayasevana Housing (Pvt) Limited	12,550	30,000	12,550	30,000
MFB Cards (Pvt) Limited	100	100	100	100
	12,650	30,100	12,650	30,100
Provision for fall in value (17.1)	(4,650)	(10,614)	(4,650)	(10,614)
	8,000	19,486	8,000	19,486

The financial statements of above venture capital investments have not been consolidated as at balance sheet date in accordance with the Section 153 (6A) of the Companies Act No. 07 of 2007 since they are not in operation and no real value to the shareholders of the Company due to insignificant amount involved. Further the Company has fully provided for MBF Cards (Pvt) Ltd. and up to the recoverable amount of the Jayasevana Housing (Pvt) Ltd. The Company holds 100% stake in above all investments.

As at 31 March,	Group		Company	
	2010 Rs. '000	2009 Rs. '000	2010 Rs. '000	2009 Rs. '000
17.1 Provision for fall in value				
Jayasevana Housing (Pvt) Limited	4,550	10,514	4,550	10,514
MFB Cards (Pvt) Limited	100	100	100	100
	4,650	10,614	4,650	10,614

18 Investment in associate Company - Kotmale Holdings PLC

As at 31 March,	Number of shares		Value Rs. '000	
	2010	2009	2010	2009
Opening balance	-	-	-	-
Investment during the year at cost	9,400,000	-	206,800	-
Share of Post acquisition results	-	-	15,198	-
Less: Dividend receipt	-	-	(18,800)	-
Balance at the end of the year	9,400,000	-	203,198	-
Holding percentage	29.94%	-		

19 Company investment in subsidiary - First Capital Limited

As at 31 March,	Number of shares		Value Rs. '000	
	2010	2009	2010	2009
Opening balance	11,856,250	11,839,500	219,484	219,149
Investment during the year	3,126,404	16,750	178,720	335
Balance at the end of the year	14,982,654	11,856,250	398,204	219,484
Holding percentage	99.88%	79.04%		

20 Deferred tax asset

	Group		Company	
	2010 Rs. '000	2009 Rs. '000	2010 Rs. '000	2009 Rs. '000
Balance at the beginning of the year	107,537	155,694	-	-
Recognized / (reversal) during the year (Note 9)	(50,706)	(48,157)	-	-
Balance at the end of the year	56,831	107,537	-	-

Deferred tax asset is recognized by capitalizing the brought forward tax losses if there is an assurance beyond reasonable doubt that future taxable income will be available sufficient to allow the benefit of the loss to be realized. However, the company has not recognized the deferred tax asset arising from the brought forward tax losses amounting to Rs. 144,359,016 due to the reason that the company is not in a position to ascertain as to whether the company will be making taxable profits within the near future taking into consideration the current activity levels of the company.



NOTES TO THE FINANCIAL STATEMENTS

21 Property, plant and equipment - Group

	Office Equipment Rs. '000	Leased Office Equipment Rs. '000	Furniture Rs. '000	Fixtures and Fittings Rs. '000	Motor Vehicles Rs. '000	Total Rs. '000
Cost/ Valuation						
As at 01 April 2009	23,756	11	3,902	6,875	5,960	40,504
Additions	3,491	-	679	3,873	-	8,043
Disposals	(2,665)	-	(253)	(1,316)	-	(4,234)
As at 31 March 2010	24,582	11	4,328	9,432	5,960	44,313
Accumulated Depreciation						
As at 01 April 2009	21,595	11	3,654	5,947	1,490	32,697
Charge for the year	1,399	-	268	881	1,987	4,535
Disposals	(2,081)	-	(225)	(683)	-	(2,989)
As at 31 March 2010	20,913	11	3,697	6,145	3,477	34,243
Net Book Value						
As at 31 March 2010	3,669	-	631	3,287	2,483	10,070
As at 31 March 2009	2,161	-	248	928	4,470	7,807

Property, plant and equipment - Company

	Office Equipment Rs. '000	Total Rs. '000
Cost/ Valuation		
As at 01 April 2009	80	80
As at 31 March 2010	80	80
Accumulated Depreciation		
As at 01 April 2009	60	60
Charge for the year	20	20
As at 31 March 2010	80	80
Net Book Value		
As at 31 March 2010	-	-
As at 31 March 2009	20	20



