

# PERFORMANCE FIRST



First Capital  
A Janashakthi Group Company

**FIRST CAPITAL HOLDINGS PLC**  
ANNUAL REPORT 2020 - 21



# PERFORMANCE FIRST

We thrive on the challenges, ensuring that no matter the circumstance, our stakeholders are given the best in value. From enhancing our productivity to setting our sights on further increasing our potential, our team of professionals are driven by inherent expertise and a commitment to achieving their client's financial goals, no matter the scope. Our core values are an integral facet of our processes, and through integrity and transparency, we have proved to be the preferred choice for seamless financial solutions, an attestation to our strategy of Performance First.

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## ABOUT US

### Who we are

First Capital Holdings PLC (the Company or First Capital) is a Janashakthi Group Company providing a diverse range of financial advisory services and products. Our integrated business platform comprises four specialised areas - Capital Markets Advisory, Wealth Management, Fixed Income and Equities. We serve an array of companies, institutions, government agencies, high net worth individuals and retail clients seeking truly objective advice, innovative solutions and execution expertise. We operate throughout Sri Lanka via offices in Colombo, Kandy, Matara, Kurunegala and Negombo. Our global outreach continues to expand through institutional trading and investment product placement. As a company listed on the Colombo Stock Exchange (CSE) since 1994 (Ticker: CFVF), we exemplify requisite financial transparency and governance standards. Reflecting credit fundamentals including a robust capital structure, liquidity, risk controls and earnings profile, we have been rated "A" by ICRA Lanka Limited.

### Vision

**To be the leading Investment Bank in Sri Lanka**

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### Mission

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

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### Our values

- Ethical and Honest
- Collaborative
- Respectful
- Performance-driven
- Transparent

## OPERATIONAL STRUCTURE

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

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



## OUR SERVICE OFFERING

Our entrepreneurial roots go back to 1982, with the founding of First Capital Treasuries PLC. First Capital's collaborative culture and multiple capabilities are a result of organic and inorganic growth over the years.

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

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

Capital Markets Advisory	
Capital market strategies and objective advice for corporate transformation provided by First Capital Limited.	<ul style="list-style-type: none"> <li>★ Debt and equity capital raising</li> <li>★ Advisory services: <ul style="list-style-type: none"> <li>★ Restructuring</li> <li>★ Mergers and Acquisitions (M&amp;A)</li> <li>★ Valuations</li> <li>★ Project advisory</li> <li>★ Treasury advisory</li> </ul> </li> </ul>
Wealth Management	
Differentiated unit trusts and objective wealth management solutions provided by First Capital Asset Management Limited.	<ul style="list-style-type: none"> <li>★ Unit Trusts</li> <li>★ Discretionary portfolio management</li> <li>★ Retirement planning</li> </ul>
Fixed Income	
Seamless investment solutions provided by First Capital Treasuries PLC and First Capital Limited.	<ul style="list-style-type: none"> <li>★ Primary dealing</li> <li>★ Secondary market trading in government securities and corporate debt securities</li> </ul>
Equities	
Efficient secondary market trading provided by First Capital Equities (Private) Limited.	<ul style="list-style-type: none"> <li>★ Stock brokering</li> </ul>

## GROUP FINANCIAL HIGHLIGHTS

For the year ended 31 March	2021	2020	Variance
<b>Income statement (Rs.'000)</b>			
Income	6,033,353	5,220,425	812,928
Net income before expenses	3,703,036	2,380,773	1,322,263
Profit before taxation	2,908,076	1,708,325	1,199,751
Profit after taxation	2,093,497	1,073,239	1,020,258
Total comprehensive income	1,941,594	1,039,469	902,125
<b>Selected return ratios (Percentage)</b>			
Return on equity	47.88%	27.25%	20.63%
Return on capital employed	12.62%	11.40%	1.22%
<b>Financial position (Rs. '000)</b>			
Total assets	36,603,428	45,553,121	(8,949,693)
Total shareholders' funds	4,822,479	3,953,283	869,196
Stated capital	227,500	227,500	-
Funds employed (Debt & Equity)	34,522,784	44,299,442	(9,776,658)
<b>Selected ratios (Times/ Percentage)</b>			
Leverage ratio (Debt to Equity)	6.16	10.21	(4.05)
Interest cover (times)	2.38	1.54	0.84
Capital adequacy ratio - First Capital Treasuries PLC	33.22%	26.20%	7.02%
<b>Share related information</b>			
Earnings per share (Rs.)	19.66	9.94	9.72
Dividend per share (Rs.)	5.00	9.00	(4.00)
Dividend payout	25.43%	90.54%	(65.11%)
Net assets per share (Rs.)	45.14	36.98	8.16
Closing share price (Rs.)	54.50	22.80	31.70
Market capitalisation (Rs. Mn)	5,518.13	2,308.50	3,209.63
Number of shares issued	101,250,000	101,250,000	-



**Rs.**  
**3.7Bn**

Net Trading Income

**Rs.**  
**2.1Bn**

Profit after Tax

**Rs.**  
**37Bn**

Total Assets

**Rs.**  
**4.8Bn**

Net Assets

## OPERATIONAL HIGHLIGHTS



**Rs.  
302Bn**

Sale of Government Securities



**Rs.  
45.2Bn**

Assets Under Management



**Rs.  
22.2Bn**

Total funds raised through  
Corporate Debt Structuring  
and Placement



**Rs.  
7Bn**

Total funds raised for Listed  
Debt IPOs

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**PERFORMANCE FIRST  
IS OUR PROFESSIONAL  
APPROACH**

## CHAIRMAN'S STATEMENT



**“Your Company believes that the highest standard in governance is indispensable to creating long term value to its stakeholders and must not be compromised. The Company’s journey of sustained value creation for more than 25 years has been about engendering trust and about effective, transparent and accountable governance by the management including the Board, the highest governing body.”**

I am pleased to present to you the Annual Report and Audited Financial Statements of First Capital Holdings PLC (FCH) for the year ended 31 March 2021.

**PERFORMANCE IN CONTEXT**

The year was undoubtedly the most challenging, for many enterprises and the world at large disrupted by the COVID-19 pandemic and its implications. It is thus inspiring to note

that FCH Group performed remarkably well during the year 2020/21, to record its best performance to date, with a Consolidated Profit after Tax of Rs. 2.09Bn (2019/20 – Rs. 1.07Bn). I am pleased to note that this outstanding performance was enabled by excellent contributions from all four business sectors of the Group increasing the Consolidated Revenue by 16% to 6.03Bn. The Group’s timely strategies,

strong customer engagement, and well diversified balanced corporate portfolio enabled us to achieve this commendable performance despite a contraction of the Sri Lankan economy by 3.6% in 2020.

FCH Group’s performance was also well supported by a conducive Monetary Policy environment of low interest rates, as the Central Bank of Sri Lanka continued to adopt a relaxed monetary policy stance throughout 2020 in order to stimulate economic activities and regain a growth momentum. The key policy interest rates of Standing Deposit Facility Rate (SDFR) and Standing Lending Facility Rate (SLFR) were reduced by a total of 250 basis points on five occasions, to their historically lowest levels of 4.50 % and 5.50%, respectively. The depreciation of the Sri Lanka Rupee also added to FCH’s reported results in the form of exchange gains on the Company’s expanded portfolio of US Dollar denominated investments.

Moreover, the performance of the Colombo Stock Exchange, which recovered from a decline during the first part of the year to an all-time high by year end, driven by domestic interest, also spurred the performance of our stock brokering arm.

Following the amalgamation of our parent company Dunamis Capital, with Janashakthi Group in 2019, as was mentioned in my message last year; FCH is now a member of the Janashakthi Group. The year under review saw us begin to identify and harness the numerous new opportunities that this new relationship could offer. As the first step, the Group has established a shared services structure where key support functions required by its Companies are streamlined to facilitate greater efficiency and cost efficacy.

I am pleased to bring to your notice that the ratings awarded to both FCH and its subsidiary First Capital Treasuries PLC (FCT), by ICRA Lanka Limited were

upgraded during the year to [SL] A, from [SL] A- in the previous year; with ICRA citing “a strong interlink between the Group’s entities through the sharing of a common brand, management team, systems and improvements in the Group’s capital and gearing profiles, in addition to the healthy performance of its subsidiaries” amongst other factors which reflects the shareholder value creation.

#### DIVIDEND

First Capital Holdings PLC declared an interim dividend of Rs. 5 per share which amounted to a total dividend payout of Rs. 506.25Mn for the financial year 2020/21. The dividend was paid out in April 2021.

#### GOVERNANCE

As a financial enterprise, your Company believes that the highest standard in governance is indispensable to creating long term value to its stakeholders and must not be compromised. FCH’s journey of sustained value creation for more than 25 years has been about engendering trust and about effective, transparent and accountable governance by the management including the Board, the highest governing body. The Board sets the tone at the top by promoting professional standards and corporate values that cascade down to senior management and other employees of the Company. We also encourage open discussion to ensure transparency and inflow of fresh ideas to enhance Board decisions and the effective implementation of the Company’s strategies. Moreover, FCH ensures that its mechanisms for good governance are constantly reviewed, benchmarked, and strengthened to meet evolving requirements.

#### OUTLOOK

I write this message as Sri Lanka braces itself to face much harsher challenges than we did in 2020 with the emergence of multiple variants of the virus spreading across the Island and as several parts of the world are witnessing

a resurgence of the COVID-19 pandemic. The Central Bank of Sri Lanka anticipates growth estimates to be revised to below 5.0% from an earlier expectation of 6.0% amidst extensive restrictions on businesses, livelihoods, and many aspects of everyday lives resulting in a heavier toll on the economy.

More positively however, in the global front, the pandemic has begun to recede in the United States, as per their latest indicators, following the complete vaccination of over 50% of the population, and augurs well for the world economic growth to pick up by year end.

Considering the exacerbation of economic challenges amidst pandemic and lockdown conditions, the Central Bank of Sri Lanka is likely to continue a relaxed monetary policy stance over the year to kindle economic activities and offer relief to those whose livelihoods have been disrupted.

FCH Group thus looks ahead with much vigour to continue to create value in such a conducive Monetary Policy environment. We will continue to pursue strategies which have served us well in the past, whilst reviewing and fine tuning our strategies to meet changing socio-economic dynamics. The Group will also look to change its portfolio mix for fee-based income and primary dealership each to account for 50% of its portfolio. Whilst adapting to a “new normal” in the short term we will continue to see how best we can further strengthen our platform for sustained growth in the long term.

#### APPRECIATIONS

As we look to the years ahead, I would like to convey my sincere appreciation to my colleagues on the Board for their valued contribution and constant support for steering the Company to achieve outstanding results and to the entire team of loyal employees led by the Group Managing Director and Director/ Chief Executive Officer, whose talents,

unreserved effort and commitment, continue to broaden the horizons for the Company as it seeks to “be the leading investment bank in Sri Lanka.” My gratitude is also due to the officials of the Central Bank of Sri Lanka, the Securities and Exchange Commission of Sri Lanka, the Colombo Stock Exchange and other regulatory bodies for their valuable guidance and support and the vital role they play in the industry; and to all our stakeholders and customers for their loyalty which continues to inspire us.

(Sgd.)

**Nishan Fernando**  
Chairman

11 August 2021

## DIRECTOR/CHIEF EXECUTIVE OFFICER'S REVIEW



**“First Capital Holdings PLC recorded its highest-ever Consolidated Profit after Tax of Rs. 2.09Bn in 2020/21. Despite the challenging operating environment, all four of the Group’s business segments performed remarkably well.”**

**PERFORMANCE HIGHLIGHTS**

First Capital Holdings PLC (FCH) recorded its highest-ever Consolidated Profit after Tax of Rs. 2.09Bn in 2020/21. Despite the challenging operating environment, all four of the Group’s business segments performed remarkably well and contributed to achieve a growth of 95% in Consolidated Profit after Tax for the year under review.

**PRIMARY DEALERSHIP**

First Capital Treasuries PLC (FCT), the Group’s Primary Dealer division recorded

a Profit after Tax of Rs. 1.84Bn for the year 2020/21 compared to Rs. 1.21Bn in the previous year, well supported by the low interest rate regime maintained since February 2020. The profits comprised trading gains on sale of securities amounting to Rs. 2.47Bn and net interest income amounting to Rs. 519Mn. FCT continued to account for the highest amongst standalone primary dealers raising debt for the government, taking up as much as 9% and 6% of the total issuance of treasury bonds and treasury bills respectively in 2020.

FCT was able to make substantial gains on sale of government securities, particularly during the first half of the year by capitalising on trading opportunities. Moreover, the strategic decision we made at the beginning of 2020/21 to expand our portfolio of investments into US Dollar denominated Sri Lanka Development Bonds (SLDB) proved fruitful as the Company was able to realise exchange gains from the depreciation of the Rupee as envisaged.

**CORPORATE FINANCE**

First Capital Limited, the Group’s Corporate Finance division also contributed well with a Profit after Tax of Rs. 267Mn for the year 2020/21 compared to a loss of Rs. 1Mn in the previous year. The Division was able to mobilise Rs. 22.2Bn for its clients through the structuring and placement of Corporate Debt Securities and generated a fee income of Rs. 168Mn for the year compared to Rs. 175Mn in the previous year. Realising its Dealing Securities portfolio of listed debentures and Securitised paper more frequently and the reinvestments of those proceeds in high yielding corporate debts as well as the gradual expansion of our investments supported the Division’s profitability during the year.

**WEALTH MANAGEMENT**

First Capital Asset Management Limited, the Group’s Wealth Management division also reported a Profit after Tax of Rs. 77Mn for the year 2020/21, a remarkable growth from Rs. 8Mn in the previous year. The Fee Income doubled during the year to Rs. 128Mn from Rs. 64Mn in the previous year. The division’s asset management portfolio also grew to Rs. 45.2Bn from Rs. 26.4Bn in the previous year. The digitalisation initiatives of FCH; which has enhanced ease of doing business via its features such as electronic documentation for onboarding, online portfolio viewing and transactions, requiring no physical



meeting, was a key factor which attracted more customers during the year. These enhancements in processors were also complimented by an effective advertising campaign during the year.

## EQUITIES

Profit after Tax earned by First Capital Equities (Private) Limited, our Stock Brokering division, also increased significantly to reach Rs. 75Mn for the year 2020/21 compared to Rs. 6Mn in the previous year; on the back of increased domestic interest in the equity market. Revenues earned by the division increased to Rs. 252Mn for the year compared to Rs. 71Mn during the previous year. The Colombo Stock Exchange recovered from the significant decline it experienced in the immediate aftermath of the first wave of the pandemic; to a record high in terms of overall price index despite short term volatilities throughout the year. The preference for equity investments in an environment of low interest rates, helped the market recover despite the outflow of foreign investments. It also helped that the Central Bank of Sri Lanka continued to ensure uninterrupted payment and settlement services in the country despite the lockdowns and the COVID-19 Pandemic.

## OUR PEOPLE

In the Financial services sector and in the Investment banking industry in particular, human and intellectual capital are key determinants of value creation and a competitive advantage. The Company's continual success and being recognised as one of Sri Lanka's top 30 corporates for 2019/20 is the result of the talents, passion and commitment of our people. FCH continued to invest in enhancing the value of this asset through training and development which were conducted online, as necessitated by the pandemic conditions. Aligned with our brand promise of "Performance

First", enhancing the capacities of our top Management as well as excellence in customer service for our front-end staff, were key focus areas of our training agenda in 2020. Moreover, a reinforcement of the Company's values so that all our employees remain true ambassadors of the five key values espoused by FCH, was also an area of focus in our employee initiatives during the year. The year under review also saw succession planning set in place.

The COVID-19 Pandemic conditions during the year also necessitated that we give emphasis to the health and safety of our people. FCH was able to make a seamless transition to working from home effectively by utilising the digital infrastructure and policies which the Company had set in place a few years ago as a progressive step to facilitate greater employee empowerment and a flexible work culture. Employees have thus been able to work remotely sans any interruptions and continue to engage with customers and carryout transactions whilst staying safe.

## BRAND PROMISE

The year under review also saw us establish a new brand identity - "Performance First", following extensive research, discussions and brainstorming, both internally and externally. "Performance First" is identified as a promise which resonates well with our people, clients and potential clients. The Group's Corporate Strategy for the next 3 years is thus aligned with ensuring the delivery of this brand promise. Digitalising the process of onboarding customers to automation of processes, rigorous knowledge development, enhanced visibility and customer support are some of the steps we have embarked on, towards this end.

## LOOKING AHEAD

We expect the Government's relaxed monetary policy stance with a low interest rate environment to continue in 2021/22, necessitated by the ongoing 3<sup>rd</sup> wave of the pandemic and its implications. Our Primary Dealer division is thus optimistic on the opportunities in the year ahead to further enhance its interest income in the primary dealership market. In a backdrop of low foreign exchange inflows, low economic activities and diminishing foreign reserves, the Sri Lankan Rupee seems likely to depreciate further.

Our Corporate Financing division will look to continue investing in high yielding debts which have a moderate level of risk, particularly, Securitised Papers and Debentures; as well as equity with a focus on serving a large base of clients.

Our Stock Brokering division will look to expand its online client base and enhance its value-added services to clients; such as the dissemination of FCH's in-house research which enjoys highest visibility in the local media for its coverage of Debt and Equity markets and is sought after by the regulator, the media and clients as well as non-clients alike. We will also look to establish alliances with foreign brokers to expand our customer base and markets.

We will continue to strengthen our Research arm which contributes significant value to our own business insights, as well as to customer decision making and their affiliation to the brand First Capital.

The infrastructure, a state-of-the-art IT system and processes, which were already in place at FCH gave the Company a head start in responding to a lock down and a "New Normal" with minimal inconvenience to customers.

## Director/Chief Executive Officer's Review

We will continue to build on this platform for greater convenience and value addition to our customers combining with the need to ensure the safety of our people.

The Company thus stands well poised, backed by the strength of the Janashakthi Group, to augment its performance, while drawing on the synergies of the conglomerate's holdings in Life Insurance, Real Estate, and Finance to deliver a new tier of growth.

### APPRECIATIONS

I would like to express my gratitude to our Chairman and my colleagues on the Board and the entire team that make up FCH for their talents commitment and dynamism. My sincere thanks also go to the Central Bank of Sri Lanka, the Securities and Exchange Commission of Sri Lanka and the Colombo Stock Exchange for the invaluable role they play in the industry. My sincere appreciation to all our clients for their trust in us and the inspiration they provide us to keep raising the bar for ourselves and the industry.

(Sgd.)

**Dilshan Wirasekara**

*Director/Chief Executive Officer*

11 August 2021



## BOARD OF DIRECTORS



**NISHAN FERNANDO**

*Independent Non-Executive Chairman*

Nishan Fernando is a Fellow Chartered Accountant and a Chartered Global Management Accountant with Associate Membership of the Chartered Institute of Management Accountants, UK. He holds a Master's Degree in Business Administration from the Postgraduate Institute of Management, University of Sri Jayewardenepura, and is a Graduate of the Sri Lanka Institute of Directors.

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

He had been a Commission Member of the Securities and Exchange Commission of Sri Lanka and also served on the Accounting and Auditing Standards Monitoring Board, Governing Boards of Postgraduate Institute of Management and of National Institute of Business Management. He has been serving on the Sri Lanka Accounting Standards Committee for over sixteen years and chaired it in 2009-2013 during which period Sri Lanka fully converged with

IFRS. He has also been chairing the SLFRS Implementation and Interpretation Committee of CA Sri Lanka.

**Other principal appointments**

Managing Director: BDO Consulting (Pvt) Limited



**DINESH SCHAFFTER**

*Managing Director*

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

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

**Other principal appointments**

Director: Janashakthi Limited, Janashakthi Insurance PLC and Kelsey Developments PLC

## Board of Directors



**DILSHAN WIRASEKARA**

*Director/Chief Executive Officer*

Dilshan Wirasekara, Director/Chief Executive Officer of First Capital Holdings PLC is an experienced professional with a career spanning over 25 years, comprising diversified expertise in financial services including, banking, treasury and investment management, capital market strategy and corporate finance advisory services.

Having joined First Capital in 2013, Wirasekara steered the Company, a full service investment institution holding licenses as a primary dealer in government securities, stock brokering as a full trading member of the CSE, unit trust management and wealth management licensed by SEC and debt structuring, trading and corporate finance advisory in addition to its fully fledged research unit covering macro fundamentals, equity and fixed income, to establish itself as a significant contributor to the local capital market industry. He spearheaded the formation of key debt structuring deals with internationally based development Financial Institutions as well the signing of strategic partnerships with foreign institutions focusing on emerging markets such as Sri Lanka.

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

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

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

### **Other principal appointments**

Director: Colombo Stock Exchange



**PRAKASH SCHAFFTER**

*Non-Independent Non-Executive Director*

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

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

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

A former first-class cricketer, he represented both the University of Cambridge and London University during his cricketing career. He has also served as President and Secretary of the Tamil Union Cricket and Athletic Club. He is a former Secretary of Sri Lanka

**RAMESH SCHAFFTER***Non-Independent Non-Executive Director***EARDLEY PERERA***Independent Non-Executive Director*

Cricket, having served on three separate occasions on Interim Committees appointed by the Government.

#### **Other principal appointments**

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

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

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

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

#### **Other principal appointments**

Managing Director/ Group Chief Executive Officer : Janashakthi Limited  
Director : Janashakthi Insurance PLC, Kelsey Developments PLC, Orient Finance PLC, Serendib Land PLC.

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

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

#### **Other principal appointments**

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

## Board of Directors



**MINETTE PERERA**

*Independent Non-Executive Director*

Minette Perera was the Group Finance Director of the MJF Group, which comprises several tea growing, packing and exporting companies, supplying the "Dilmah Tea" brand around the world, from September 2000 till March 2013.

During the period of her employment with the MJF Group, she was appointed a Director of the MJF Group of Companies, including MJF Holdings Limited. She continues to hold Board positions in some Companies of the MJF Group. She has also held board positions before joining the MJF Group.

Minette is a Fellow Member of the Institute of Chartered Accountants of Sri Lanka, the Chartered Institute of Management Accountants of UK and the Association of Chartered Certified Accountants of UK. She has over 40 years working experience as a qualified accountant having worked in leading local and international companies as an Executive Director.

### Other principal appointments

Non-Executive Director: Orient Finance PLC, Dilmah Ceylon Tea Company PLC (formerly Ceylon Tea Services PLC), Kahawatte Plantations PLC, Talawakelle Tea Estates PLC and Forbes & Walker (Pvt) Limited.



**CHANDANA DE SILVA**

*Independent Non-Executive Director*

Chandana de Silva, who has 32 years of managerial and financial experience acquired in Sri Lanka and the United Kingdom, held several senior management positions including that of Chief Financial Officer of a Nasdaq quoted data communication services company during his 23 years of work experience in the UK. Since moving back to Sri Lanka in 2002 he worked at MAS Holdings in a variety of roles and established its Supply Chain Management function, set up the MAS training centre and was the Chief Executive Officer of the MAS Investments Division.

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

He now serves as a Non-Executive Board member and as a consultant.

### Other principal appointments

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



**NISHAN DE MEL**

*Independent Non-Executive Director*

Nishan de Mel is the Executive Director of Verité Research (Pvt) Limited, a think tank providing analytical research and advisory services on economic, political and legal issues in Sri Lanka and Asia. He is an economist with extensive academic, policy and private sector experience.

In Sri Lanka, he has been a Member of the Presidential Task Force on Health Sector Reform, Presidential Committee on Tobacco, Alcohol and Dangerous Drug Regulation and the National Steering Committee on Social Security. He has also served as the Executive Director of the International Centre for Ethnic Studies and on the Board of the Sri Lanka Foundation. Internationally, Nishan has held several governing, teaching and research positions, including as Lecturer in Economics at Oxford University.

He holds Masters and Doctoral degrees in Economics from the University of Oxford, UK and a Bachelor of Arts degree in Economics from Harvard University, USA.

### Other principal appointments

Director : Eureka Technology Partners (Pvt) Limited and Bartleet & Company Limited.

## MANAGEMENT TEAM



**Dinesh Schaffter**  
*Managing Director*



**Dilshan Wirasekara**  
*Director/Chief Executive Officer*



**Tharusha Ekanayake**  
*Chief Operating Officer*



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



**Mangala Jayashantha**  
*Chief Financial Officer*



**Wasanthi Stephen**  
*Group Chief Human Resources Officer*



**Harshanee Deshapriya**  
*Group Chief Legal Officer*



**K V Kuganathan**  
*Group Chief Information Officer*



**Manindri Dias Bandaranayake**  
*Group Chief Brand Marketing Officer*



**Dimantha Mathew**  
*Head of Research*



**Kapila Perera**  
*Assistant General Manager – Risk & Compliance*



**Kavin Karunamoorthy**  
*Assistant General Manager – Asset Management*



## Management Team



**Anjelo Simmons**  
*Chief Dealer*



**Sujani Kumarage**  
*Assistant General Manager -  
Operations*



**Anushi Ranawaka**  
*Senior Manager - Treasury  
Sales*



**Dilip Joseph**  
*Deputy Chief Financial Officer*



**Rohana Jayakody**  
*Senior Manager - Branch Sales*



**Harsha Perera**  
*Senior Manager - Operations*



**Anushka Dissanayake**  
*Senior Manager - Treasuries*



**Rangajeewa Abyewickrama**  
*Senior Manager - IT Operations*



**Salinda Samarakoon**  
*Senior Manager - Kandy  
Branch*



**Nisansala Munasinghe**  
*Senior Manager - Branding &  
Marketing Services*



**Nisansala Kothalawala**  
*Senior Manager - Risk &  
Compliance*



**Rasika Indra Kumara**  
*Senior Manager - Equities*



**Sayuri Leelarathne**  
*Manager - Sales*



**Diluni Gamage**  
*Manager - Finance*



**Lasanthi Dissanayake**  
*Manager – Asset Management*



**Maheshi Jayasekara**  
*Manager - Corporate Finance*



**Ifadh Marikar**  
*Manager - Foreign Investments*



**Nishantha Mudalige**  
*Manager - Investments*



**Atchuthan Srirangan**  
*Manager - Research*



**Anjalee Welhena**  
*Manager - Risk & Compliance*



**Isuru Jayawardena**  
*Manager - Investments*



**Anushka Buddhika**  
*Manager - Investments*

## Management Team

### Dinesh Schaffter

#### *Managing Director*

Please refer to the Directors' Profile on page 15.

### Dilshan Wirasekara

#### *Director/ Chief Executive Officer*

Please refer to the Directors' Profile on page 16.

### Tharusha Ekanayake

#### *Chief Operating Officer*

Tharusha Ekanayake brings over 21 years of experience in banking and financial services, specialising in the areas of treasury, foreign exchange, fixed income securities, investment banking, assets and liability management, portfolio management, fund raising activities and risk management in relation to treasury.

He has received broad exposure and extensive training in treasury, risk management, investment management, asset and liability management. Tharusha holds a Bachelor of Science Honors, Special Degree in Chemistry from the University of Peradeniya.

### Jaliya Wijeratne

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

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

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

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

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

#### **Other principal appointments**

President: Colombo Stockbrokers Association

### Mangala Jayashantha

#### *Chief Financial Officer*

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

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

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

### Wasanthi Stephen

#### *Group Chief Human Resources Officer*

Wasanthi Stephen has over 22 years of work experience with over 20 years in the Human Resource Industry in Sri Lanka. Her extensive exposure includes talent management, employee relations,

handling industrial disputes, mentoring, counseling, strategic planning and learning and development in the hospitality, real estate, manufacturing, finance and Insurance industries.

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

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

Wasanthi is an Attorney-at-Law and Associate Member of Chartered Institute of Personnel Management.

### Harshaneesh Deshapriya

#### *Group Chief Legal Officer*

Harshaneesh Deshapriya possesses 15 years of work experience including 12 years as a corporate lawyer with an extensive exposure towards capital market regulatory work, corporate affairs and activities in diversified industries such as manufacturing, real estate, insurance, investment banking and finance. Her professional expertise ranges across various foreign and local investment activities including company takeovers and mergers, corporate finance and advisory services, dealing with foreign hedge funds and exchanges, commercial arbitration and contract management.

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

Harshaneesh has also obtained Professional Qualifications in Human



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

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

#### **K V Kuganathan**

##### *Group Chief Information Officer*

K V Kuganathan is a seasoned business, digital and IT strategist with over 23 years of experience, including over 9 years serving at C-level positions, with extensive experience in Banking Finance, Insurance and Capital Market sector.

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

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

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

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

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

#### **Manindri Dias Bandaranayake**

##### *Group Chief Brand Marketing Officer*

Manindri Dias Bandaranayake is the Chief Brand Marketing Officer of Janashakthi Group that operates across the Insurance, Finance, Investment and Real estate sectors. Manindri is a marketing professional with over 15 years of marketing experience. She joined Janashakthi Insurance PLC in 2015 as the Head of Marketing, overlooking brand building, customer relationship management, brand activations and corporate communications.

Prior to Janashakthi, she completed a successful 9-year stint in brand building at Unilever Sri Lanka. She joined Unilever Sri Lanka as a Management Trainee in 2005 and spent over 7 years in Food Categories/brands (beverages & savoury) and handled the flagship brand Sunlight for 2 years. Manindri followed a Master of Business Administration from the University of Wales and a Bachelor of Science in Microbiology from the Bangalore University. She is also a Member of the Chartered Institute of Marketing UK (MCIM). She is passionate in driving insightful campaigns that build brand love among the people we serve.

#### **Dimantha Mathew**

##### *Head of Research*

Dimantha Mathew has over 15 years of experience with investment banking a predominant focus.

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

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

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

#### **Kapila Perera**

##### *AGM – Risk & Compliance*

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

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

#### **Kavin Karunamoorthy**

##### *AGM – Asset Management*

Kavin Karunamoorthy has over 18 years of experience in Treasury and Investment banking. He has significant

## Management Team

exposure in fixed income dealing, foreign exchange, asset and liability management, corporate finance and fund management. He has also received extensive training both locally and internationally in the areas of treasury, investment management and asset and liability management.

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

### Anjelo Simmons

#### Chief Dealer

Anjelo Simmons possesses 14 years of fixed income related experience. Commencing his career with Ceylinco Insurance (Life) in 2007, Anjelo joined First Capital Treasuries PLC in 2012 as a Senior Executive. He was promoted as a Manager and Senior Manager in 2015 and 2018 respectively. Presently, he performs duties in the AGM category.

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

### Sujani Kumarage

#### AGM – Operations

Sujani Kumarage possesses over 22 years of experience in business processing relating to fixed income securities (Government Securities/ Corporate Debt Securities).

She provides oversight for processing of government and corporate debt securities, money market operations and SWIFT securities/payments and settlements.

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

certificate for Treasury & Foreign Exchange Operations conducted by the Central Bank of Sri Lanka and currently she is reading for her MBA at the University of Suffolk.

### Anushi Ranawaka

#### Senior Manager - Treasury Sales

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

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

### Dhilip Joseph

#### Deputy Chief Financial Officer

Dhilip Joseph counts varied experience spanning over 13 years in accounting, auditing, financial management, corporate planning and taxation.

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

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

### Rohana Jayakody

#### Senior Manager – Branch Sales

Rohana Jayakody counts over 20 years of experience in fixed income securities. Commencing his career at the Employee Provident Fund department of the Central Bank of Sri Lanka in 1998 as a Project Officer, Rohana joined First Capital a year later and was promoted to the post of Manager in 2008.

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

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

### Harsha Perera

#### Senior Manager – Operations

Harsha Perera possesses over 20 years of experience in fixed income securities processing and post-trade operations.

Harsha joined the First Capital Group in 1999 and was promoted to Assistant Manager in 2010 and Manager in 2015. Presently, Harsha manages treasury operations and oversees SWIFT Securities Payments and Settlements and centralised operations of First Capital Group companies and maintains expansive relationships with Banks and Primary Dealers.

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

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

**Anushka Dissanayake***Senior Manager – Treasuries*

Anushka Dissanayake has over 12 years of diversified experience in the fields of fixed income securities, equity portfolio management, manufacturing and real estate.

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

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

**Rangajeewa Abeywickrama***Senior Manager - IT Operations*

Rangajeewa Abeywickrama counts over 18 years of experience in the fields of IT Security, Cloud and Virtualisation, SWIFT Support Service, Core Application and ERP Development Project Management, IT Infrastructure and Data Centre Management, Disaster Recovery Planning and Risk Management and Virtual Office with Private Cloud Development.

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

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

Rangajeewa holds a Master of Business Administration from the University of Bedfordshire, UK. He is a Member of the Computer Society of Sri Lanka and holds a CCNA in Computing and Information System from the Sri Lanka Institute of Information Technology.

**Salinda Samarakoon***Senior Manager - Kandy Branch*

Salinda Samarakoon counts over 17 years of experience with a decade's service at First Capital.

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

**Nisansala Munasinghe***Senior Manager - Branding and Marketing Services*

Nisansala Munasinghe counts over 10 years of experience in business development, corporate communications and public relations. Developing communications solutions for both local and international brands. She commenced her career at Grant Public Relations (GPR Communications Consultancy), a subsidiary of the Dentsu Grant Group.

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

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

She holds a Bachelor of Arts in International Relations and Mass Communication from Deakin University, Australia and a Diploma in Media Communication from Deakin College, Australia. Nisansala has undergone

training in Brand Building, Corporate Strategy and Customer Service Excellence.

**Nisansala Kothalawala***Senior Manager - Risk & Compliance*

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

Nisansala is an experienced banker with 11 years of extensive exposure to Branch Operations, Treasury products and operations, FX and international trade services during her tenure at Sampath Bank PLC.

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

**Rasika Indra Kumara***Senior Manager - Equities*

Rasika Indra Kumara Senior Manager - Equities Rasika Indra Kumara has over 18 years of experience in banking, finance, and capital markets. Prior to joining First Capital, he held the position of Chief Operating Officer at Capital TRUST Mobility Solutions (Pvt) Limited.

## Management Team

He also served as the Chief Executive Officer at Capital TRUST Mobility Automobile (Pvt) Limited and he was a member of senior management at Capital TRUST Securities (Pvt) Ltd.

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

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

### Sayuri Leelarathne

#### Manager - Sales

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

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

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

### Diluni Danushika

#### Manager- Finance

Diluni Danushika counts finance experience spanning over 9 years in multi-disciplinary industries namely Investment Banking, Information Technology (IT), Leasing and Aviation.

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

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

### Lasanthi Dissanayake

#### Manager – Asset Management

Lasanthi Dissanayake possesses over 16 years of experience in accounting, taxation, finance, investment management and MIS reporting.

She joined the Finance Department of First Capital Group and was promoted to the positions of Assistant Accountant and Accountant, responsible for the

preparation of Financial Statements, Management Reports, maintaining client valuations and performance reports related to the wealth management clients.

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

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

### Maheshi Jayasekera

#### Manager – Corporate Finance

Maheshi Jayasekera counts over 9 years of experience in the financial services field with expertise in finance and regulatory reporting.

Prior to joining the First Capital team, she served as an Executive reporting directly to the Chief Financial Officer at Alliance Finance Company PLC.

Maheshi joined First Capital as an Executive of the Corporate Debt Department and was promoted to the positions of Assistant Manager and Manager, and has been responsible for structuring Securitisations and Listed Debentures for Corporate Clients.