NOTES TO THE FINANCIAL STATEMENTS

	Group		Company	
	2010 Rs. '000	2009 Rs. '000	2010 Rs. '000	2009 Rs. '000
22 Intangible assets				
Gross value				
Balance as at 01 April	14,053	13,351	-	-
Additions during the year	54,987	702	-	-
Disposals	(846)	-	-	-
As at 31 March	68,194	14,053	-	-
Amortization / Impairment				
Balance as at 01 April	13,250	12,673	-	-
Amortization during the year	375	619	-	-
Disposals / adjustments	(846)	(42)	-	-
Balance as at 31 March	12,779	13,250	-	-
Balance as at 31 March - Net	55,415	803	-	-
22.1 Software				
Gross value				
Balance as at 01 April	13,797	13,351	-	-
Additions during the year	452	702	-	-
Disposals	(846)	-	-	-
As at 31 March	13,403	14,053	-	-
Amortization				
Balance as at 01 April	12,994	12,673	-	-
Amortization during the year	375	620	-	-
Disposals / adjustments	(846)	(43)	-	-
Balance as at 31 March	12,523	13,250	-	-
Balance as at 31 March - Net	880	803	-	-
22.2 Goodwill on acquisition				
Balance as at 01 April	-	-	-	-
Additions during the year	54,535	-	-	-
Impairment loss	-	-	-	-
Balance as at 31 March	54,535	-	-	-



NOTES TO THE FINANCIAL STATEMENTS

As at 31 March,	Group		Company	
	2010 Rs. '000	2009 Rs. '000	2010 Rs. '000	2009 Rs. '000
23 Trade creditors & accrued expenses				
Accrued expenses	142,391	118,503	12,559	293
Provision for statutory liabilities	1,833	1,833	1,833	1,833
Provision for other liabilities	68,336	1,131	1,424	1,131
	212,560	121,467	15,816	3,257
24 Amounts due to related companies				
Dunamis Capital PLC	-	32,458	-	32,458
First Capital Treasuries Limited	-	-	200,000	-
First Capital Limited	-	-	-	319
	-	32,458	200,000	32,777
25 Tax payables				
Balance as at 01 April	145,257	68,665	17,680	206
Provision for the year	431,399	109,522	-	17,474
WHT & ESC payable	-	117	-	-
Notional tax credit recoverable	(39,049)	(19,997)	-	-
Payment made during the year	(83,883)	(13,050)	(10)	-
Balance as at 31 March	453,724	145,257	17,670	17,680
26 Retirement benefit obligations				
As at beginning of the year	5,172	4,668	-	-
Provision made during the year	920	158	-	-
Net gratuity transferred from / (to) group companies	-	-	-	-
Interest charge for the year	543	390	-	-
Deficit / (surplus) charge for the year	298	648	-	-
Paid during the period	(1,296)	(692)	-	-
As at the end of the year	5,637	5,172	-	-

The total amount charged to Income statement in respect of Retirement Benefit is made up as follows;

Gratuity charge for the year	920	158	-	-
Interest charge for the year	543	390	-	-
Deficit / (Surplus) charge for the year	298	648	-	-
	1,761	1,196	-	-

As required by the Sri Lanka Accounting Standard 16 (revised 2006) - "Employee Benefits", which became effective from 1 July 2007, following subsidiaries measured their gratuity liability based on the Gratuity Formula Method.

- First Capital Limited
- First Capital Treasuries Limited
- First Capital Asset Management Limited
- First Capital Markets Limited

The principal assumptions used are as follows;

- Expected Annual Average Salary Increment	11.25%
- Discount Rate / Interest Rate	12%
- Staff Turnover Factor (as a %)	10%
- Retirement age of employees	55 Years



NOTES TO THE FINANCIAL STATEMENTS

As at 31 March,

27 Stated capital	No. of shares		Group		Company	
	2010	2009	2010 Rs. '000	2009 Rs. '000	2010 Rs. '000	2009 Rs. '000
At the beginning of the year	33,750,000	33,750,000	387,480	387,480	387,480	387,480
Reduction of capital (Note 27.A)	-	-	(159,980)	-	(159,980)	-
At the end of the year	33,750,000	33,750,000	227,500	387,480	227,500	387,480

Note 27.A

The stated capital of Rs. 387,479,913 represented by 33,750,000 fully paid ordinary shares was reduced to Rs. 227,500,000 represented by 33,750,000 fully paid ordinary shares in accordance with the provisions of Section 59 of the Companies Act No. 7 of 2007 at an Extra ordinary General Meeting held on 8 October 2009. This reduction was made by setting off the brought forward losses of the company as at balance sheet date, 31 March 2009 Rs. 159,979,913 against its stated capital without effecting any changes to the existing number of shares.

28 Risk reserve	Group		Company	
	2010 Rs. '000	2009 Rs. '000	2010 Rs. '000	2009 Rs. '000
Opening balance	61,082	19,896	-	-
Transfers made during the year	163,205	41,186	-	-
	224,287	61,082	-	-

29 Comparative figures

To facilitate comparison relevant balances pertaining to the previous year have been reclassified to conform to current year classification and presentation.

30 Commitments and contingent liabilities

There were no major commitments and contingent liabilities as at 31 March 2010 other than following.