Maheshi holds a B.Sc. Degree from the Faculty of Science, University of Colombo. She is an Associate Member of the Chartered Institute of Management Accountants, UK (ACMA) and a Member of Chartered Global Management Accountants (CGMA). She is currently reading for her MBA at the Edith Cowan University, Australia.

**Ifadh Marikar***Manager – Foreign Investments*

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

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

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

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

**Nishantha Mudalige***Manager – Investments*

Nishantha Mudalige counts over 16 years of experience in the Stock Brokering Industry, having begun his career at CT CLSA Securities (Pvt) Ltd Sri Lanka, prior to joining First Capital Equities (Pvt) Ltd, formerly known as DNH Financial (Pvt) Ltd.

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

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

**Atchuthan Srirangan***Manager - Research*

Atchuthan Srirangan has over 10 years of experience in Investment Research and Asset Management. He has significant expertise in the areas of Macro-Economic Strategy, Fixed Income and Equity Research, Portfolio Management, Corporate Finance, and Advisory Services.

Prior to joining First Capital, Atchuthan worked as a Fund Manager at GIH Capital Ltd. He is also a visiting lecturer for the Centre for Banking Studies - Central Bank of Sri Lanka, Colombo Stock Exchange (CSE), and the Institute of Chartered Corporate Secretaries – ICCS.

Atchuthan holds a BA (Hons) Accounting and Finance from London Metropolitan University, United Kingdom and is a Registered Investment Advisor at the Securities and Exchange Commission of Sri Lanka.

**Anjalee Welhena***Manager – Risk & Compliance*

Anjalee Welhena has over 7 years of experience in the Finance Industry. She specialises in Fund Administration, Asset Management, Credit Analysis, Risk analysis and Management, compliance and operational functions related to financial instrument valuation.

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

She holds a Bachelor of Science (Hons) in Computational Physics Special Degree from University of Colombo. She is also an Associate Chartered

Management Accountant (ACMA), and a Chartered Global Management Accountant (CGMA) - CIMA – UK. She has obtained the certificate for Financial Analysis and Forecasting from the Institute of Chartered Accountants of Sri Lanka (CA) and currently reading for Advanced Diploma in Credit Management.

**Isuru Jayawardane***Manager – Investments*

Isuru Jayawardane counts over 16 years of experience in the Stock Brokering industry, commencing his career with Asia Securities and joining Capital Alliance subsequently.

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

**Anushka Buddhika***Manager – Investments*

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

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

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

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



## MANAGEMENT DISCUSSION AND ANALYSIS

### BACKDROP TO PERFORMANCE

#### Global Economy

In an unprecedented year, the global economy recorded its worst recession in decades. According to the IMF (as reported in its World Economic Outlook (WEO) of April 2021), the global economy contracted by 3.3% in 2020, compared with a growth of 2.8% in 2019. Advanced economies were estimated to have contracted by 4.7%, while a contraction of 2.2% was estimated in relation to emerging market and developing economies. Meanwhile in China, where the COVID-19 pandemic originated, the economy recorded a growth of 2.3% in 2020. However, towards the second half of 2020, unparalleled policy support on several fronts, including health, fiscal, monetary and social; facilitated an upturn in most economies.

The start of the second quarter of 2021 has given reason for more optimism about an expeditious recovery of global economic activity mainly based on the United States and United Kingdom following their successful rollout of the COVID-19 vaccination programme as well as extensive policy support at national and multilateral levels. Although projections for global growth for the next few years have been revised upward by the IMF to 6% in 2021 and 4.4% in 2022, recovery is likely to vary across and within regions, due to variations in the magnitude of disruptions, the size and effectiveness of policies, pre-pandemic fiscal and socio-economic conditions, and coverage of vaccine rollout. The ongoing resurgence of the virus in Sri Lanka and in several parts of the world is indicative that economic contractions are likely in several countries.

However, the expected recovery of these economies is subject to regional differences in the severity of the pandemic, distinctive features of their economies and health systems, exposure to specific shocks, such as those on commodity exports or tourism,

and policy space available to respond aggressively to the pandemic and its implications.

#### Sri Lankan Economy

Mirroring the social and economic impacts of the COVID-19 virus across the world, coupled with the adverse impact of the Easter attack of 2019 which saw Sri Lanka experience one of the most prolonged periods of economic stagnation, the Sri Lankan economy contracted by 3.6% in 2020, reflecting its worst recession due to the unprecedented operating environment.

The economic performance combined with low foreign currency liquidity and the sharp rise in sovereign debt to GDP ratio, led to a Fitch Ratings down grade of Sri Lanka's Long-Term Foreign-Currency Issuer Default Rating (IDR) to 'CCC' from 'B-' in November 2020.

The overall contraction in GDP was primarily a result of the 16.4% contraction in the second quarter of the year due to the nationwide lockdown measures. Despite a pickup in activity in the second half of the year which supported a 1.3% year-on-year real growth, all three sectors of the economy contracted during 2020. The Agriculture sector declined by 2.4%, the Industry sector by 6.9% and the Services sector by 1.5%. Reflecting the combined effect of the contraction in Gross Domestic Product (GDP) at current market prices and the depreciation of the Sri Lankan Rupee against the US Dollar; GDP per capita declined to USD 3,682 in 2020 from USD 3,852 in the previous year.

The setback in Construction and Manufacturing activities caused the Industry sector to contract by 6.9% compared with a growth of 2.6% in 2019, while the Services Sector was adversely affected by the decline in transportation, other personal services, accommodation, and food and beverage service activities, to contract by 1.5%.

The year 2020 saw Sri Lanka record its smallest trade deficit since 2010 as a result of export earnings reaching the pre-pandemic levels sooner than expected and import expenditure declining in response to the policy measures introduced to curtail non-essential imports; along with relatively low global oil prices. As a percentage of GDP, the trade deficit declined to 7.4% in 2020, from 9.5% in 2019. Earnings from merchandise exports were severely impacted during the months in which pandemic containment measures were most intense but recovered faster than expected towards the pre-pandemic levels. Lockdowns and other public health restrictions enforced in Sri Lanka negatively affected the production of exportable goods in 2020. Moreover, subdued external demand, disruptions to shipping and supply chains, constraints to importing necessary inputs due to lockdown measures in foreign countries, and adverse price movements also affected the overall export performance during the year. Thus, as a percentage of GDP, export earnings in 2020 declined to 12.4% from 14.2% in 2019.

Reflecting the sharp deceleration in economic activities due to the COVID-19 driven implications, Sri Lanka's unemployment rate also rose above 5% for the first time since 2009 whilst restrictions to mobility also led to a decline in the Labour Force Participation Rate.

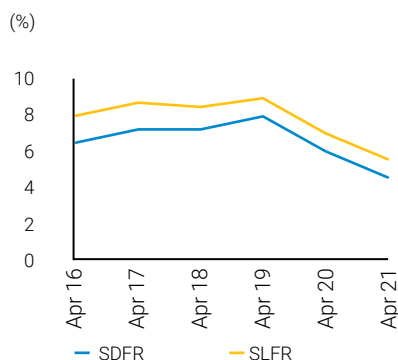
Headline inflation, as measured by the Colombo Consumer Price Index (CCPI, 2013=100), hovered around the upper boundary of the desired range during early 2020 and accelerated to 6.2%, year-on-year, by February 2020. The general price level as measured in terms of official consumer price indices, increased at a slow pace during 2020. This was mainly supported by subdued demand for non-essential goods and services associated with the lockdowns and containment measures imposed to mitigate the spread of the COVID-19

pandemic. However, with the moderation of food and non-food inflation, year-on-year headline inflation decelerated and was recorded at 4.2% by end 2020, compared to 4.8% in December 2019.

The exchange rate, which remained relatively stable prior to the domestic spread of the pandemic and the initial lockdown, came under significant pressure from mid March – April 2020, reaching a peak of over Rs. 199 per USD for April. Depreciation pressure that prevailed during this period necessitated policy action such as the curtail of imports and active intervention by the Central Bank of Sri Lanka (CBSL) in the domestic foreign exchange market through supply of foreign exchange and entry into sell-buy swap agreements with licensed Commercial Banks to enhance foreign exchange liquidity in the market. The downward movement of the exchange rate was somewhat stalled from mid April till the fourth quarter of the year. However, pressure resumed in the 4th quarter, driven by speculative market behaviour due to Sovereign rating downgrades and the low levels of liquidity in the domestic foreign exchange market. The annual depreciation during the calendar year 2020 amounted to 2.6% against the US Dollar. Reflecting cross currency exchange rate movements, the Sri Lankan rupee depreciated against the Euro (11.2%), the Japanese yen (7.5%) and the pound sterling (6.2%) by end 2020, and remained unchanged against the Indian rupee.

The CBSL continued to adopt a relaxed monetary policy stance throughout 2020 to assist the economy recover from the impacts of the pandemic. The key policy interest rates of the Standing Deposit Facility Rate and the Standing Lending Facility Rate were reduced by a total of 250 basis points on five occasions to their historically lowest levels of 4.50% and 5.50%, respectively.

#### Central Bank of Sri Lanka - Policy Rates (2016/17 - 2020/21)



Accordingly, the Commercial Banks' Average Weighted Prime Lending Rate (AWPLR) dropped from 9.74% in 2019 to 5.81% in 2020, whilst their Average Weighted Deposit Rate (AWDR) reduced to 5.80% from 8.20% in 2019. This accommodative monetary policy stance is expected to continue in 2021 until early 2022, due to the impact of the third wave and its implications, to offer relief to those whose livelihoods are affected and to reignite economic activities. These monetary policy measures and large-scale relief measures for individuals and business in the post lockdown period helped to rekindle economic activities, and thus fueled a growth in credit to the private sector during the second half of 2020.

#### OUTLOOK

Projections for global growth for the next few years have been revised upward by the IMF to 6% in 2021 and 4.4% in 2022, reflecting a stronger-than-expected recovery from the pandemic. However, the global economic recovery is expected to vary across and within regions, attributed to variations in the magnitude of disruptions, the size and effectiveness of policies, pre-pandemic fiscal and socioeconomic conditions, and coverage of vaccine rollout.

Advanced economies are expected to recover faster than most emerging market economies, due to increased access to vaccines and large

policy space available to maintain accommodative macroeconomic policies for an extended period. Accordingly, advanced economies are projected to grow by 5.1% and 3.6%, in 2021 and 2022, respectively. The United States is projected to grow by 6.4% in 2021 and by 3.5% in 2022, compared to the contraction of 3.5% in 2020, supported by large fiscal support and continued monetary accommodation. Growth in the Euro area is projected to pick up from a contraction of 6.6% in 2020 to 4.4% in 2021 and 3.8% in 2022.

In Sri Lanka, the CBSL is expected to continue a relaxed monetary policy stance until 2022 to offer relief to businesses and individuals that have been negatively impacted by the pandemic and lockdown condition, and to stimulate economic activity. Accordingly, Average Lending and Deposit rates are expected to remain low over the year. The floods and possible repercussions on the fishing industry of the marine pollution caused by Express Pearl are some other events which could cause further negative pressure on economic growth.

In line with the trend of the global economies, Sri Lanka has recorded a GDP growth of 4.3% for the 1st quarter of 2021, a figure higher than expectations illustrating faster than anticipated recovery in the Sri Lankan Economy. The accelerated deployment of the vaccination process is further supporting the recovery effort.

#### INDUSTRY ENVIRONMENT

Rupee liquidity in the domestic money market remained in surplus levels during 2020, reflecting the impact of the accommodative monetary policy stance, purchase of Treasury bills by the CBSL from the primary market and other operational measures implemented by the CBSL. Domestic money market liquidity, which remained broadly in surplus levels since mid-April 2019,

## Management Discussion and Analysis

was maintained at significantly high levels since the outbreak of COVID-19, thereby providing sufficient space for financial markets to support the affected businesses and individuals, and the recovery in economic activity. Reductions in the SRR in March and June 2020, the CBSL's purchases of government securities from the primary market, transfers of distributable profits of CBSL to the Government, CBSL's purchases of foreign currency from the domestic foreign exchange market, entering into foreign currency swap agreements with licensed banks, and the disbursement of credit through the Saubagya COVID-19 Renaissance Facility schemes, resulted in a notable increase in domestic money market liquidity during this period.

Moreover, additional liquidity was provided to standalone primary dealers as required through the liquidity support facility (LSF). Subsequently, overnight money market liquidity increased to around Rs. 220Bn by mid-June 2020 and the CBSL allowed this surplus liquidity conditions to remain in the market, thereby inducing downward pressure on market interest rates and encouraging credit disbursements.

The CBSL conducted term reverse repurchase auctions and provided liquidity through the LSF during the period from end September to mid-November 2020 amidst liquidity absorptions arising from the scheduled foreign loan repayments. Given these developments, the daily liquidity in the domestic money market, which on average remained around Rs. 30Bn in 2019, increased notably to around Rs. 130Bn in 2020. Further, driven by the purchases of government securities in the primary market by the CBSL, money market liquidity, on average, increased to around Rs. 160Bn in the first quarter of 2021, despite occasional reductions in liquidity due to scheduled foreign loan repayments and maturities of government securities.

### PRIMARY DEALERSHIP (PD) COMPANIES

PD companies reported Profit after Tax of Rs. 4.9Bn during 2020 against that of Rs. 3.8Bn during 2019, indicating a significant improvement in profitability consequent to the decline in yields. The significant increase in trading gains recorded in 2020 compared to 2019 has largely contributed to the increase in profits despite the marked-to-market loss recorded by PD companies in year 2020.

Consequently, Return on Assets (ROA) and Return on Equity (ROE) of PD companies increased to 7.6% and 30.5%, respectively, by end 2020 from 6% and 28.5% recorded in 2019, respectively.

#### Capital

Equity of PD companies increased by 11.2%, largely due to accumulation of profit during the year. The Risk Weighted Capital Adequacy Ratio (RWCAR) of the PD companies was well above the minimum required amount of 10% despite marginal decline to 27% as at the end 2020 from 27.6% reported as at the end 2019.

#### Assets and Liabilities

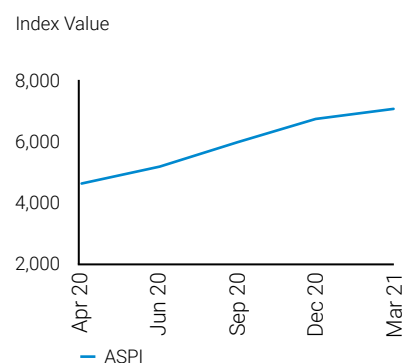
The total assets of Primary Dealer (PD) companies increased by 12.4% to Rs. 87.2Bn in 2020. The total investment portfolio of government securities, consisting of trading, available for sale and held to maturity portfolios amounted to Rs. 80.1Bn at end 2020, recording an increase of 15.5% during the year. The trading portfolio increased to Rs. 62.6Bn by end 2020, from Rs. 57.5Bn recorded at end 2019 while the held to maturity portfolio increased to Rs. 14.7Bn at end 2020 from Rs. 8.6Bn at end 2019. Available for Sale Portfolio decreased to Rs. 2.8Bn by end 2020 compared to Rs. 3.3Bn as at end 2019.

### THE COLOMBO STOCK EXCHANGE (CSE)

The CSE began to recover since July 2020; from the significant decline experienced with the onset of COVID-19

pandemic, to a record high in terms of overall price index, by year end. Although foreign outflows continued and resulted in a net foreign outflow, the market's recovery was primarily fueled by the shift in preference of domestic investors to equity investments in a low interest rate regime. Meanwhile, the CBSL continued to ensure uninterrupted payment and settlement services in the country amidst the COVID-19 Pandemic.

#### Movement of All Share Price Index (ASPI)



### COMPANY PERFORMANCE

The FCH Group performed remarkably during the year 2020/21, to record its best performance to date with a 95% growth in Consolidated Profit after Tax (PBT) amounting to Rs. 2.09Bn. The Group's timely strategies, strong customer engagement, a balanced corporate portfolio in a most conducive monetary policy environment, with excess liquidity in the market, enabled us to achieve this commendable performance despite a contraction of the Sri Lankan economy by 3.6% in 2020.

The Group's Revenue increased by 16% to Rs. 6.03Bn in 2020/21.

The early part of 2020 saw the Group commence the development of a brand identity which would resonate well with clients, potential clients as well as employees. Following market research, several internal and external reviews and brainstorming sessions, the Company decided to embrace a brand promise



of "Performance First." The Group's Corporate Strategy for the next three years is thus aligned with ensuring the delivery of this brand promise. Digitalising the process of onboarding customers to automation of processes, rigorous knowledge development and enhancing customer support are some of the steps towards this end.

FCH also launched several CSR initiatives during the year, including the support to construct housing in partnership with Habitat for Humanity. FCH has made a commitment for the next three years, to lend its time and effort as well as sponsor the construction of ten (10) new houses for low-income families in the District of Galle.

#### PRIMARY DEALING

The Group's Primary Dealer division recorded a net trading income of Rs. 2.97Bn for the year 2020/21 compared to Rs. 1.65Bn in the previous year, well supported by the low interest rate regime maintained since February 2020. FCT continued to account for the highest amongst private sector entities raising debt for the government, taking up as much as 7% of the entire debt in 2020. The sale of government securities by FCT for the year 2020/21 was Rs. 302Bn (2019/20 – Rs. 336Bn).

The Division was also able to make interest rate gains, particularly during the second half of the year, by capitalising on trading opportunities via the timely identification of the fluctuations in the Treasury yield curve. Moreover, the strategic decision made at the beginning of 2020, to expand the portfolio of investments into US Dollar denominated Sri Lanka Development Bonds (SLDB) proved fruitful, as the Company was able to realise the exchange gains from the depreciation of the Rupee as envisaged.

#### CORPORATE FINANCE

It is noteworthy that the Corporate Finance division was able to make profits despite lower volumes during

the year, reflecting higher margin transactions. The Division was able to mobilise Rs. 22.2Bn for its clients through the structuring and placement of Corporate Debt Securities which generated a fee income of Rs. 168Mn for the year 2020/21, compared to Rs. 175Mn in the previous year. Realising its Dealing Securities portfolio of listed debentures and securitised paper more frequently, and the reinvestments of those proceeds in high yielding corporate debt, as well as the gradual expansion of our investments into securitised papers, supported the Division's profitability during the year.

#### WEALTH MANAGEMENT

The Fee Income of the Wealth Management division doubled during the year 2020/21 to Rs. 128Mn from Rs. 64Mn in the previous year. The division's asset management portfolio also grew to Rs. 45.2Bn from Rs. 26.4Bn in the previous year. The digitalisation initiatives of FCH which has enhanced ease of doing business, via its features such as electronic documentation for on boarding, online portfolio viewing and transactions, requiring no physical meeting, was a key factor which attracted more customers during the year. This deployment of state of the art in technology was also complimented by an effective advertising campaign during the year.

#### STOCKBROKING

The Commission Income earned by Stockbroking division increased significantly to reach Rs. 209Mn for the year 2020/21 compared to Rs. 45Mn in the previous year, on the back of increased domestic interest in the equity market. The CSE recovered from the significant decline it experienced in the immediate aftermath of the first wave of the pandemic; to a record high in terms of overall price index despite short term volatilities throughout the year. The preference for equity investments in an environment of low interest helped the market recover despite the outflow

of foreign investments. It also helped that the CBSL continued to ensure uninterrupted payment and settlement services in the country despite the lockdowns and the COVID-19 pandemic.

#### HUMAN RESOURCES

As our most valuable asset, enhancing the value of that asset and building the capacities of our people continued to be a priority of FCH's HR agenda. In keeping with FCH's brand promise of "Performance First" a number of internal and external knowledge sharing and development programmes as well as programmes to develop top management capacities were conducted in 2020. In addition, the Company also embarked on a comprehensive customer service training for the front-end staff. During the year 2020/21, the Company invested a total of Rs. 1Mn, on its Learning and Development initiatives. The Company's Training Hours per person for the year was 14.87.

The COVID-19 pandemic conditions during the year also required that we place emphasis on the health and safety of our people. The Company thus enabled work from home and other safety measures for employees. The technological platform and processes in place, ensured an unhindered remote working process for all our employees. Moreover, considering the challenging macro environment of 2020 and 2021 where staying motivated can be a challenge to anyone, the Company ensured that employee engagement initiatives continued. A number of such activities for entertainment and camaraderie included quiz programmes and treasure hunts were conducted in the form of virtual events.

## RISK MANAGEMENT

First Capital Holdings PLC, together with its subsidiaries, align the Group wide risks to the strategic objectives of the Company. The Senior Management of the Group identifies, measures, responds to all types of risk with an oversight by the Board of Directors. This sets the basis of risk appetite of the Group which is closely monitored by the risk function independent from the business function.

We also have the advantage of having on-board a competent research team to analyse the dynamics of economic, political, and social environment to forecast the scenarios impacting our investments and to mitigate the risks encountered in a robust manner. The above will enable us to stress test our exposures in order to initiate timely mitigation measures.

The Company's risk management model is based on 3 lines of defence;



### FIRST LINE

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

Front office and back office staff members engage in business operations and perform their tasks in accordance with the regulatory compliances, approved internal policies, procedures, and controls. They contribute invaluable inputs to update the Risk Register which will ultimately improve the risk awareness and risk culture across the Group.

## SECOND LINE

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

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

One of the salient features of the First Capital is its Middle Office. The Division consists of staff members who are competent and experienced to validate all transactions of the Group based on prevailing market rates/prices, economic conditions and quality of counter parties. Middle office validates transaction risks across the Group for price, limits, and approvals, where any exceptions encountered are escalated for higher approval.

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

## THIRD LINE

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

## TYPES OF RISKS FACED BY THE COMPANY

### Trading Market Risk

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

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

Asset	Market Value as at 31 March 2021 (Rs. '000)
Government Securities	23,085,413
Debentures	1,440,465
Quoted Shares	1,142,774
Unit Trusts	2,378,709
<b>Total</b>	<b>28,047,361</b>

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

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

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

## Risk Management

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

### LIQUIDITY RISK

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

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

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

### OPERATIONAL RISK

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

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

Risk and Compliance division develops and updates all process manuals, policies and procedures based on regulatory requirements, strategic plans and limits and circulates the same to relevant business units for execution. Extensive on-going training is provided to ensure that the staff are fully aware of their responsibility for complying with the correct operational procedures in order to optimise operational efficiency and individual accountability at all levels of the Group. Centralised Operations Department follows the guidelines related to Document Deficiency Procedure and Deal Level Exception Procedure to report any exceptions to the laid down processes and circulates the same to the Director/ Chief Executive Officer and Managing Director for approval. The summary is reported/ tabled to the Enterprise Risk Management Committee.

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

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

### REGULATORY AND COMPLIANCE RISK

The risk due to non-compliance of regulatory requirements. These risks are of the constant review of the Board of Directors as our business lines are governed by the Central Bank of Sri Lanka (CBSL), Securities and Exchange Commission (SEC) and Colombo Stock Exchange (CSE). Risk and Compliance division's staff members are vigilant about the changes of relevant regulatory directions and circulars. Internal process manuals of individual business units are created and updated, benchmarking such directions and industry best practices.

Business agreements, contractual documents and service level agreements are carefully and independently

reviewed by the internal legal officer and professional services of external legal experts are sought whenever specific expertise is required.

Quarterly compliance reports are submitted to the Board and all non-compliances (if any) are informed to the regulator concerned with proposed remedial action for their concurrences.

### REPUTATIONAL RISK

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

These risks have been identified as crucial to business continuation and several measures have been implemented to mitigate such risks. Robust complaint handling procedure is one of risk mitigating aspects.

An embedded system of shared values that include ethical and honest, transparent and performance driven culture is in effect. The whistle blower policy is in operation to strengthen the values and professionalism in managing affairs of the Group.

Implementation of a strong process driven culture is a key to hold the Company and its staff members responsible to safe guard the best interest of the client. Risk and Compliance division together with the individual business units had created business level process manuals, Group Policy and Procedure Manual and Delegated Authority Framework in order to sustain the process driven culture. Continuous training and awareness sessions are conducted to maintain the awareness of processes, changes in regulatory directions etc.

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

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

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

### STRATEGIC RISK

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

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

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

### CREDIT RISK

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

Detailed controls are in effect to mitigate credit risk:

- ★ Security Allocation Procedure was introduced to ensure effective Collateral Management. Accordingly, specified collateral margins based on the quality of collateral and conditions of the contract are

stipulated. Risk and Compliance division gives comprehensive and continuous learning on identifying and valuing of different financial instruments. Risk and Compliance division also carries out periodical review of collateral valuations.

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

### BUSINESS CONTINUITY AND SYSTEM & INFORMATION RISK

Due to the nature of the industry, continuity of normal course of business of First Capital is increasingly dependent on Information Technology (IT) systems and the management of information and consequently a greater emphasis is placed on the need for secure and reliable IT systems, together with infrastructure and cautious management of the information that is in our possession.

Disruption of IT systems is treated as an IT disaster which could disrupt most of the Group's business activities including cash and security settlement management, information sharing, administration and communication, ultimately impacting results.

The Group invested in a fully-fledged Disaster Recovery (DR) site which facilitates functioning of all the critical operations of the Group. Mirror databases and off site back up databases are maintained in order keep the safety of the critical data. The Group

carries out DR tests bi-annually to ensure the readiness of people, processes and equipment in the event of a disaster.

A comprehensively documented Business Continuity Plan is in place, validated by external consultants and our staff including the specific teams are fully trained in its operation in the event of a disaster. The Business Continuity Management Team and the Crisis Management Team appointed as a part of Business Continuity Plan are effectively managing the potential risks that could adversely impact to the normal course of business. Prompt actions taken by these teams helped the Group in managing the contingency situation occurred due to COVID-19 pandemic. The Group managed to conduct all business functions without any adverse impact to the customers.

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

Cyber security risk is mitigated through investing in top tier firewalls. Also, the Group IT team conducts necessary awareness sessions frequently to educate and train staff members in identifying and taking actions for potential threats.

## Governance Reports

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**PERFORMANCE FIRST  
IS A SOLUTIONS  
MINDSET**



## ANNUAL REPORT OF THE BOARD OF DIRECTORS

The Directors of First Capital Holdings PLC have pleasure in presenting their Annual Report together with the Audited Financial Statements for the year ended 31 March 2021 which were approved by the Directors on 11 August 2021.

## REVIEW OF OPERATIONS

The Group reported profit after tax of Rs. 2,093Mn. A more comprehensive review of the operations of the Group during the financial year and the results of those operations are contained in the Director/Chief Executive Officer's Review on pages 12 to 14 of the Annual Report. This report forms an integral part of the Director's Report.

## PRINCIPAL ACTIVITIES

The main activity of the Company is the investment and management of subsidiaries. Further information on the activities of subsidiary companies is contained on page 59 of the Annual Report.

## LEGAL STATUS

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

## FINANCIAL RESULTS

The Group's net profit after tax for financial year 2020/21 was Rs. 2,093Mn compared with net profit after tax of Rs. 1,073Mn in year 2019/20.

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

	2020/21 Rs.'000	2019/20 Rs.'000
Revenue	6,033,353	5,220,425
Profit before tax	2,908,076	1,708,325
Profit after tax	2,093,497	1,073,239
Total comprehensive income (TCI)	1,941,594	1,039,469
<b>Attribution</b>		
Equity holders of the parent	1,838,656	972,351
Non-Controlling interest	102,938	67,118
<b>Total</b>	<b>1,941,594</b>	<b>1,039,469</b>

The financial statements of the Company are set out in pages 54 to 132 of the Annual Report.

## BOARD OF DIRECTORS

## Directorate

The Directors of the Company as at 31 March 2021 are as follows.

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

The profiles of the Directors are given on pages 15 to 18 of the Annual Report.

## INTEREST IN SHARES

Directors/Chief Executive Officer and their shareholdings as at 31 March 2021 were as follows:

	No. of Shares 31.03.2021	No. of Shares 31.03.2020
Mr. Nishan Fernando	Nil	Nil
Mr. Dinesh Schaffter	Nil	Nil
Mr. Dilshan Wirasekara	Nil	Nil
Mr. Eardley Perera	Nil	Nil
Ms. Minette Perera	Nil	Nil
Mr. Chandana de Silva (joint with Mr. C. P. de Silva)	118,333	118,333
Dr. Nishan de Mel	Nil	Nil
Mr. Prakash Schaffter	Nil	Nil
Mr. Ramesh Schaffter	Nil	Nil

## Annual Report of the Board of Directors

### OTHER DIRECTORSHIP/ SIGNIFICANT POSITIONS OF DIRECTORS

Information of the Other Directorships/ significant positions of the present Directors of the Company are given on pages 15 to 18.

### RELATED PARTY TRANSACTIONS

Related party transactions have been declared at meetings of the Directors and are detailed in Note 40 to the financial statements.

The Directors declare that the Company is in compliance with the Section 9 of the Listing Rules of the Colombo Stock Exchange (CSE) pertaining to related party transactions during year 2020/21.

### DIRECTORS' INTERESTS

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

The Company carries out transactions in the ordinary course of business with entities in which a Director of the Company is a Director. The transactions with entities where a Director of the Company either has control or exercises significant influence have been classified as related party transactions and disclosed in Note 40 to the Financial Statements.

### REMUNERATION AND FEES

Details of Directors remuneration and fees are set out in Note 12 to the financial statements. All fees and remuneration have been duly approved by the Board of Directors of the Company.

### RISK AND INTERNAL CONTROL

The Board of Directors has satisfied itself that there exists an effective and comprehensive system of internal controls to monitor, control and manage

the risks to which the Company is exposed, to carry on its business in an orderly manner, to safeguard its assets and to secure as far as possible the reliability and accuracy of records.

### CORPORATE GOVERNANCE

The Directors acknowledge their responsibility for the Group's corporate governance and the system of internal control. The Directors are responsible to the shareholders for providing strategic direction to the Company and safeguarding the assets of the Company. The Board is satisfied with the effectiveness of the system of internal control for the period up to the date of signing the financial statements. The compliance to recommended corporate governance practices are disclosed in pages 41 to 45 of the Annual Report.

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

### DIVIDEND

Board of Directors of First Capital Holdings PLC declared an interim dividend of Rs. 5/- per share amounting to Rs. 506.25Mn for 2020/21 in March 2021 (2019/20 - total dividend of Rs. 9/- per share amounting to Rs. 911.25Mn was paid).

### SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted in the preparation of the financial statements is given on pages 59 to 74. There were no changes in the accounting policies adopted by the Company during the year under review.

### GOING CONCERN

The Board of Directors has reviewed the Company's business plans and is satisfied that the Company has adequate resources to continue its

operations in the foreseeable future. Accordingly, the financial statements are prepared on a going concern basis.

### CAPITAL EXPENDITURE

Details of property, plant and equipment and their movements during the year are given in Note 25 to the financial statements.

### RESERVES

The movements in reserves during the financial year 2020/21 have been presented in the Statement of Changes in Equity on pages 56 to 57 of the Annual Report.

### INCOME TAX EXPENSES

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

### STATED CAPITAL

The stated capital of the Company as at 31 March 2021 was Rs. 227.5Mn consisting of 101,250,000 ordinary shares.

### SHARE INFORMATION AND SUBSTANTIAL SHAREHOLDERS

As at 31 March 2021, there were 6,103 registered shareholders. Share information and the twenty largest shareholders as at 31 March 2021 are listed in pages 134 to 135 of the Annual Report.

Information relating to market value of a share and information on share trading is stated under Shareholder and Investor information in pages 134 to 135 of the Annual Report.

### CORPORATE DONATIONS

During the year under review, the Group made charitable donations of Rs. 9.8Mn.

### STATUTORY PAYMENTS AND COMPLIANCE WITH LAWS AND REGULATIONS

The Directors, to the best of their knowledge and belief are satisfied



that all statutory payments due to the Government and in relation to the employees have been made on time, and that neither the Company nor its subsidiaries has engaged in any activities contravening laws and regulations.

### **EQUAL OPPORTUNITIES**

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

### **EVENTS OCCURRING AFTER THE REPORTING DATE**

There were no material events after the financial reporting period which requires an adjustment to or a disclosure in the financial statements other than those disclosed in Note 43 to the financial statements.

### **INDEPENDENT AUDITORS**

During the period under review, the Company's Auditors were Messrs KPMG, Chartered Accountants. The fees paid to auditors are disclosed in Note 12 to the financial statements.

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

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

In accordance with the Companies Act, No. 7 of 2007, a resolution proposing the re-appointment of Messrs KPMG, Chartered Accountants, as Auditors to

the Company will be submitted at the Annual General Meeting.

### **INDEPENDENT AUDITOR'S REPORT**

The independent Auditor's report on the financial statements is given on page 50 to 53 of the Annual Report.

### **AUDITORS' RIGHT TO INFORMATION**

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

As far as each Director is aware, there is no relevant audit information of which the Company's Auditors are unaware. Each Director has taken all the steps that he or she ought to have taken as a Director to make him or herself aware of any relevant audit information and to establish that the Company's Auditors are aware of that information.

### **ANNUAL GENERAL MEETING**

The 29<sup>th</sup> Annual General Meeting of the Company will be held on 2 September 2021. The Notice convening the Meeting and the Agenda are given on page 148 of the Annual Report.

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

(Sgd).

**K H L Corporate Services Limited**  
*Secretaries*

(Sgd).

**Dinesh Schaffter**  
*Managing Director*

(Sgd).

**Nishan Fernando**  
*Chairman*

11 August 2021  
Colombo

## STATEMENTS OF DIRECTORS' RESPONSIBILITY

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

The Directors of the Company are responsible for ensuring that the Company and its subsidiaries keep proper books of accounts of all the transactions and prepare and present the financial statements to the shareholders in accordance with the relevant provisions of the Companies Act, No. 7 of 2007 and other statutes which are applicable in the preparation of financial statements. The financial statements comprise of the Statements of Financial Position as at 31 March 2021, the Statement of Profit or Loss and Other Comprehensive Income, Statement of Changes in Equity, Statement of Cash Flows for the year ended and Notes thereto. The Directors are required to prepare these financial statements on a going concern basis unless it is not appropriate.

The Directors confirm that the financial statements of the Company and the Group give a true and fair view of;

- ★ The state of affairs of the Company and the Group as at 31 March 2021 and
- ★ The financial performance of the Company and the Group for the financial year ended 31 March 2021

The financial statements of the Company and the Group for the year ended 31 March 2021 incorporated in this report have been prepared in accordance with the Companies Act, No. 7 of 2007, Sri Lanka Accounting Standards (LKAS/SLFRS) and Listing Rules of the Colombo Stock Exchange.

The financial statements of the Company and the Group have been certified by the Chief Financial Officer of the Company who is responsible for the preparation of financial statements and signed by two Directors in accordance with Section 150 and 152 of the Companies Act.

The Directors are also responsible for ensuring that proper accounting records which correctly record and explain the Company's transactions and also determine the Company's financial position with reasonable accuracy at any time are maintained by the Company enabling the preparation of financial statements and further enabling the financial statements to be readily and properly audited, in accordance with the Section 148 (1) of the Act. The Directors have therefore caused the Company and its subsidiaries to maintain proper books of accounts and regularly review financial reports at their meetings. The Board also reviews and approves all interim financial statements prior to their release. The Board of Directors accepts the responsibility for the integrity and objectivity of the financial statements presented. The Directors confirm that the financial statements have been prepared using appropriate Accounting Policies in a consistent basis and appropriate estimates and judgments made to reflect the true substance and form of transactions.