Company

- (a) The Department of Inland Revenue has raised assessments relating to turnover tax amounting to Rs. 5,549,196, together with a 50% penalty of Rs. 2,774,627, amounting to a total liability of Rs. 8,323,823. The company has made an appeal against the balance tax assessed on the grounds that such tax has been levied on income outside the scope of chargeability to Turnover Tax. No provision has been made in the accounts in relation to the above.
- (b) The company has pledged the 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. The company has made a provision for the full amount of the fixed deposit against the guarantee given since the said company is not in operation and this is disclosed under Note 12 to the Financial Statements.

Group

- (a) As at the Balance Sheet date there are two cases filed against First Capital Limited. In the opinion of the Directors, based on their assessment and in consultation with the company's legal counsel, the outcome of these cases will not have a material impact on the reported financial results or the future operations of the company:

CaseNo.	Case filed by	Reason
In the District Court of Colombo – 17543/MR	Mr. Y. B. M. Rajendran on 23-Jan-1996 against First Capital Ltd.	Case filed by Mr. Rajandran for unlawful termination of employment contract. Plaintiff is claiming LKR 35.7 Mn. in damages, while the company has provided Rs. 960,000 as a realistic liability that can arise from these proceedings. Case was dismissed by the District Court – Colombo on 2 February 2007 and the plaintiff has made an appeal to the Court of Appeal. However it was also dismissed by the courts on 07 June 2010.
In the District Court of Colombo – 20685/MR	Lanka Valiant Developers (Pvt) Ltd. against First Capital Ltd.	Case filed by Lanka Valiant Developers (Pvt) Limited. for vacating premises prior to expiration of lease period, wherein plaintiff has claimed Rs. 1,454,336.22 and company counter sued for Rs.1,362,960 Judgment that was given in favour of the plaintiff. However the Company has appealed against the Judgment. The Court of Appeal set aside the original judgement made by the District Court, on 30 April 2010.

- (b) First Capital Treasuries Limited has entered into two Interest Rate Swap Agreements (IRS) for a notional value of Rs. 200 Mn. and Rs. 100 Mn. each.

30.1 Litigation and claims

There are no other material litigations and claims that could have an impact on the financial position of the Company and the Group or lead to a disclosure in the financial statements for the year ended 31 March 2010.

30.2 Capital commitments

There were no material capital commitments as at the Balance Sheet date which require disclosure in the Financial Statements.



NOTES TO THE FINANCIAL STATEMENTS

31 Related party disclosures

31.1 Directorships in Other Companies

The Directors of First Capital Holding PLC are also Directors of the following companies with which the Company and its subsidiaries had transactions during the year.

Name of the company	Relationship	Ms. Manjula Mathews	Mr. Dinesh Schaffter	Mr. M. S. Jude Fernando	Mr Nihara Rodrigo
Dunamis Capital PLC	Parent	Managing Director	Director	Director	Director
First Capital Asset Management Limited	Subsidiary	Director	Director	Director	-
First Capital Limited	Subsidiary	Director	Director	Director	-
First Capital Markets Limited	Subsidiary	Director	Director	Director	-
First Capital Treasuries Limited	Subsidiary	Director	Director	Director	-
Kotmale Holdings PLC	Associate	Director	Director	Director	Director
Kelsey Developments PLC	Affiliate	Director	Director	Director	Director
Kelsey Homes (Pvt) Limited	Affiliate	Director	Director	Director	-
Kotmale Products Limited	Affiliate	Director	Director	Director	-
Swiss Cheese Company (Pvt) Limited	Affiliate	Director	Director	Director	-
Nextventures Limited	Affiliate	Director	Director	-	-
K H L Corporate Services Limited	Affiliate	-	Director	-	-

31.2 Related party transactions

The company carried out transactions in the ordinary course of its business with parties who are defined as related parties in Sri Lanka Accounting Standards 30 "Related Party Disclosures (Revised 2005)", the details of which are reported below.

31.2.1 Company

Name of Related Company	Nature of Transaction	Income / Expenses & Other		Balance as at 31 March	
		2009/10 Rs. '000	2008/09 Rs. '000	2010 Rs. '000	2009 Rs. '000
Dunamis Capital PLC (Formally known as Kshatriya Holdings PLC)	Interest expense on current account balance	3,980	8,518	-	-
	Interest expense on short term borrowing	10,773	-	-	-
	Current account	-	-	-	32,458
First Capital Treasuries Limited	Interest Expenses on Repurchase Agreements	7	-	-	-
	Interest Income on Resale Agreements	18	-	-	-
	Short term borrowing	-	-	200,000	-
First Capital Markets Limited	Interest Expenses on Repurchase Agreements	20	-	-	-
	Interest Income on Resale Agreements	238	-	-	-
	Repurchase Agreements	-	-	3,578	-
	Resale Agreements	-	-	43,406	-
First Capital Limited	Current account	-	-	-	319

31.2.2 Group

First Capital Limited

Name of Related Company	Nature of Transaction	Income / Expenses & Other		Balance as at 31 March	
		2009/10 Rs. '000	2008/09 Rs. '000	2010 Rs. '000	2009 Rs. '000
First Capital Treasuries Limited	Resale Agreements	-	-	1,987	8,376
	Repurchase Agreements	-	-	-	586,777
	Purchases of Government Securities	3,004,222	-	-	-
	Sales of Government Securities	4,114,210	-	-	-
	Interest Income on Resale Agreements	1,179	9,406	-	-
	Interest Expenses on Repurchase Agreements	5,580	114,016	-	-
First Capital Asset Management Limited	Repurchase Agreements	-	-	21,871	-
	Purchases of Government Securities	272,161	-	-	-
	Sales of Government Securities	-	-	-	-
	Interest Expenses on Repurchase Agreements	60	-	-	-
First Capital Markets Limited	Repurchase Agreements against Corporate Debt Securities	-	-	70,636	64,762
	Borrowings on Commercial Papers	-	-	125,281	-
	Purchases of Government Securities	160,598	-	-	-
	Interest Expenses on Repurchase Agreements against Corporate Debt Securities	8,073	8,262	-	-
	Interest Expenses on Commercial Paper Borrowings	660	-	-	-



NOTES TO THE FINANCIAL STATEMENTS

31.2.2 Group (continued)

First Capital Treasuries Limited

Name of Related Company	Nature of Transaction	Income / Expenses & Other		Balance as at 31 March	
		2009/10 Rs. '000	2008/09 Rs. '000	2010 Rs. '000	2009 Rs. '000
First Capital Asset Management Limited	Resale Agreements	-	-	13,527	111,586
	Repurchase Agreements	-	-	-	105,722
	Purchases of Government Securities	39,759	1,355,910	-	-
	Sales of Government Securities	289,554	1,530,807	-	-
	Interest Income on Resale Agreements	5,437	59,939	-	-
	Interest Expenses on Repurchase Agreements	4,642	22,189	-	-
First Capital Limited	Resale Agreements	-	-	-	586,777
	Repurchase Agreements	-	-	1,987	8,376
	Purchases of Government Securities	4,114,210	4,015,205	-	-
	Sales of Government Securities	3,004,222	4,803,871	-	-
	Interest Income on Resale Agreements	5,580	114,016	-	-
	Interest Expenses on Repurchase Agreements	1,179	9,406	-	-
First Capital Markets Limited	Resale Agreements	-	-	96,278	251,204
	Repurchase Agreements	-	-	-	-
	Short Term Advance granted	-	-	50,019	-
	Purchases of Government Securities	-	-	-	-
	Sales of Government Securities	315,490	-	-	-
	Interest Income on Resale Agreements	10,156	23,810	-	-
	Interest Expenses on Repurchase Agreements	3,339	1,775	-	-
	Interest Income on Short term loan	19	-	-	-

First Capital Asset Management Limited

Name of Related Company	Nature of Transaction	Income / Expenses & Other		Balance as at 31 March	
		2009/10 Rs. '000	2008/09 Rs. '000	2010 Rs. '000	2009 Rs. '000
First Capital Treasuries Limited	Resale Agreements	-	-	-	105,722
	Repurchase Agreements	-	-	13,527	111,586
	Purchases of Government Securities	289,553	1,443,802	-	-
	Sales of Government Securities	39,759	1,355,910	-	-
	Interest Income on Resale Agreements	4,642	22,189	-	-
	Interest Expenses on Repurchase Agreements	5,437	59,939	-	-
First Capital Limited	Resale Agreements	-	-	21,871	-
	Purchases of Government Securities	-	-	-	-
	Sales of Government Securities	272,160	-	-	-
	Interest Income on Resale Agreements	60	-	-	-
First Capital Markets Limited	Resale Agreements	-	-	24,721	53,405
	Repurchase Agreements	-	-	-	-
	Interest Income on Resale Agreements	8,257	87,821	-	-
	Interest Expenses on Repurchase Agreements	-	552	-	-

First Capital Markets Limited

Name of Related Company	Nature of Transaction	Income / Expenses & Other		Balance as at 31 March	
		2009/10 Rs. '000	2008/09 Rs. '000	2010 Rs. '000	2009 Rs. '000
First Capital Treasuries Limited	Resale Agreements	-	-	-	-
	Repurchase Agreements	-	-	96,278	251,204
	Short Term Borrowing	-	-	50,019	-
	Purchases of Government Securities	315,490	-	-	-
	Sales of Government Securities	-	-	-	-
	Interest Income on Resale Agreements	3,339	1,775	-	-
	Interest Expenses on Repurchase Agreements	10,156	23,810	-	-
	Interest Expenses on Short Term Borrowings	19	-	-	-
First Capital Limited	Investment in Commercial Papers	-	-	125,281	-
	Resale Agreements against Corporate Debt Securities	-	-	70,636	64,762
	Purchases of Government Securities	-	-	-	-
	Sales of Government Securities	160,598	-	-	-
	Interest Income on Commercial paper Investments	660	-	-	-
	Interest Income on Resale Agreements against Corporate Debt Securities	8,073	8,262	-	-
First Capital Asset Management Limited	Resale Agreements	-	-	-	-
	Repurchase Agreements	-	-	24,721	53,405
	Interest Income on Resale Agreements	-	552	-	-
	Interest Expenses on Repurchase Agreements	8,257	87,821	-	-