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

The Auditors of the Company, Messrs KPMG who were reappointed in accordance with a resolution passed at the last Annual General Meeting were provided with all necessary information required by them in order to carry out their audit and to express an opinion which is contained on pages 50 to 53 of this Annual Report.

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

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

(Sgd).

**K H L Corporate Services Limited**  
*Secretaries*

11 August 2021  
Colombo

## CORPORATE GOVERNANCE

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

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

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

### BOARD COMPOSITION AND INDEPENDENCE

The Board comprises five Non-Executive Independent Directors, two Non-Executive Non-Independent Directors and two Executive Directors all of whom possess a broad range of skills and experience across a range of industries and functional areas. Detailed profiles of each member of the Board are provided in a separate section of this Annual Report (pages 15 to 18).

The Independence of the Directors is assessed in accordance with the Listing Rules of Colombo Stock Exchange and the Independent Non- Executive Directors have declared their independency in writing.

The Board meets frequently in order to ensure the effective discharge of its duties. Virtual board meetings were held four times during the year and performance review meetings were held monthly. Attendance of the Directors for the Board meetings is as follows.

Name of Director	Attendance in 2020/21 (Attended/Eligible to Attend)
Mr. Nishan Fernando	4/4
Mr. Dinesh Schaffter	4/4
Mr. Dilshan Wirasekara	4/4
Mr. Prakash Schaffter	4/4
Mr. Ramesh Schaffter	4/4
Mr. Eardley Perera	4/4
Ms. Minette Perera	4/4
Mr. Chandana de Silva	4/4
Dr. Nishan de Mel	4/4

### BOARD RESPONSIBILITIES

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

The Board carries responsibility for ensuring that the senior management team possesses the relevant skills and expertise required in the management of the Company and that a suitable succession planning strategy is in place. The Directors

also ensure adherence to laws and regulations pertaining to the functioning of the organisation. The Assistant General Manager - Risk and Compliance functions as the Compliance Officer to ensure compliance with all regulatory and statutory requirements and proper reporting of all compliance matters to the Board. The Board of Directors exercises oversight of the compliance function.

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

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

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

### BOARD BALANCE

Executive and Non-Executive Directors on the Board who are professionals / academics / business leaders hold senior positions in their respective fields ensure a right balance between executive expediency and independent judgment as no individual Director or small group of Directors dominate the Board discussion and decision making.

Directors are provided with monthly reports of performance and minutes of the Boards Meetings and are given the

## Corporate Governance

specific documentation necessary, in advance of such meetings.

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

### APPOINTMENT AND RE-ELECTION OF DIRECTORS

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

### BOARD COMMITTEES (STATUTORY)

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

### AUDIT COMMITTEE

The Report of the Audit Committee is presented on page 46 and the duties of the Committee are included therein.

### RELATED PARTY TRANSACTIONS REVIEW COMMITTEE

The Report of the Related Party Transaction Review Committee is presented on page 47 and the duties of the Committee are included therein.

### REMUNERATION COMMITTEE

Composition of the Committee, mandate of the Committee and other details are shown on Page 44.

### SHAREHOLDERS RELATIONS

The Board considers the Annual General Meeting as a prime opportunity to

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

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

The Company published quarterly financial statements in a timely manner as its principal communication with shareholders and others. This enables stakeholders to make a rational judgement of the Company.

### INTERNAL AUDIT AND CONTROL

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

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

The Internal Audit reports along with management comments are discussed with Audit Committee and with the Board. Further, at each meeting, follow up issues from previous meetings are also discussed in order to ensure the implementation of appropriate policies and procedures as a prevention mechanism.

### EXTERNAL AUDIT

The Company engages the services of independent external auditors to conduct an audit and obtain reasonable assurance on whether the financial statements and relevant disclosures are free from material misstatements. The independent auditors directly report their findings to the Audit Committee which has the overall responsibility of financial statement integrity and the reporting process.

M/s. KPMG are the External Auditors of the Company. In addition to the audit services, M/s. KPMG also provides certain non-audit services as well. However, External Auditors would not engage in any services which may compromise the independence of the Auditor. All such services have been provided with the full knowledge of the Audit Committee and are assessed to ensure that there is no compromise on the independence of the External Auditors.

The Audit Committee appraises the performance of External Auditors on an annual basis. Based on the evaluation results the Committee proposes the appointment of the External Auditors to the Board for endorsement and approval of the shareholders. The endorsement is submitted to the shareholders for approval at the Annual General Meeting (AGM). The representatives of the External Auditors are expected to be present at the AGM and have the opportunity to make a statement on the Company's financial statements and results of operations if they desire to do so. The External Auditors are also expected to be available to respond to the questions during the meeting.

There were no disagreements with the Company's External Auditors on any matter of accounting principles or practices, financial statements disclosures, or auditing scope or procedures in the period under review.

#### COMPANY SECRETARIES

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

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

	CSE Rule	Status of Compliance	Details/Reference
<b>7.10.1 Non-Executive Director (NED)</b>			
a./b./c.	At least 2 members or one third of the Board, whichever is higher should be NEDs as at the conclusion of immediately preceding AGM. Any change to this ratio should be rectified within 90 days.	Complied	Seven out of nine Directors are NEDs
<b>7.10.2 Independent Directors</b>			
a.	At least 2 or one third of the NEDs, whichever is higher shall be independent.	Complied	Five out of seven Non-Executive Directors are determined to be independent
b.	Each NED should submit annually a signed and dated declaration of his/her independence or non-independence.	Complied	All Independent NEDs have submitted their confirmations on independence as per the criteria laid down in the listing rules
<b>7.10.3 Disclosures Relating to Directors</b>			
a./b.	The Board should determine the independence or otherwise of the NEDs and disclose in the annual report the names of the NEDs determined to be "independent".	Complied	Profile of Directors on page 15 to 18
c.	A brief resume of each Director with information on his/her area of expertise should be included in the annual report.	Complied	
d.	Upon appointment to the Board, a brief resume of the new Director should be provided to the Exchange for dissemination to the public.	Complied	

## Corporate Governance

	CSE Rule	Status of Compliance	Details/Reference
<b>7.10.5 Remuneration Committee</b>			
a. 1	Remuneration Committee should comprise at least 2 independent NEDs or more than 2 NDEs majority of whom shall be independent.	Complied	The Remuneration Committee consists of two Independent Non-Executive Directors namely, Mr. Eardley Perera and Mr. Chandana de Silva. Mr. Eardley Perera functions as the Chairman of the Committee.
a. 2	One NED shall be appointed as Chairman of the Committee by the Board of Directors.	Complied	The Committee is mandated with ensuring accountability, transparency and fairness in reward structures that recognised the relationship between performance and reward.
b.	Remuneration Committee shall recommend the remuneration of the CEO and Executive Directors to the Board.	Complied	The Committee functions with delegated authority from the Board and is responsible for setting the Company's remuneration policy and ensuring its continued ability to attract and retain high caliber candidates.
c.	The Annual Report should include the names of the Remuneration Committee members, a statement of remuneration policy and the aggregate remuneration paid to Executive and Non-Executive Directors.	Complied	<p>The Company bases remuneration on both individual and company performance whilst paying due regard to staff retention.</p> <p>The Committee recommends increment levels and determines the remuneration payable to the executive directors.</p> <p>The aggregate remuneration paid to the Directors is given in the Note 12 to the financial statements.</p>
<b>7.10.6 Audit Committee</b>			
a. 1	Audit Committee should comprise at least 2 independent NEDs or more than 2 NEDs majority of whom shall be independent.	Complied	Audit Committee Report on page 46.
a. 2	One NED shall be appointed as Chairman of the Committee by the Board of Directors.	Complied	
a. 3	Chief Executive Officer and the Chief Financial Officer shall attend the Audit Committee meetings.	Complied	
a. 4	The Chairman of the Audit Committee or one member should be a member of a recognised professional accounting body.	Complied	



	CSE Rule	Status of Compliance	Details/Reference
<b>Functions of the Audit Committee</b>			
b.1	Overseeing the preparation, presentation of the financial statements and adequacy of disclosures in accordance with SLFRS/ LKAS.	Complied	Audit Committee Report on page 46.
b. 2	Overseeing the compliance with financial reporting requirements and information requirements as per laws and regulations.	Complied	
b. 3	Overseeing the processes to ensure internal controls and risk management functions are adequate to meet the requirements of Sri Lanka Auditing Standards.	Complied	
b. 4	Assessing the independence and performance of the external auditors.	Complied	
b. 5	Making recommendations to the Board pertaining to appointment or reappointment or removal of external auditors and to approve their remuneration and terms of engagement.	Complied	
C	The Annual Report should include the names of the audit committee members, the basis for the determination of the independence of the external auditors and a report of the Audit Committee setting out the manner of compliance with the above requirements during the specified period.	Complied	

## AUDIT COMMITTEE REPORT

### COMPOSITION

The Audit Committee consists of two Independent Non-Executive Directors and one Non-Independent Non-Executive Director of the Company. The Committee is chaired by Ms. Minette Perera.

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

**Ms. Minette Perera** – Chairperson – Independent Non-Executive Director

**Mr. Nishan Fernando** – Independent Non-Executive Director

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

Brief profiles of the members of the Board appointed Audit Committee are given on Pages 15 to 18 of the Annual Report.

### MEETINGS

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

The attendance of the members for the Audit Committee meetings during year 2020/21 is as follows.

Name of Director	Attendance in 2020/21 (Attended/ Eligible to Attend)
Ms. Minette Perera	5/5
Mr. Nishan Fernando	5/5
Mr. Ramesh Schaffter	4/5

### FUNCTIONS

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

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

### FINANCIAL REPORTING SYSTEM

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

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

### INTERNAL AUDIT

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

### EXTERNAL AUDIT

External Auditors' management letters pertaining to the previous year's audit and the Management's response thereto were discussed during the year. Follow up action taken by the management to ensure that the recommendations contained in the management letter were implemented was reviewed. Further, the draft annual financial statements for 2020/21 were also reviewed with the External Auditors prior to release.

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

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

Having reviewed the effectiveness of the External Audit, the Audit Committee also recommended to the Board of Directors that Messrs KPMG be reappointed as Auditors for the financial year ending 31 March 2022, subject to the approval of the shareholders at the Annual General Meeting.

(Sgd.)

**Minette Perera (Ms.)**

Chairperson-Audit Committee

11 August 2021

Colombo

## RELATED PARTY TRANSACTIONS REVIEW COMMITTEE REPORT

### COMPOSITION OF THE COMMITTEE

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

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

**Mr. Nishan Fernando** – Independent Non-Executive Director

**Mr. Dinesh Schaffter** – Executive Director

Brief profiles of the members of the Board appointed Related Party Transactions Review Committee are given on pages 15 to 18 of the Annual Report.

The Company Secretary functions as the Secretary to the Committee.

### SCOPE

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

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

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

### POLICIES AND PROCEDURES

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

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

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

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

### MEETINGS

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

The attendance at the Related Party Transactions Review Committee meeting during the year 2020/21 is as follows.

Name of Director	Attendance in 2020/21 (Attended/Eligible to Attend)
Ms. Minette Perera	4/4
Mr. Nishan Fernando	4/4
Mr. Dinesh Schaffter	3/4

### DURING THE YEAR UNDER REVIEW

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

There were no recurrent related party transactions that exceeded the thresholds that required the immediate market disclosure or shareholder approval as required under Section 9 of the Continuing Listing Requirements of the CSE. Recurrent related party transactions that require disclosure in the Annual Report are given in Note 40 of the Financial Statements.

### DECLARATION BY THE BOARD OF DIRECTORS

A declaration by the Board of Directors relating to compliance under the listing rules is given on pages 37 to 39 of the Annual Report.

(Sgd.)

**Minette Perera (Ms.)**

*Chairperson-Related Party Transactions Review Committee*

11 August 2021  
Colombo

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## FINANCIAL CALENDAR 2020/21

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

Reports	Date of Release
1 <sup>st</sup> Quarter 2020/21 Interim Financial Report (Unaudited)	17 August 2020
2 <sup>nd</sup> Quarter 2020/21 Interim Financial Report (Unaudited)	13 November 2020
3 <sup>rd</sup> Quarter 2020/21 Interim Financial Report (Unaudited)	15 February 2021
4 <sup>th</sup> Quarter 2020/21 Interim Financial Report (Unaudited)	31 May 2021

## INDEPENDENT AUDITOR'S REPORT



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

### Report on the Audit of the Financial Statements

#### Opinion

We have audited the financial statements of First Capital Holdings PLC ("the Company") and the consolidated financial statements of the Company and its subsidiaries ("the Group"), which comprise the statement of financial position as at 31 March 2021, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies set out on pages 54 to 132.

In our opinion, the accompanying financial statements of the Company and the Group give a true and fair view of the financial position of the Company and the Group as at 31 March 2021, and of their financial performance and their cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

#### Basis for Opinion

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

section of our report. We are independent of the Group in accordance with the Code of Ethics issued by CA Sri Lanka ("Code of Ethics"), and we have fulfilled our other ethical responsibilities in accordance with the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the Company financial statements and the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the company financial statements and the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

### 1. CARRYING VALUE OF FINANCIAL INSTRUMENTS

Refer to the significant accounting policy in note 4.3 and explanatory note 16,17,18 and 19 to the financial statements.

#### Risk Description

As at 31 March 2021, the Group's investment portfolio comprises of financial assets amounted to Rs. 35,125.59 Mn. These investment portfolio makes up 96% of the total assets of the Group.

These financial assets are considered to be the key driver of the Group's capital and revenue performance as well. The investments measured at fair value amounted to Rs. 28,089.95 Mn which was 77% of the total assets.

The exercise of judgment and the use of estimates and assumptions are in particular required for instruments where observable market prices or market parameters are not available. For such instruments, the fair value is determined through the use of valuation techniques or models applied by the Group.

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

Further the Group holds financial assets at amortised cost amounted to Rs. 7,035.64 Mn. The provision for impairment of such assets is determined in accordance with Sri Lanka Accounting Standard – SLFRS 9 Financial Instruments, which is subject to a number of key assumptions and judgements including forward looking probability of default, loss given default and macroeconomic scenarios.

KPMG, a Sri Lankan partnership and a member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved

M.R. Mihular FCA  
T.J.S. Rajakarier FCA  
Ms. S.M.B. Jayasekara ACA  
G.A.U. Karunaratne FCA  
R.H. Rajan FCA  
A.M.R.P. Alahakoon ACA

P.Y.S. Perera FCA  
W.W.J.C. Perera FCA  
W.K.D.C. Abeyrathne FCA  
R.M.D.B. Rajapakse FCA  
M.N.M. Shameel FCA

C.P. Jayatilake FCA  
Ms. S. Joseph FCA  
S.T.D.L. Perera FCA  
Ms. B.K.D.T.N. Rodrigo FCA  
Ms. C.T.K.N. Perera ACA

Principals - S.R.I. Perera FCMA(UK), LLB, Attorney-at-Law, H.S. Goonewardene ACA  
Ms. P. M. K. Sumanasekara FCA, W. A. A. Weerasekara CFA, ACMA, MRICS





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

#### Our Response

Our audit procedures included:

- ★ Obtaining an understanding of and assessing the design, implementation and operating effectiveness of the management's key controls over identification, measurement and management of valuation risk as well as evaluating the methodologies and input parameters used by the Group in determining fair values.
- ★ Comparing observable inputs against independent sources and externally available market data and re-performing independent valuations.
- ★ Testing mathematical accuracy and verifying the appropriateness and completeness of the data used.
- ★ Evaluating the appropriateness of the impairment methodology adopted by the Group in accordance with SLFRS 9 and challenging the key assumptions and evaluating the reasonableness of the key judgments and methodology used by the management.
- ★ Obtaining and agreeing with the third-party confirmations for a sample of outstanding financial instruments.
- ★ Obtained consultation from internal specialists on appropriateness and results of the valuation models.

- ★ Assessing the adequacy of the disclosures in the financial statements in accordance with the relevant accounting standards.

## 2. RECOGNITION OF GAINS/LOSSES ON SALES AND INTEREST INCOME ON FINANCIAL ASSETS

Refer to the significant accounting policy in note 4.15 and 4.16 and explanatory note 6 and 7 to the financial statements.

#### Risk Description

As described in Note 6 and 7, the Group has recognised a consolidated direct income of Rs. 5,787.92 Mn during the year. The gains/ losses on sales and interest income on financial assets amounted to Rs. 5,238.49 Mn which constituted 91% of the total direct income. Based on the Group's business model, this arise from different types of financial instruments.

In addition, the Group considers gains/ losses on sales and interest income as an important element in the preparation of budgets and measuring management performance. These factors could create an incentive for such gains/losses and income to be recognised in contrary to the recognition criteria.

Considering above factors, we identified gains/ losses on sales and interest income on financial assets as a key audit matter because it is a significant audit risk and one of the key performance indicators of the Group and therefore there is an inherent risk of manipulation of recognition by management to meet specific targets or expectations.

#### Our Response

Our audit procedures included:

- ★ Obtaining an understanding of and assessing the design, implementation and operating effectiveness of the management's key controls over the gains/ losses on sales and interest income recognition and measurement.
- ★ Testing the operating effectiveness of key IT application controls over the gains/ losses on sales and interest income, in addition to evaluating the integrity of the general IT control environment.
- ★ Evaluating the appropriateness of the Group's gains/ losses on sales and interest income recognition policies, including the recognition, measurement and classification criteria as well as disclosure requirements as per SLFRSs.
- ★ Performing sophisticated test of details by inspecting a sample of transactions, recomputation of gains/ losses on sales and interest income and testing of cut off transactions in order to ensure direct income is recognised and measured in accordance with the applicable financial reporting requirements and the Group accounting policies.