NOTES TO THE FINANCIAL STATEMENTS

31.3 Transactions with affiliated companies

31.3.1 Company

Name of Related Company	Nature of Transaction	Income / Expenses & Other		Balance as at 31 March	
		2009/10	2008/09	2010	2009
		Rs. '000	Rs. '000	Rs. '000	Rs. '000
K H L Corporate Services Limited	Secretarial Fees paid	274	288	-	-

31.3.2 Group

Name of Related Company	Nature of Transaction	Income / Expenses & Other		Balance as at 31 March	
		2009/10	2008/09	2010	2009
		Rs. '000	Rs. '000	Rs. '000	Rs. '000
K H L Corporate Services Limited					
First Capital Limited	Secretarial Fees paid	84	94	-	-
First Capital Treasuries Limited	Secretarial Fees paid	78	90	-	-
First Capital Asset Management Limited	Secretarial Fees paid	77	86	-	-
First Capital Markets Limited	Secretarial Fees paid	77	82	-	-
Nextventures Limited					
First Capital Treasuries Limited	Resale Agreements	-	-	323,420	425,457
	Interest Income on Resale Agreements	24,867	37,785	-	-
	Interest Expenses on Repurchase Agreements	1,886	429	-	-
First Capital Markets Limited	Investment in Commercial Papers	-	-	74,935	-
	Resale Agreements against Corporate Debt Securities	-	-	-	56,829
	Interest Income on Resale Agreements	1,861	-	-	-
	Interest Income on Commercial paper Investments	16,861	-	-	-
	Interest Income on Resale Agreements against Corporate Debt Securities	10,743	10,881	-	-
	Interest Expenses on Repurchase Agreements	367	-	-	-
Dunamis Capital PLC					
First Capital Asset Management Limited	Resale Agreements	-	-	246,076	25,104
	Interest Income on Resale Agreements	39,936	187	-	-
First Capital Markets Limited	Resale Agreements	-	-	64	-
	Investment in Commercial Papers	-	-	537,369	451,781
	Repurchase Agreements	-	-	229,140	-
	Interest Income on Resale Agreements	1	-	-	-
	Interest Income on Commercial paper Investments	85,480	55,170	-	-
	Interest Income on Resale Agreements against Corporate Debt Securities	1,355	82,905	-	-
	Interest Expenses on Repurchase Agreements	1,367	-	-	-



NOTES TO THE FINANCIAL STATEMENTS

31.3.2 Group (continued)

Name of Related Company	Nature of Transaction	Income / Expenses & Other		Balance as at 31 March	
		2009/10 Rs. '000	2008/09 Rs. '000	2010 Rs. '000	2009 Rs. '000
Kelsey Homes Limited					
First Capital Treasuries Limited	Repurchase Agreements	-	-	37,515	-
	Interest Expenses on Repurchase Agreements	467	-	-	-
Kotmale Products Limited					
First Capital Treasuries Limited	Repurchase Agreements	-	-	15,186	-
	Interest Expenses on Repurchase Agreements	186	-	-	-
Swiss Cheese Co (Pvt) Limited					
First Capital Treasuries Limited	Repurchase Agreements	-	-	15,112	-
	Interest Expenses on Repurchase Agreements	112	-	-	-
Kelsey Developments PLC					
First Capital Markets Limited	Investment in Commercial Papers	-	-	-	6,767
	Resale Agreements against Corporate Debt Securities	-	-	-	16,558
	Interest Income on Commercial paper Investments	1,628	1,504	-	-
	Interest Income on Resale Agreements against Corporate Debt Securities	1,591	3,566	-	-
	Interest Expenses on Repurchase Agreements	118	-	-	-

31.4 Transactions with key management personnel

According to Sri Lanka Accounting Standard 30 (Revised 2005) "Related Party Disclosures", "Key Management Personnel", are those having authority and responsibility for planning, directing and controlling the activities of the entity. Accordingly, the Board of Directors has been classified as key management personnel of the Company. There were no transactions with key management personnel, other than those disclosed in Note 8 and the following.

Name of Related Company	Nature of Transaction	Income / Expenses & Other		Balance as at 31 March	
		2009/10 Rs. '000	2008/09 Rs. '000	2010 Rs. '000	2009 Rs. '000
Janashakthi Insurance PLC (Ms. Manjula Mathews Non-Executive Director)	Interest Expense on Commercial Paper Borrowings	40,800	26,806	-	-
	Borrowings Against Commercial Papers	-	-	-	309,745

32 Events occurring after the Balance Sheet date

There were no material events after the Balance Sheet date, which require adjustments to or disclosure in the financial statements other than the following:

Company

Subsequent to the Balance Sheet date, on 10 May 2010, the Company made a sub-division of its shares without a change to the stated capital of Rs. 227,500,000/- by splitting every one (01) existing voting ordinary share into three (03) voting ordinary shares. The shares so divided rank equal and pari passu in all respects with the existing shares from which the division arose.



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 2010				31 March 2009			
	Shareholders		Holding		Shareholders		Holding	
	Number	%	Number	%	Number	%	Number	%
1 - 1,000	4,977	88.17	1,055,279	3.12	4,714	90.80	870,229	2.58
1,001 - 10,000	588	10.42	1,861,662	5.52	411	7.91	1,347,813	4.00
10,001 - 100,000	71	1.25	1,759,863	5.22	59	1.13	1,562,262	4.63
100,001 - 1,000,000	7	0.12	3,099,100	9.18	6	0.12	3,397,800	10.07
Over 1,000,000	2	0.04	25,974,096	76.96	2	0.04	26,571,896	78.72
Total	5,645	100	33,750,000	100	5,192	100	33,750,000	100

3. Analysis of shareholders

Category of shareholders	31 March 2010				31 March 2009			
	Shareholders		Holding		Shareholders		Holding	
	Number	%	Number	%	Number	%	Number	%
Individuals	5,574	98.74	4,627,283	13.71	5,130	98.81	4,785,643	14.18
Institutions	71	1.26	29,122,717	86.29	62	1.19	28,964,357	85.82
Total	5,645	100	33,750,000	100	5,192	100	33,750,000	100
Resident	5,621	99.57	33,001,789	97.78	5,172	99.61	33,451,138	99.11
Non-Resident	24	0.43	748,211	2.22	20	0.39	298,862	0.89
Total	5,645	100	33,750,000	100	5,192	100	33,750,000	100

4. Public holding

2009/10 2008/09

Number of shares held by the public 8,134,303 8,134,290

Percentage held by the public 24.10 % 24.10 %

5. Share price movements for the year

2009/10 2008/09

Rs. Rs.

Highest 100.00 11.75
(11.02.2010) (09.05.2008)

Lowest 9.75 4.50
(06.04.2009) (19.12.2008)

Period-end 58.00 9.75

6. Information on share trading and market capitalization

2009/10 2008/09

Number of transactions 14,387 3,254

Number of shares traded 22,138,000 6,388,200

Value of shares traded (Rs.) 969,243,775 57,721,755

Market capitalization (Rs.) 1,957,500,000 329,062,500



TOP TWENTY SHAREHOLDERS

	Names of Shareholders	No. of Shares 31 March 2010	Holding (%)	No. of Shares 31 March 2009	Holding (%)
1	PVIC Management Company Ltd.	24,658,995	73.06	24,658,995	73.06
2	First Capital Markets Ltd./Nextventures Ltd.	1,315,101	3.90	1,912,901	5.67
3	Waldock Mackenzie Ltd/ Mr D. Schaffter	956,700	2.83	956,700	2.83
4	Seylan Bank PLC/Janashakthi Ltd.	489,000	1.45	-	-
5	Janashakthi Limited Account No. 1	461,000	1.37	-	-
6	HSBC International Nominees Ltd - SSBT- Deutsche Bank AG Singapore A/C 01	331,800	0.98	-	-
7	Janashakthi Ltd A/C No. 2	300,000	0.89	-	-
8	Mr. Abo Qamaz	284,700	0.84	182,000	0.54
9	The Finance Company Ltd. A/C No.1	275,900	0.82	-	-
10	Mrs.Uththara	92,000	0.27	-	-
11	Mr.Chinthaka Nishantha	92,000	0.27	-	-
12	Janashakthi Ltd.	88,401	0.26	88,401	0.26
13	Ceylinco Investment Company Ltd.	81,200	0.24	-	-
14	Mr. T.G. Perera	69,612	0.21	69,612	0.21
15	Mr. Wijeyabandara	60,000	0.18	-	-
16	Mr.Aravind	55,300	0.16	-	-
17	Mrs. Udumulla	55,200	0.16	-	-
18	Mr. De Vos Joint Mr.M.K.De Vos, Michael Keith	51,000	0.15	-	-
19	Mr.Kumar	40,050	0.12	-	-
20	Pan Asia Banking Corporation PLC/ Mr. Channa Wijesekara Abeygoonawardane	40,000	0.12	-	-