#### Other Information

Management is responsible for the other information. The other information comprises the information included in the annual report but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

## Independent Auditor's Report



In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### Responsibilities of Management and Those Charged with Governance for the Financial Statements

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

In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's and the Group's financial reporting process.

### Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SLAuSs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SLAuSs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- ★ Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- ★ Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company and the Group's internal control.
- ★ Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- ★ Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- ★ Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.



- ★ Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with ethical requirements in accordance with the Code of Ethics regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse

consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

#### **Report on Other Legal and Regulatory Requirements**

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

CA Sri Lanka membership number of the engagement partner responsible for signing this independent auditor's report is 3544.

#### **Chartered Accountants**

Colombo

11 August 2021

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March,	Note	Group		Company	
		2021 Rs. '000	2020 Rs. '000	2021 Rs. '000	2020 Rs. '000
Income	6	6,033,353	5,220,425	856,176	1,125,686
Direct income	7	5,787,915	5,196,768	856,176	1,125,686
Direct expenses	8	(2,114,213)	(3,189,921)	(677,163)	(982,945)
Net trading income		3,673,702	2,006,847	179,013	142,741
Other income	9	245,438	23,657	-	-
Gain/ (loss) on fair valuation of financial assets recognised through profit or loss - measured at fair value	10	(216,104)	350,269	-	-
		3,703,036	2,380,773	179,013	142,741
<b>Operating expenses</b>					
Personnel expenses	11	(623,864)	(472,954)	(38,782)	(45,356)
Premises, equipment and establishment expenses		(38,857)	(40,661)	(8,885)	(8,787)
Other operating expenses	11	(122,439)	(139,636)	(29,397)	(31,374)
(Provision)/ reversal for impairment of financial assets at amortised cost		(9,800)	(19,197)	23,154	(18,172)
		(794,960)	(672,448)	(53,910)	(103,689)
<b>Operating profit</b>		2,908,076	1,708,325	125,103	39,052
Share of profit from equity accounted investee (net of tax)		-	-	1,900,366	982,949
Profit before tax	12	2,908,076	1,708,325	2,025,469	1,022,001
Income tax expenses	13	(814,579)	(635,086)	(35,037)	(15,950)
<b>Profit for the year</b>		2,093,497	1,073,239	1,990,432	1,006,051
<b>Other comprehensive income</b> (Items that will never be reclassified to profit or loss)					
Actuarial loss on retirement benefit obligations	33	(9,923)	(684)	-	-
Loss on financial assets fair value through other comprehensive income	18	(144,350)	(33,089)	-	-
Disposal loss on sale of equity investments measured at fair value through other comprehensive income		-	(208)	-	(208)
Tax effect on other comprehensive income	13	2,370	211	-	-
Share of other comprehensive income from equity accounted investees (net of tax)		-	-	(151,776)	(33,492)
Other comprehensive income/ (expense)		(151,903)	(33,770)	(151,776)	(33,700)
<b>Total comprehensive income for the year</b>		1,941,594	1,039,469	1,838,656	972,351
<b>Profit attributable to:</b>					
Equity holders of the parent		1,990,432	1,006,051	1,990,432	1,006,051
Non - controlling interests	49	103,065	67,188	-	-
		2,093,497	1,073,239	1,990,432	1,006,051
<b>Total comprehensive income attributable to:</b>					
Equity holders of the parent		1,838,656	972,351	1,838,656	972,351
Non - controlling interests	49	102,938	67,118	-	-
		1,941,594	1,039,469	1,838,656	972,351
Basic Earnings per Share (Rs.)	14	19.66	9.94	19.66	9.94

Figures in brackets indicate deductions.

The notes disclosed on pages 59 to 132 form an integral part of these consolidated financial statements.

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at,		Group		Company	
		31.03.2021	31.03.2020	31.03.2021	31.03.2020
	Note	Rs. '000	Rs. '000	Rs. '000	Rs. '000
<b>ASSETS</b>					
Cash at banks and in hand	15	242,053	61,354	42,187	19,744
Derivative financial instruments	16	2,315	2,734	-	-
Financial assets recognised through profit or loss -measured at fair value	17	28,047,361	38,540,849	611,801	-
Financial assets - fair value through other comprehensive income	18	40,273	184,623	-	-
Financial assets at amortised cost	19	7,035,641	5,361,512	9,032,886	6,768,167
Group balances receivable	30	903	5,632	30,372	9,931
Trade and other receivables	20	909,606	598,672	4,203	1,418
Non - current assets held for sale	21	42,416	42,416	-	-
Taxes receivable	22	88,798	271,610	74,388	103,006
Investment in subsidiary	23	-	-	4,027,376	3,291,070
Deferred tax asset	24	19,228	299,775	37	6,683
Property, plant and equipment and right of use assets	25	50,088	65,250	14,860	20,698
Intangible assets	26	124,746	118,694	7,630	3,969
<b>Total Assets</b>		<b>36,603,428</b>	<b>45,553,121</b>	<b>13,845,740</b>	<b>10,224,686</b>
<b>LIABILITIES</b>					
Bank overdrafts		3,451	455,103	1,316	442,724
Derivative financial instruments	27	824	3,118	-	-
Securities sold under re-purchase agreements	28	20,223,286	33,294,423	-	-
Short term borrowings	29	6,660,363	5,928,107	6,660,363	5,827,371
Group balances payable	30	861	731	57	-
Trade and other payables	32	1,182,894	721,350	553,338	59,795
Taxes payable	22	840,696	488,668	-	-
Long term borrowings	31	50,204	150,885	50,204	150,885
Retirement benefit obligations	33	55,369	39,812	-	-
Borrowings on debentures	34	2,763,001	517,641	2,010,395	-
<b>Total Liabilities</b>		<b>31,780,949</b>	<b>41,599,838</b>	<b>9,275,673</b>	<b>6,480,775</b>
<b>EQUITY</b>					
Stated capital	35	227,500	227,500	227,500	227,500
Risk reserve	36	1,308,818	1,135,297	1,308,818	1,135,297
Retained earnings		3,326,168	2,529,183	3,326,168	2,529,183
Fair valuation reserve	37	(292,419)	(148,069)	(292,419)	(148,069)
Equity attributable to the equity holders of the parent		4,570,067	3,743,911	4,570,067	3,743,911
Non - controlling interests	49	252,412	209,372	-	-
<b>Total Equity</b>		<b>4,822,479</b>	<b>3,953,283</b>	<b>4,570,067</b>	<b>3,743,911</b>
<b>Total Equity and Liabilities</b>		<b>36,603,428</b>	<b>45,553,121</b>	<b>13,845,740</b>	<b>10,224,686</b>
Net assets per share (Rs.)		45.14	36.98	45.14	36.98

Figures in brackets indicate deductions.

The notes disclosed on pages 59 to 132 form an integral part of these Consolidated Financial Statements.

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



**Mangala Jayashantha**  
Chief Financial Officer

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



**Dilshan Wirasekara**  
Director/ Chief Executive Officer



**Dinesh Schaffter**  
Managing Director

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2021	Attributable to equity holders of parent					Non-controlling Interest	Total Equity
	Note	Stated Capital Rs. '000	Risk Reserve Rs. '000	Retained Earnings Rs. '000	Fair Valuation Reserve Rs. '000	Total Rs. '000	Rs. '000
Balance as at 1 April 2019		227,500	1,021,248	2,506,870	(114,828)	3,640,790	180,800
Impact on adoption of IFRIC 23		-	-	(464,230)	-	(464,230)	(24,438)
Adjusted balance as at 1 April 2019		227,500	1,021,248	2,042,640	(114,828)	3,176,560	156,362
Total comprehensive income for the year							
Profit for the year		-	-	1,006,051	-	1,006,051	67,188
Other comprehensive expense for the year		-	-	(459)	(33,241)	(33,700)	(70)
Total comprehensive income / (expense)		-	-	1,005,592	(33,241)	972,351	67,118
<b>Transactions with equity holders</b>							
<b>Distribution to equity holders</b>							
Dividend paid - Interim 2019/20	38	-	-	(405,000)	-	(405,000)	-
Dividend paid to shareholders with NCI*	49	-	-	-	-	-	(14,108)
Total distribution to equity holders		-	-	(405,000)	-	(405,000)	(14,108)
Transfers to risk reserve	36	-	114,049	(114,049)	-	-	-
Balance as at 31 March 2020		227,500	1,135,297	2,529,183	(148,069)	3,743,911	209,372
Balance as at 1 April 2020		227,500	1,135,297	2,529,183	(148,069)	3,743,911	209,372
Total comprehensive income for the year							
Profit for the year		-	-	1,990,432	-	1,990,432	103,065
Other comprehensive expense for the year		-	-	(7,426)	(144,350)	(151,776)	(127)
Total comprehensive income/(expense)		-	-	1,983,006	(144,350)	1,838,656	102,938
<b>Transactions with equity holders</b>							
<b>Distribution to equity holders</b>							
Dividend paid - 2 <sup>nd</sup> Interim for 2019/20	38	-	-	(506,250)	-	(506,250)	-
Dividend declared - Interim for 2020/21	38	-	-	(506,250)	-	(506,250)	-
Dividend declared to shareholders with NCI*	49	-	-	-	-	-	(59,898)
Total distribution to equity holders		-	-	(1,012,500)	-	(1,012,500)	(59,898)
Transfers to risk reserve	36	-	173,521	(173,521)	-	-	-
Balance as at 31 March 2021		227,500	1,308,818	3,326,168	(292,419)	4,570,067	252,412

\* Non controlling interest

Figures in brackets indicate deductions.

The notes disclosed on pages 59 to 132 form an integral part of these consolidated financial statements.



## STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2021		Stated Capital Rs. '000	Risk Reserve Rs. '000	Retained Earnings Rs. '000	Fair Valuation Reserve Rs. '000	Total Rs. '000
	Note					
Balance as at 1 April 2019		227,500	1,021,248	2,506,870	(114,828)	3,640,790
Impact on adoption of IFRIC 23		-	-	(464,230)	-	(464,230)
Adjusted balance as at 1 April 2019		227,500	1,021,248	2,042,640	(114,828)	3,176,560
<b>Total comprehensive income for the year</b>						
Profit for the year		-	-	1,006,051	-	1,006,051
Other comprehensive expense for the year		-	-	(459)	(33,241)	(33,700)
<b>Total comprehensive income/ (expense)</b>		-	-	1,005,592	(33,241)	972,351
<b>Transactions with equity holders</b>						
<b>Distribution to equity holders</b>						
Dividend paid - 1 <sup>st</sup> Interim for 2019/20	38	-	-	(405,000)	-	(405,000)
<b>Total distribution to equity holders</b>		-	-	(405,000)		(405,000)
Transfers to risk reserve	36	-	114,049	(114,049)	-	-
<b>Balance as at 31 March 2020</b>		227,500	1,135,297	2,529,183	(148,069)	3,743,911
<b>Balance as at 1 April 2020</b>		227,500	1,135,297	2,529,183	(148,069)	3,743,911
<b>Total comprehensive income for the year</b>						
Profit for the year		-	-	1,990,432	-	1,990,432
Other comprehensive expense for the year		-	-	(7,426)	(144,350)	(151,776)
<b>Total comprehensive income/(expense)</b>		-	-	1,983,006	(144,350)	1,838,656
<b>Transactions with equity holders</b>						
<b>Distribution to equity holders</b>						
Dividend paid - 2 <sup>nd</sup> Interim for 2019/20	38	-	-	(506,250)	-	(506,250)
Dividend declared - 1 <sup>st</sup> Interim for 2020/21	38	-	-	(506,250)	-	(506,250)
<b>Total distribution to equity holders</b>		-	-	(1,012,500)		(1,012,500)
Transfers to risk reserve	36	-	173,521	(173,521)	-	-
<b>Balance as at 31 March 2021</b>		227,500	1,308,818	3,326,168	(292,419)	4,570,067

Figures in brackets indicate deductions.

The notes disclosed on pages 59 to 132 form an integral part of these consolidated financial statements.

## CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March	Note	Group		Company	
		2021 Rs. '000	2020 Rs. '000	2021 Rs. '000	2020 Rs. '000
<b>Cash flows from operating activities</b>					
Interest receipts and gains realised		5,769,256	5,128,645	854,158	1,079,228
Interest payments and other direct cost		(1,767,708)	(2,849,543)	(667,246)	(982,551)
Other receipts		245,051	23,657	-	-
Cash payments to employees and suppliers		(423,348)	(389,270)	(56,234)	(50,972)
Operating profit before changes in operating assets and liabilities		3,823,251	1,913,489	130,678	45,705
(Increase)/ Decrease in financial assets - fair value through profit or loss		10,275,509	(6,205,657)	(611,801)	-
(Increase)/ Decrease in financial assets - at amortised cost		(1,674,901)	2,203,247	(2,239,547)	1,234,376
(Increase)/ Decrease in trade and other receivables		(310,934)	(401,516)	(2,785)	5,460
(Increase)/ Decrease in group balance receivables		4,729	(5,118)	(20,440)	(16,551)
Increase/ (Decrease) in trade and other payables		(364,446)	255,804	(23,350)	(3,099)
Increase/ (Decrease) in group balances payables		130	(467)	57	(629)
Increase/ (Decrease) in short term borrowings		732,257	(640,143)	832,788	(740,144)
Increase/ (Decrease) in securities sold under re-purchase agreements		(13,172,759)	3,756,705	-	-
Cash generated/ (used) in operations		(687,164)	876,344	(1,934,400)	525,118
Tax (paid)/ refund	22	1,736	(100,579)	227	(40,051)
Gratuity paid	33	(4,153)	(374)	-	-
<b>Net cash flows generated from/(used in) operating activities</b>		<b>(689,581)</b>	<b>775,391</b>	<b>(1,934,173)</b>	<b>485,067</b>
<b>Cash flows from investing activities</b>					
Purchase of property, plant, equipment and intangible assets	25 & 26	(23,161)	(6,262)	(8,010)	(1,052)
Proceeds on sale of property, plant, equipment		279	-	-	-
Dividend receipts		9,632	42,000	1,012,284	406,200
Proceed from sale of investments		-	1,000	-	1,000
<b>Net cash flows generated from/ (used) in investing activities</b>		<b>(13,250)</b>	<b>36,738</b>	<b>1,004,274</b>	<b>406,148</b>
<b>Cash flows from financing activities</b>					
Dividend paid	38	(506,250)	(405,000)	(506,250)	(405,000)
Dividend paid to shareholders with non-controlling interest	49	(58,568)	(14,108)	-	-
Redemption of listed debentures	34	-	(211,555)	-	-
Dividend tax paid	13.1	-	(66,126)	-	-
Borrowings on debentures	34	2,000,000	506,630	2,000,000	-
Repayment of long term borrowings	31	(100,000)	(100,000)	(100,000)	(100,000)
<b>Net cash flows generated from/ (used) in financing activities</b>		<b>1,335,182</b>	<b>(290,159)</b>	<b>1,393,750</b>	<b>(505,000)</b>
Net cash inflow for the year		632,351	521,970	463,851	386,215
Cash and cash equivalents at the beginning of the year		(393,749)	(915,719)	(422,980)	(809,195)
Cash and cash equivalents at the end of the year	A	238,602	(393,749)	40,871	(422,980)
<b>Note A</b>					
Cash at banks and in hand	15	242,053	61,354	42,187	19,744
Bank overdraft		(3,451)	(455,103)	(1,316)	(442,724)
		238,602	(393,749)	40,871	(422,980)

Figures in brackets indicate deductions.

The notes disclosed on pages 59 to 132 form an integral part of these financial statements.

## NOTES TO THE FINANCIAL STATEMENTS

### 1. REPORTING ENTITY

First Capital Holdings PLC ("the Company") is a public limited liability company incorporated and domiciled in Sri Lanka on 23 March 1992. The registered office and place of business of the Company is No. 2, Deal Place, Colombo 03. The shares of the Company have a primary listing on the Colombo Stock Exchange. The staff strength of the Group as at 31 March 2021 is 95 (2020 – 92).

The Consolidated Financial Statements for the year 2020/21 include the Company and its Subsidiaries (together referred to as the "Group" and individually as "Group entities").

The Financial Statements of all companies in the Group have a common financial year which ends on 31 March. The ultimate parent undertaking and controlling party (Parent company) is Janashakthi Limited which is incorporated in Sri Lanka.

#### 1.1 Principal Activities

##### 1.1.1 Company

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

#### 1.1.2 Subsidiaries

Name of the Subsidiary	Principal Activity
First Capital Limited	Engages in debt structuring, corporate finance and advisory services and investment in and management of subsidiaries.
First Capital Treasuries PLC	Engages in business operations as a Primary Dealer in Government Securities.
First Capital Markets Limited	Engages in general investments (Fixed income securities) activities.
First Capital Asset Management Limited	Engages in management of clients' investment portfolios and management of Unit Trusts.
First Capital Equities (Private) Limited	Engages in stock brokering of Listed Securities.
First Capital Trustee Services (Private) Limited	Engage in trustee services in corporate debt securities.

### 2. BASIS OF PREPARATION

#### 2.1 Statement of Compliance

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

#### 2.2 Presentation of Financial Statements

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

#### 2.3 Approval of Financial Statements by Directors

The Consolidated Financial Statements for the year ended 31 March 2021 were authorised for issue by the Board of Directors on 11 August 2021.