FIVE YEAR SUMMARY

Year ended 31st March	2009/10 Rs. '000	2008/09 Rs. '000	2007/08 Rs. '000	2006/07 Rs. '000	*2005/06 Rs. '000
TRADING RESULTS					
Gross income	2,728,792	2,333,106	1,997,223	126,586	7,606
Profit before tax	1,164,349	349,263	114,481	22,166	4,441
Taxation	(482,105)	(157,679)	(39,475)	(7,997)	(620)
Profit after tax	682,244	191,584	75,006	14,169	3,821
BALANCE SHEET					
ASSETS					
Cash & cash equivalents	6,748	5,673	13,758	1,701	85
Dealing securities	8,328,182	8,458,981	6,088,740	2,071,864	22,000
Resale agreements	1,426,017	2,175,624	5,242,193	4,481,297	-
Investment securities	379,258	617,234	-	-	-
Investment in venture capital	8,000	19,486	30,100	30,100	30,100
Investment in Associates	203,198	-	-	-	-
Property & equipment	10,678	7,807	8,178	4,950	-
Other assets	461,747	266,757	473,939	994,959	29,310
	10,823,828	11,551,562	11,856,908	7,584,871	81,495
LIABILITIES					
Bank overdraft	1,586	312	16,311	27,003	-
Re - purchase agreements	7,360,786	9,501,917	11,235,067	5,711,861	-
Other short term borrowings	2,159,066	1,143,300	-	-	-
Tax payables	453,724	145,256	68,665	128,988	-
Retirement benefit obligations	5,637	5,172	4,668	6,773	-
Other liabilities	212,560	153,926	122,103	1,530,714	8,677
	10,193,359	10,949,883	11,446,814	7,405,339	8,677
EQUITY					
Stated Capital/ share capital	227,500	387,480	387,480	199,980	150,000
- share premium	-	-	-	-	49,979
Capital reserves	224,287	61,082	19,896	869	-
Retained earnings	129,044	5,087	(86,130)	(175,262)	(127,161)
	580,831	453,649	321,246	25,587	72,818
Minority interest	49,638	148,030	88,848	153,945	-
TOTAL EQUITY AND LIABILITIES	10,823,828	11,551,562	11,856,908	7,584,871	81,495

* 2005/06 reflect the results of the Company. During 2006/07 First Capital Holdings PLC (formely V Capital Holdings PLC) acquired a controlling stake in First Capital Limited and became a group. Therefore subsequent results above reflect group performance.



GLOSSARY OF FINANCIAL TERMS

- **Assets:** Economic resources owned by a business.
- **Average Weighted Deposit Rate (AWDR):** Weighted average interest rate offered on savings accounts by commercial banks.
- **Call Money Rate:** Inter-bank overnight lending rate.
- **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.
- **Commercial Paper:** A short term unsecured promissory note issued in the open market by corporate bodies representing an obligation of the issuing entity.
- **Contingent Liabilities:** Conditions or situations at the Balance Sheet date, the financial affects of which are to be determined by future events which may or may not occur.
- **Debt Securities Market:** The over- the-counter (OTC) market in which Debt (fixed income) Securities are traded. This is the wholesale market more or less confined to commercial banks, financial institutions and large corporations.
- **Dividend Cover:** Post-tax profit divided by gross dividends. This measures the number of times the dividend is covered by distributable profits.
- **Dividend Gross:** Portion of current and retained earnings, inclusive of tax withheld, distributed to shareholders.
- **Earnings Per Share:** Net profit attributable to equity holders divided by the weighted average number of shares in issue during the year.
- **Fixed Income Securities:** Securities whose current income is fixed or based on some underlying index. These are also known as debt securities since they represent a fixed obligation of the company unlike equity, which pays dividends only when the company makes profits.
- **Forward Rate Agreement:** An agreement between two parties who wish to protect themselves against a future movement in interest rates.
- **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.
- **Issue Management:** Management of the issue of equity and debt instruments.
- **Issue Price:** Price at which new shares are sold to the public.
- **Liabilities:** Debts or obligations of a business.
- **Margin Trading:** A credit facility given to investors who wish to expand their investment portfolio.
- **Market Value Per Share:** The price at which an ordinary share is transacted in the stock market.
- **Market Capitalization:** The market value of a company at a given date obtained by multiplying the share price by the number of issued shares.



GLOSSARY OF FINANCIAL TERMS (Contd.)