## Notes to the Financial Statements

### 2.3.1 Directors' Responsibility for the Financial Statements

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

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

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

### 2.4 Basis of Measurement

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

Category	Basis of measurement	Note
Investment in subsidiaries	Equity method of accounting	Note 4.1.3
Derivative financial assets/ liabilities	Fair value	Note 4.3.3
Financial assets measured at fair value through profit or loss	Fair value	Note 4.3.4.1
Financial assets measured at fair value through other comprehensive income	Fair value	Note 4.3.4.3
Financial assets at amortised cost	Amortised cost	Note 4.3.4.2
Right of use of assets	Discounted future lease rental payments	Note 4.8
Retirement benefit obligations	Projected unit credit method	Note 4.14.2

### 2.5 Functional and Presentation Currency

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

### 2.6 Use of Significant Judgments, Estimates and Assumptions

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

Estimates and underlying assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results which form the basis of making the judgments about the carrying amount of assets and liabilities that are not readily apparent from other sources.

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

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

Critical accounting estimate/judgment	Disclosure Note
Going concern	3
Classification of financial assets and liabilities	4.3.2
Non-current assets held for sale	4.7

Critical accounting estimate/judgment	Disclosure Note
Fair value of financial instruments	4.3.11
Useful lives of intangible assets	4.4
Useful lives of property, plant and equipment	4.5.3
Retirement benefit obligation	4.14.2
Deferred tax on unutilised tax losses	4.9.2
Impairment losses on financial assets	4.3.7
Impairment of non-financial assets	4.6
Provisions for liabilities, commitments and contingencies	4.24

## 2.7 Comparative Information

Comparative information including quantitative, narrative and descriptive information is disclosed in respect of the previous period in the Consolidated Financial Statements in order to enhance the understanding of the current period's Financial Statements and to enhance the inter period comparability. The presentation and classification of the Consolidated Financial Statements of the previous year are amended, where relevant for better presentation and to be comparable with those of the current year.

## 2.8 Materiality, Presentation and aggregation

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

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

## 2.9 Offsetting

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

## 2.10 Rounding

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

## 2.11 Events after Reporting Date

Events after the reporting date are those events, favorable and unfavorable, that occur between the reporting date and the date when the Financial Statements are authorised for issue. In this regard, all material and important events that occurred after the reporting period are considered and appropriate disclosures are made where necessary (Note 43).

## 3. GOING CONCERN

The Board of Directors is satisfied that the Company has adequate resources to continue its operations in the foreseeable future and management is not aware of any material uncertainties that may cast significant doubt upon the Company's ability to continue as a going concern. Therefore, going concern basis has been adopted in preparing these Financial Statements (Note 44).

## 4. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these financial statements and have been applied consistently by the Company unless otherwise stated. Comparative information has where necessary been reclassified to confirm the current year's presentation.

### 4.1 Basis of Consolidation

#### 4.1.1 General

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

The Consolidated Financial Statements present financial information about the Group as a single economic entity distinguishing the equity attributable to the parent (controlling interest) and attributable to minority shareholders with non-controlling interest.

#### 4.1.2 Business Combinations

Business combinations are accounted for using the acquisition method as at the acquisition date – i.e. when control is transferred to the Group. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, the Group takes into consideration potential voting rights that currently are exercisable. The Group applies Definition of a Business (Amendments to SLFRS 3) to business

## Notes to the Financial Statements

combinations whose acquisition dates are on or after 1 January 2020 in assessing whether it had acquired a business or a group of assets.

The Group measures goodwill at the acquisition date as:

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

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

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

Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred. Any contingent consideration payable is measured at fair value at the acquisition date. If the contingent consideration is classified as equity, then it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes in the fair value of the contingent consideration are recognised in profit or loss.

### 4.1.3 Subsidiaries

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

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

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

The Consolidated Financial Statements are prepared to a common financial year which ends of 31 March.

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

### 4.1.4 Step Acquisitions

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

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

Previously held interests will in almost all cases have been fair value through other comprehensive income investments and therefore already at fair value and as a result, no remeasurement in the statement of financial position arises in practice, but because the investment is treated as sold there is reclassification to profit or loss of the fair valuation reserve.

### 4.1.5 Non-Controlling Interests

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

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

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

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

### 4.1.6 Acquisitions of Non-Controlling Interest

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

A list of Subsidiaries within the Group is provided on page 59.



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

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

#### 4.1.8 Loss of Control

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

#### 4.1.9 Transactions Eliminated on Consolidation

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

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

#### 4.1.10 Interest in Associate

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

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

#### 4.1.11 Material Gains or Losses, Provisional Values or Error Corrections

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

#### 4.1.12 Unconsolidated Structured Entities

The Group manages and administers assets held in unit trusts on behalf of investors. These are entities which are not consolidated because the Group does not control them through voting rights, contract, funding agreements, or other means. The extent of the Group's interests to unconsolidated structured entities will vary depending on the type of structured entities.

The details relating to unconsolidated structured Entities are disclosed in Note 39 to the financial statements.

### 4.2 Foreign Currency

#### 4.2.1 Foreign Currency Transactions

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

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

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

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

### 4.3 Financial Instruments

#### 4.3.1 Initial Recognition, Classification and Subsequent Measurement

##### 4.3.1.1 Date of Recognition

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

##### 4.3.1.2 Initial Measurement of Financial Instruments

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

## Notes to the Financial Statements

and financial liabilities recorded at fair value through profit or loss.

### 4.3.2 Classification and Subsequent Measurement of Financial Instruments

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

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

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

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

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

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in fair value in OCI. This election is made on an investment by investment basis. All other financial assets are classified as measured at FVTPL.

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

reduces an accounting mismatch that would otherwise arise.

### 4.3.2.1 Business Model Assessment

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

The information considered includes:

- ★ the stated policies and objectives for the portfolio and the operation of those policies in practice. In particular, whether Management's strategy focuses on earning contractual interest revenue, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realising cash flows through the sale of the assets;
- ★ how the performance of the portfolio is evaluated and reported to the Group's Management;
- ★ the risks that affect the performance of the business model (and the financial assets held within that business model) and its strategy for how those risks are managed;
- ★ how managers of the business are compensated (e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected); and
- ★ the frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Group's stated objective for managing the financial assets is achieved and how cash flows are realised.

Financial assets that are held for trading or managed and whose performance is evaluated on a fair value basis are measured at FVTPL because they are neither held to collect contractual

cashflows nor held both to collect contractual cash flows and to sell financial assets.

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

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

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

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

A prepayment feature is consistent with the solely payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable additional compensation for early termination of the contract. Additionally, for a financial asset acquired at a discount or premium to its contractual paramount, a feature that permits or requires prepayment at

an amount that substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable additional compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant at initial recognition.

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

#### 4.3.3 Derivatives recorded at fair value through profit or loss

##### 4.3.3.1 Derivatives held for risk management purposes

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

##### 4.3.3.2 Other Derivatives

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

#### 4.3.4 Financial Assets

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

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

##### 4.3.4.1 Financial Assets measured at - fair value through profit or loss

A financial asset is classified at fair value through Profit or Loss if it is classified as held for trading or is designated as such upon initial recognition. Financial assets are designated at fair value through Profit or Loss if the Group manages such investments and makes purchase and sale decisions based on their fair

value in accordance with the Group's documented risk management or investment strategy. Upon initial recognition, transaction costs are recognised in Profit or Loss as incurred.

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

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

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

##### 4.3.4.2 Financial Assets at amortised cost

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

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

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

- ★ Lending
- ★ Investment in corporate debt securities
- ★ Investment in re-sale agreements
- ★ Fixed deposits
- ★ Staff loans

##### 4.3.4.3 Financial Assets measured at fair value through other comprehensive income

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

## Notes to the Financial Statements

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

Financial assets at FVTOCI comprise investments in unquoted equities.

### 4.3.4.4 Cash and Cash Equivalents

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

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

### 4.3.5 Financial Liabilities

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

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

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

effective interest rate method. Financial liabilities comprise;

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

### 4.3.5.1 Recognition and Measurement of Financial Liabilities

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

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

A financial liability is measured initially at fair value plus, transaction costs that are directly attributable to its acquisition or issue. Subsequent measurement of financial liability is at fair value or amortised cost. The amortised cost of a financial liability is the amount at which the financial liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initial amount and the maturity amount.

### 4.3.5.1.1 Classification and Subsequent Measurement of Financial Liabilities

The subsequent measurement of financial liabilities depends on their classification.

### 4.3.5.2 Financial Liabilities at amortised cost

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

at amortised cost using the effective interest method.

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

### 4.3.5.3 Financial Liabilities at fair value through profit or loss

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

### 4.3.6 Reclassification of Financial Assets and Liabilities

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

### 4.3.7 Impairment of Financial Assets

#### 4.3.7.1 Recognition and Measurement of ECL

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

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

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

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

The Group considers a debt investment security to have low credit risk when its credit risk rating is equivalent to the definition of “investment grade”. The Group does not apply the low credit risk

exemption to any other financial instruments. 12-month ECL are the portion of ECL that result from default events on a financial instrument that are possible within the 12 months after the reporting date.

Group assesses financial assets under three stages in determining ECL.

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

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

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

the difference between the gross carrying amount and the present value of estimated future cash flows;

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

#### 4.3.7.2 Credit-Impaired Financial Assets

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

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

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

#### 4.3.7.3 Presentation of Allowance for ECL in the Statement of Financial Position

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

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

#### 4.3.7.4 Write-off

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

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

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

#### 4.3.8 Derecognition of Financial Assets and Financial Liabilities

##### 4.3.8.1 Financial Assets

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

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



## Notes to the Financial Statements

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. In that case, the Group also recognises an associated liability.

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

### 4.3.8.2 Financial Liabilities

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

### 4.3.9 Offsetting financial instruments

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

### 4.3.10 Amortised Cost Measurement

The amortised cost of a financial asset or liability is the amount at which the financial asset or liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initial amount recognised and the maturity amount, minus any reduction for impairment.

### 4.3.11 Fair Value Measurement

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

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

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

The best evidence of the fair value of a financial instrument at initial recognition is normally the transaction price – i.e. the fair value of the consideration given or received. If the Group determines that the fair value at initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for

an identical asset or liability nor based on a valuation technique that uses only data from observable markets, then the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value at initial recognition and the transaction price. Subsequently, that difference is recognised in profit or loss on an appropriate basis over the life of the instrument but no later than when the valuation is wholly supported by observable market data or the transaction is closed out.

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

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

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

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

## 4.4 Intangible Assets

### 4.4.1 Goodwill

Goodwill that arises on the acquisition of subsidiaries is presented with intangible assets. For the measurement of



goodwill at initial recognition see Note 4.1.7 Subsequent to initial recognition, goodwill is measured at cost less accumulated impairment losses.

#### 4.4.2 Software

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

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

Software is amortised on a straight-line basis in profit or loss over its estimated useful life, from the date on which it is available for use. The estimated useful life of software is 5 – 6 years.

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

#### 4.4.3 Business License

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

- ★ annually, and
- ★ whenever there is an indication that the intangible asset may be impaired.

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

### 4.5 Property, Plant and Equipment

Property, plant and equipment are tangible items that are held for use in

the production or supply of goods or services or for administrative purposes and are expected to be used during more than one period.

#### 4.5.1 Recognition and Measurement

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

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

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

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

#### 4.5.2 Subsequent Cost

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

#### 4.5.3 Depreciation

Depreciation is calculated to write off the cost of items of property and equipment less their estimated residual values using the straight-line method over their estimated useful lives, and is generally recognised in profit or loss. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term. Land is not depreciated.

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

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

#### 4.5.4 Derecognition

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

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

## Notes to the Financial Statements

### 4.6 Impairment of Non-Financial Assets

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

Goodwill is tested annually for impairment.

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

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

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

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

Impairment losses are recognised in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then

to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

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

### 4.7 Non-current Assets held for Sale

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

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

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

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

### 4.8 SLFRS 16 – Leases

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

To assess whether a contract conveys the right to control the use of an identified asset, the Group use the definition of a lease in SLFRS 16. This is applicable for leases entered after 1 April 2019.

#### 4.8.1 Group acting as a Lessee

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

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

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

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

Lease payments included in the measurement of lease liability includes

- ★ Fixed payments
- ★ Variable lease payments that depend on an index or rate
- ★ Amount expected to be payable under residual value guarantee
- ★ The exercise price under a purchase option that the Company is reasonably certain to exercise

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

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

The Group presents the right-of-use asset and the lease liability in Note 25 and Note 32 respectively.

short term leases and leases of low value assets

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

#### 4.9 Tax Expense

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

The Company has determined that interest and penalties related to income taxes, including uncertain tax treatments, do not meet the definition on income taxes, and therefore accounted for them under LKAS 37 Provisions, Contingent Liabilities and Contingent Assets.

##### 4.9.1 Current tax expense

Current tax is the expected tax payable or recoverable on the taxable income or

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

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

##### 4.9.2 Deferred Tax

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for:

- ★ Temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- ★ Temporary differences related to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future; and
- ★ Taxable temporary differences arising on the initial recognition of goodwill.
- ★ Taxable temporary differences arising on subsidiaries, associates or joint ventures who have not distributed their entire profits to the parent or investor.

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

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the

same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

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

Deferred tax assets and liabilities are not discounted.

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

##### 4.9.3 Uncertainty Over Income Tax Treatments

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

##### 4.9.4 Withholding Tax on Dividends

Dividend distributed out of taxable profit of the local companies attracts a 14%

## Notes to the Financial Statements

deduction and is not available for set off against the tax liability of the Group. Thus, the withholding tax deducted at source is added to the tax expense of the subsidiaries in the Consolidated Financial Statements as a consolidation adjustment.

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

Withholding Tax was abolished with effect from 1st January 2020.

### 4.9.5 Value Added Tax on Financial Services (VAT on FS)

VAT on Financial Services is calculated in accordance with the amended VAT Act No. 7 of 2003 and subsequent amendments thereto. VAT on financial services is computed on the prescribed rate of 15%.

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

### 4.10 Borrowings

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

The borrowing on debentures, commercial papers, securitised papers and short term borrowing are initially measured at fair value minus

incremental direct transaction costs, and subsequently measured at their amortised cost using the effective interest method.

### 4.11 Provisions

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

### 4.12 Dividends Payable

Dividends on ordinary shares are recognised as a liability and deducted from equity when they are recommended and declared by the Board of Directors.

### 4.13 Other Liabilities

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

### 4.14 Employee Benefits

#### 4.14.1 Defined Contribution Plan

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

##### 4.14.1.1 Employees' Provident Fund

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

##### 4.14.1.2 Employees' Trust Fund

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

#### 4.14.2 Defined Benefit Plans

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

### Gratuity

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

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

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

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

#### 4.14.3 Short-term Employee Benefits

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

Statement of Profit or Loss and Other Comprehensive Income.

### 4.15 Interest Income and Expense

Interest income and expense are recognised in profit or loss using the effective interest method. The 'effective interest rate' is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial asset or financial liability (or, where appropriate, a shorter period) to the carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Group estimates future cash flows considering all contractual terms

of the financial instrument, but not future credit losses.

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

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

- ★ interest on financial assets and financial liabilities measured at amortised cost calculated on an effective interest basis; and
- ★ interest on financial assets measured at fair value through other comprehensive income are calculated on an effective interest basis.

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

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

#### **4.16 Gain/(Loss) on sale of Financial Investments measured at Fair Value through Profit or Loss**

Gain/(loss) on Sale of Financial Investments measured at fair value through profit or loss comprises realised trading gains on disposal of government securities, quoted shares and listed debentures, are presented in direct

income as sale of financial investments at fair value through profit or loss in the statement of profit or loss and other comprehensive income.

#### **4.17 Gain/(Loss) on Redemption of Units**

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

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

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

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

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

#### **4.20 Fee and Commission Income**

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

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

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

#### **4.21 Dividend Income**

Dividend income from equity investments is recognised in profit or loss on an accrual basis when the Company's right to receive the dividend is established. This is usually on the ex-dividend date for equity securities. Dividends are presented in net trading income or net gain/(loss) from financial investments based on the underlying classification of the equity investment.

#### **4.22 Expenses Recognition**

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

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

#### **4.23 Earnings per Share (EPS)**

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

Diluted EPS is determined by adjusting the profit or loss attributable to the ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.



## Notes to the Financial Statements

### 4.24 Commitments and Contingencies

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

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

### 4.25 Statement of Cash Flows

The Statement of Cash Flow has been prepared using the "Direct Method" of preparing Cash Flows in accordance with the Sri Lanka Accounting Standard - (LKAS 7) "Statement of Cash Flows".

Cash and cash equivalents comprise short term, highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value.

### 5. NEW AMENDMENTS TO THE SRI LANKA ACCOUNTING STANDARDS ISSUED BUT NOT EFFECTIVE AS AT REPORTING DATE

The Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) has issued following new amendments to the Sri Lanka Accounting Standards which will become applicable for financial periods beginning after on or after 1 April 2021. Accordingly, the Group has not applied the following new amendments to the standard in preparing these Financial Statements.

The following new amendments to the standards are not expected to have a significant impact on the Group's financial statements.

### 5.1 Amendment to SLFRS 16 - COVID-19 - Related Rent Concessions

The amendments provide relief to lessees from applying SLFRS 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the COVID-19 Pandemic.

As a practical expedient, a lessee may elect not to assess whether a COVID-19 related rent concession from a lessor is a lease modification. A lessee that makes this election accounts for any change in lease payments resulting from COVID-19 related rent concession the same way it would account for the change under SLFRS16, if the change were not a lease modification.

These amendments to Standard are effective for annual reporting periods beginning on or after 1 June 2020.

### 5.2 Interest Rate Benchmark Reform (Amendments to SLFRS 9 and SLFRS 7)

Interest Rate Benchmark Reform is expected to result in a change to the basis for determining contractual cash flows of impacted assets and liabilities of the Group. The amendments provide a practical expedient to account for a change in the basis for determining the contractual cash flows as a result of Interest Rate Benchmark Reform by updating the effective interest rate.

The standard includes amendments in respect of:

- ★ Modification of a financial asset or a financial liability measured at amortised cost
- ★ Additional relief for hedging relationships

The standard also amends a number of existing hedge accounting requirements that will assist the Group to maintain its existing hedge accounted relationships post IBOR transition. The Group will continue to record any ongoing hedge ineffectiveness, including that generated

by changes as a result of interest rate reform, within the income statement.