- **Money Broker:** Inter-bank money broker licensed by the Central Bank of Sri Lanka.
- **Net Assets Per Share:** Net assets (total assets less total liabilities) divided by the number of shares issued.
- **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.
- **Portfolio:** Income generating assets such as loans, finance leases, dealing/ investment securities and bills discounted etc.
- **Post Balance Sheet Events:** Significant events that occur between the balance sheet date and the date on which financial statements are authorised for issue.
- **Price Earnings Ratio:** Market price of a share divided by earnings per share.
- **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.
- **Repurchase Agreement:** An agreement (repo for short) is the simultaneous sale and repurchase of a security on different settlement dates.
- **Return on Shareholders' Funds:** Post-tax profit divided by average shareholders' funds.
- **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.
- **Shareholders Funds:** Shareholders funds consist of issued and fully paid ordinary share capital plus capital and revenue reserves.
- **Swap (currency):** The simultaneous purchase and sale of identical amounts of a currency for different value dates.
- **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.
- **Venture Capital Company:** Venture Capital Company is an entity which is specialized 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.



CORPORATE INFORMATION

Name of Company	-	First Capital Holdings PLC
Name of Subsidiary	-	First Capital 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. 75, Arnold Ratnayake Mawatha Colombo 10 Sri Lanka.
Board of Directors	-	Ms. Manjula Mathews Mr. Dinesh Schaffter Mr. Jude Fernando Mr. Nihara E. Rodrigo
Secretaries	-	K H L Corporate Services Limited No. 75, Arnold Ratnayake Mawatha Colombo 10. Tel: 0112 639807 / 0112 639878
Registrars	-	SSP Corporate Services (Pvt) Limited No. 101, Inner Flower Road Colombo 03. Tel: 0112 573894
External Auditors	-	M/s KPMG Ford, Rhodes, Thornton & Company Chartered Accountants 32 A, Sir Mohamad Macan Marker Mawatha P.O.Box 186 Colombo 03.
Principal Bankers	-	Hatton National Bank PLC Nations Trust Bank PLC



NOTICE OF MEETING

Notice is hereby given that the 18th Annual General Meeting of First Capital Holdings PLC will be held on Thursday August 5, 2010 at the Sasakawa Memorial Sri Lanka - Japan Culture Centre, No. 4, 22nd Lane Colombo - 03, at 3.30 pm to transact the following businesses:

1. To receive the Report of the Board of Directors and the Audited Financial Statements of the Company for the 12 months ended 31 March 2010 together with the Report of the Auditors thereon.
2. To re-elect Mr. Nihara E. Rodrigo who retires by rotation in terms of Article 93 of the Articles of Association of the Company and offers himself for re-election as a Director.
3. To re-appoint Messrs KPMG Ford, Rhodes, Thornton & Company, as Auditors of the Company for the ensuing year and authorise the Directors to determine their remuneration.

By Order of the Board

(Sgd.)
K H L Corporate Services Limited
Secretaries

15 July, 2010
Colombo

Notes :

1. A member entitled to attend and vote at the above meeting is entitled to appoint a Proxy to attend and vote on behalf of him / her.
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. 75, Arnold Ratnayake Mawatha, Colombo 10. not less than 48 hours before the time fixed for the Meeting.



FORM OF PROXY

FIRST CAPITAL HOLDINGS PLC

I / We
of
being a member/s of the above named Company, hereby appoint

Mr/Mrs/Miss
(holder of N.I.C. No.) of
..... whom failing

- | | |
|--------------------------|--------------|
| 1. Ms. Manjula Mathews | whom failing |
| 2. Mr. Dinesh Schaffter | whom failing |
| 3. Mr. Jude Fernando | whom failing |
| 4. Mr. Nihara E. Rodrigo | |

as my/our Proxy to represent me/us and vote on my/our behalf at the 18th Annual General Meeting of the Company to be held on August 5, 2010 at 3.30 p.m. at the Sasakawa Memorial Sri Lanka - Japan Culture Centre, No. 4, 22nd Lane Colombo - 03, and at every poll which may be taken in consequence thereof.

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

	FOR	AGAINST
1. Receiving of the Report of the Board of Directors and the Audited Financial Statements of the Company for the year ended 31 March 2010 together with the Report of the Auditors thereon.	<input type="checkbox"/>	<input type="checkbox"/>
2. Re-election of Mr. Nihara E. Rodrigo, who retires by rotation in terms of Article 93.	<input type="checkbox"/>	<input type="checkbox"/>
3. Re-appointment of Messrs KPMG Ford, Rhodes, Thornton & Company, as Auditors of the Company for the ensuing year and authorizing the Directors to determine their remuneration.	<input type="checkbox"/>	<input type="checkbox"/>

Signed on thisday of2010

.....
Signature

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



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. 75, Arnold Ratnayake Mawatha, Colombo 10, 48 hours before the time appointed for the holding of the meeting.
3. If any Attorney has signed the Form of Proxy, the relative Power of Attorney should also accompany the completed Form of Proxy for registration, if such Power of Attorney has not already been registered with the company.
4. If the shareholder is a company or a corporate body, the Proxy should be executed 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.