On 15 January 2021, the CA Sri Lanka issued Interest Rate Benchmark Reform (Phase 1 and Phase 2) which is mandatory for application in respect of annual periods beginning on or after 1 January 2021.

### 5.3 Proceeds before intended use (amendments to LKAS 16 - Property, plant and equipment)

The amendment prohibits deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the cost of producing those items, in profit or loss.

The above amendment to Standard will be effective for annual reporting periods beginning on or after 1 January 2022.

### 5.4 Onerous Contracts - Cost of fulfilling the contract (Amendments to LKAS 37 - Provisions, Contingent Liabilities and Contingent Assets)

The amendment specifies that the 'cost of fulfilling' a contract comprises the 'costs that relate directly to the contract.' Costs that relate directly to a contract can either be incremental costs of fulfilling that contract (direct labour, materials) or an allocation of other costs that relate directly to fulfilling contracts (allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).

The above amendment to Standard will be effective for annual reporting periods beginning on or after 1 January 2022.



For the Year ended 31 March,	Note	Group		Company	
		2021 Rs. '000	2020 Rs. '000	2021 Rs. '000	2020 Rs. '000
<b>6 INCOME</b>					
Direct income	7	5,787,915	5,196,768	856,176	1,125,686
Other income	9	245,438	23,657	-	-
		<b>6,033,353</b>	<b>5,220,425</b>	<b>856,176</b>	<b>1,125,686</b>
<b>7 DIRECT INCOME</b>					
Interest income on financial assets recognised through profit or loss - measured at fair value		2,036,071	2,774,910	7,296	-
Interest income on financial assets at amortised cost		540,007	798,987	786,068	1,113,537
Gain on sale of financial assets recognised through profit or loss - measured at fair value		2,662,410	1,251,867	448	-
Fee and commission income		308,570	286,943	62,364	12,149
Brokering income		204,250	42,061	-	-
Dividend income		36,607	42,000	-	-
		<b>5,787,915</b>	<b>5,196,768</b>	<b>856,176</b>	<b>1,125,686</b>
<b>7.1 Timing of income recognition</b>					
Income generated at a point in time		3,083,895	1,559,354	62,812	12,149
Income generated over the period		2,704,020	3,637,414	793,364	1,113,537
		<b>5,787,915</b>	<b>5,196,768</b>	<b>856,176</b>	<b>1,125,686</b>
<b>8 DIRECT EXPENSES</b>					
Interest expenses on re-purchase agreements		1,311,934	2,138,454	-	-
Interest expenses on corporate debt securities		654,834	983,893	644,053	974,844
Brokerage cost		19,832	25,777	81	-
Interest expenses on listed debentures		98,692	31,188	27,357	-
Other direct expenses		28,921	10,609	5,672	8,101
		<b>2,114,213</b>	<b>3,189,921</b>	<b>677,163</b>	<b>982,945</b>
<b>9 OTHER INCOME</b>					
Loss on disposal of property, plant and equipment		(286)	-	-	-
Exchange gain		206,831	295	-	-
Miscellaneous income		38,893	23,362	-	-
		<b>245,438</b>	<b>23,657</b>	<b>-</b>	<b>-</b>
<b>10 GAIN/ (LOSS) ON FAIR VALUATION OF FINANCIAL ASSETS RECOGNISED THROUGH PROFIT OR LOSS - MEASURED AT FAIR VALUE</b>					
Government securities		(387,808)	363,889	-	-
Debentures		(23,238)	31,002	-	-
Listed shares		82,162	(38,746)	-	-
Unit trusts		110,905	(4,917)	-	-
Derivative financial instruments - Government securities		1,875	(959)	-	-
		<b>(216,104)</b>	<b>350,269</b>	<b>-</b>	<b>-</b>

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

## Notes to the Financial Statements

For the Year ended 31 March,	Note	Group		Company	
		2021 Rs. '000	2020 Rs. '000	2021 Rs. '000	2020 Rs. '000
<b>11 OPERATING EXPENSES</b>					
<b>11.1 Personnel expenses</b>					
Salaries		<b>185,108</b>	157,835	<b>20,231</b>	14,135
Performance bonus		<b>308,303</b>	158,780	<b>9,812</b>	17,474
Employer's contribution to EPF & ETF		<b>29,175</b>	25,007	<b>3,106</b>	2,167
Retirement benefit cost		<b>9,787</b>	7,646	-	-
Sales commission		<b>40,808</b>	7,047	-	-
Staff welfare		<b>6,515</b>	3,230	<b>1,087</b>	168
Other personnel expenses		<b>44,168</b>	113,409	<b>4,546</b>	11,411
		<b>623,864</b>	472,954	<b>38,782</b>	45,356

**11.2 Other operating expenses**

Professional services expenses		27,735	25,261	9,088	9,278
Sales promotion expenses		21,915	17,231	6,141	4,575
Value added tax/ Nation building tax on financial services		3,126	40,443	2,015	10,073
Communication and information technology expenses		23,730	24,056	2,043	1,365
Travelling expenses		8,695	8,045	5,612	5,031
Fund transfer charges/ bank charges		20,474	20,943	1,116	1,052
Provision for economic service charge		1,442	966	-	-
Miscellaneous expenses		15,322	2,691	3,382	-
		<b>122,439</b>	<b>139,636</b>	<b>29,397</b>	<b>31,374</b>

**12 PROFIT BEFORE TAX**

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

Directors' emoluments		164,793	156,445	30,686	20,570
Auditors' remuneration - Audit services		1,940	2,028	440	415
Auditors' remuneration - Other services		790	240	350	100
Salaries		185,108	157,835	20,231	14,135
Depreciation of property, plant and equipment	25	24,951	23,578	8,082	7,644
Amortisation of intangible assets	26	4,485	2,970	2,105	1,343
Employer's contribution to EPF & ETF		29,175	25,007	3,106	2,167
Retirement benefit cost	33	9,787	7,646	-	-
Legal fees		995	734	-	121
Donations		9,755	10	2,950	-
Specific allowance for impairment of trade and other receivables		255	1,594	-	-
Provision/ (reversal) for impairment of financial assets at amortised cost		9,800	19,197	(23,154)	18,172

**13 TAXATION**

The Company is liable to pay income tax at the rate of 24% w.e.f. 1 January 2020 (Prior to 1 January 2020 - 28%) in accordance with the Inland Revenue (Amendment) Act No. 10 of 2021.

For the Year ended 31 March,	Note	Group		Company	
		2021 Rs. '000	2020 Rs. '000	2021 Rs. '000	2020 Rs. '000
<b>13.1 Income tax expenses</b>					
<b>Recognised in Profit or Loss</b>					
Current tax expenses		(522,621)	(6,060)	(28,626)	(6,060)
(Under)/over provision for taxes		(9,041)	(440)	235	-
Deferred tax expense	24	(282,917)	(562,460)	(6,646)	(9,890)
Taxes on dividend		-	(66,126)	-	-
		(814,579)	(635,086)	(35,037)	(15,950)
<b>Recognised in Other Comprehensive Income</b>					
Deferred tax assets recognised during the year	24	2,370	211	-	-
		(812,209)	(634,875)	(35,037)	(15,950)
<b>Reconciliation of accounting profit to income tax</b>					
Profit before taxation		2,908,076	1,708,325	2,025,469	1,022,001
Less : Income from other sources		(37,791)	-	-	-
Less : Exempted income		(459,059)	(26,223)	(1,900,366)	(982,949)
Add : Disallowable expenses		220,293	224,680	835	39,160
Less : Allowable expenses		(32,259)	(16,457)	(6,663)	(3,158)
<b>Adjusted profit for the year</b>		<b>2,599,260</b>	<b>1,890,325</b>	<b>119,275</b>	<b>75,054</b>
Add : Investment income		1,233,537	-	-	-
<b>Total statutory income</b>		<b>3,832,797</b>	<b>1,890,325</b>	<b>119,275</b>	<b>75,054</b>
Tax loss claimed during the year		(1,147,647)	(1,868,682)	-	(53,411)
<b>Taxable income</b>		<b>2,685,150</b>	<b>21,643</b>	<b>119,275</b>	<b>21,643</b>
<b>Income tax expense</b>					
Tax at 10% on Gain on realization of Investment Assets		(187)	-	-	-
Tax at 14% on Dividend income		(170,175)	-	-	-
Tax at 24% on Balance taxable income (Up to 1 January 2020 - 28%)		(352,259)	(6,060)	(28,626)	(6,060)
		(522,621)	(6,060)	(28,626)	(6,060)
<b>13.2 Accumulated tax losses</b>					
Balance at the beginning of the year		8,562,054	11,722,744	-	55,676
Loss incurred during the year		-	15,011	-	-
Loss utilised during the year		(1,147,647)	(1,868,682)	-	(53,411)
Adjustment with respect of previous year		(6,877)	(84,028)	-	(2,265)
Loss utilised for past tax assesments		(20,432)	(1,222,991)	-	-
Balance at the end of the year		7,387,098	8,562,054	-	-

**14 EARNINGS PER SHARE**

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

For the Year ended 31 March,	Group		Company	
	2021	2020	2021	2020
Profit attributable to equity holders of the parent (Rs. '000)	1,990,432	1,006,051	1,990,432	1,006,051
Weighted average number of ordinary shares in issue	101,250,000	101,250,000	101,250,000	101,250,000
Basic earnings per share (Rs.)	19.66	9.94	19.66	9.94

There were no potentially dilutive ordinary shares outstanding at anytime during the year, hence diluted earnings per share is equal to the basic earnings per share.

## Notes to the Financial Statements

As at,	Note	Group		Company	
		31.03.2021 Rs. '000	31.03.2020 Rs. '000	31.03.2021 Rs. '000	31.03.2020 Rs. '000
<b>15 CASH AT BANKS AND IN HAND</b>	45.4.1				
Cash in hand		283	301	-	-
Cash at banks		241,770	61,053	42,187	19,744
		242,053	61,354	42,187	19,744

**16 DERIVATIVE FINANCIAL INSTRUMENTS**

Forward purchase contracts	10	2,315	2,734	-	-
		2,315	2,734	-	-

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

Listed shares	17.1	1,142,774	442,820	-	-
Government securities	17.2	23,085,413	36,212,069	-	-
Debentures	17.3	1,440,465	1,452,818	611,801	-
Investment in unit trusts	17.4	2,378,709	433,142	-	-
		28,047,361	38,540,849	611,801	-

**17.1 Listed shares - Group**

As at,	No. of shares		Fair Value		Cost	
	31.03.2021	31.03.2020	31.03.2021 Rs. '000	31.03.2020 Rs. '000	31.03.2021 Rs. '000	31.03.2020 Rs. '000
Janashakthi Insurance Company PLC	13,099,471	13,099,471	391,674	297,358	324,708	324,708
National Development Bank PLC	900,359	449,270	72,749	29,742	97,766	57,168
John Keells Holdings PLC	629,527	129,527	93,485	14,947	105,982	20,982
Peoples Leasing and Finance PLC	1,412,717	1,348,986	16,670	16,458	24,023	23,213
Orient Finance PLC	2,138,299	2,138,299	29,722	13,044	32,671	32,671
Commercial Bank of Ceylon PLC	1,500,000	-	128,250	-	121,950	-
Commercial Credit and Finance PLC	-	45,754	-	837	-	1,007
Seylan Bank PLC	1,321,306	3,187,073	57,080	70,434	38,862	93,585
Hatton National Bank PLC	1,275,000	-	123,930	-	147,275	-
Melstacorp PLC	1,012,667	-	44,557	-	54,807	-
Royal Ceramics Lanka PLC	400,000	-	102,800	-	129,500	-
Vallibel One PLC	524,096	-	24,685	-	30,495	-
Tokyo Cement Company (Lanka) PLC	500,000	-	30,300	-	33,980	-
Access Engineering PLC	1,175,000	-	25,968	-	28,200	-
Sampath Bank PLC	16,800	-	904	-	907	-
<b>Total</b>			1,142,774	442,820	1,171,126	553,334

As at,	Fair Value		Face Value	
	31.03.2021	31.03.2020	31.03.2021	31.03.2020
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
<b>17.2 Government securities - Group</b>				
Treasury bills	37,358	17,769,983	37,641	18,660,093
Treasury bonds	20,348,816	18,438,245	19,179,238	17,294,842
Sri Lanka Development Bonds	2,699,239	3,841	2,488,580	3,542
	<b>23,085,413</b>	<b>36,212,069</b>	<b>21,705,459</b>	<b>35,958,477</b>

**17.2.a Securities pledged as collateral**

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

As at,	Group			
	Fair Value		Face Value	
	31.03.2021	31.03.2020	31.03.2021	31.03.2020
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Treasury bills	37,358	17,478,776	37,641	18,360,197
Treasury bonds	19,132,435	17,803,140	18,074,032	16,704,483
	<b>19,169,793</b>	<b>35,281,916</b>	<b>18,111,673</b>	<b>35,064,680</b>

As at,	Note	Group		Company	
		31.03.2021	31.03.2020	31.03.2021	31.03.2020
		Rs. '000	Rs. '000	Rs. '000	Rs. '000
<b>17.3 Debentures</b>					
Listed Debentures	17.3.1	867,600	1,452,818	611,801	-
Unlisted Debentures	17.3.2	572,865	-	-	-
		<b>1,440,465</b>	<b>1,452,818</b>	<b>611,801</b>	<b>-</b>

## Notes to the Financial Statements

As at,	Group		Company	
	31.03.2021	31.03.2020	31.03.2021	31.03.2020
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
	Note 17.3.1.a		Note 17.3.1.a	

**17 FINANCIAL ASSETS RECOGNISED THROUGH PROFIT OR LOSS -MEASURED AT FAIR VALUE (CONTD.)****17.3 Debentures (Contd.)***17.3.1 Listed Debentures*

Citizen Development Bank PLC	-	262,610	-	-
Janashakthi PLC	-	284,348	-	-
Lanka Orix Leasing Company Holdings PLC (Maturity - 2024)	-	802,825	-	-
Lanka Orix Leasing Company Holdings PLC (Maturity - 2031)	611,801	-	611,801	-
Softlogic Capital PLC	34,881	33,152	-	-
Commercial Leasing & Finance PLC	12,033	-	-	-
Asia Asset Finance PLC	208,885	-	-	-
Bogawantalawa Tea Estates PLC	-	69,883	-	-
	867,600	1,452,818	611,801	-

	Number of Debentures	Invested Date	Maturity Date	Coupon Rate	Credit Rating	Fair Value Rs. '000
<i>17.3.1.a Listed Debentures as at 31 March 2021</i>						
Lanka Orix Leasing Company Holdings PLC	6,050,000	24 February 2021	24 February 2031	12.00%	A	611,801
Softlogic Capital PLC	306,600	19 December 2019	19 December 2024	15.00%	BBB+	34,881
Commercial Leasing & Finance PLC	121,900	24 September 2025	23 September 2025	10.50%	A	12,033
Asia Asset Finance PLC	2,000,000	5 October 2020	5 October 2023	10.28%	BBB+	208,885
						867,600

As at,	Group		Company	
	31.03.2021	31.03.2020	31.03.2021	31.03.2020
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
	Note 17.3.2.a		Note 17.3.2.a	

*17.3.2 Unlisted Debentures*

Janashakthi Limited	572,865	-	-	-
	572,865	-	-	-



	Number of Debentures	Invested Date	Maturity Date	Coupon Rate	Credit Rating	Fair Value Rs. '000
<i>17.3.2.a Unlisted Debentures as at 31 March 2021</i>						
Janashakthi Limited	1,700,000	26 October 2020	11 September 2023	13.50%	BBB-	175,568
Janashakthi Limited	3,027,000	28 December 2020	28 December 2022	12.00%	BBB-	302,302
Janashakthi Limited	950,000	3 February 2021	28 December 2023	12.25%	BBB-	94,995
						<b>572,865</b>

*17.3.3 Securities pledged as collateral - Group*

Listed debentures classified as financial assets recognised through profit or loss - measured at fair value amounting to Rs. 223Mn have been pledged as collateral for re-purchase agreements and margin facility entered into by the Group (31 March 2020 - Rs. 1,032Mn).

As at,	Note	Group		Company	
		31.03.2021	31.03.2020	31.03.2021	31.03.2020
		Rs. '000	Rs. '000	Rs. '000	Rs. '000
<b>17.4 Investment in unit trusts</b>					
First Capital Equity Fund		51,630	26,208	-	-
First Capital Money Market Fund		1,768,765	62,087	-	-
First Capital Wealth Fund		-	344,847	-	-
JB Vantage Money Market Fund		505,451	-	-	-
Softlogic Money Market Fund		52,863	-	-	-
		2,378,709	433,142	-	-

**18 FINANCIAL ASSETS - FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME**

Equity investment in Bartleet Transcapital Limited	18.1	-	-	-	-
Equity investment in Lanka Financial Service Bureau Limited	18.2	-	-	-	-
Equity investment in Kanrich Finance Limited	18.3	<b>40,273</b>	184,623	-	-
		<b>40,273</b>	184,623	-	-

## Notes to the Financial Statements

As at,	Group		Company	
	31.03.2021 Rs. '000	31.03.2020 Rs. '000	31.03.2021 Rs. '000	31.03.2020 Rs. '000

**18 FINANCIAL ASSETS - FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (CONTD.)****18.1 Investment in Bartleet Transcapital Limited**

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

**18.2 Investment in Lanka Financial Service Bureau Limited**

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

**18.3 Investment in Kanrich Finance Limited**

Balance at the beginning of the year	184,623	216,712	-	-
Loss on fair valuation	(144,350)	(32,089)	-	-
<b>Balance at the end of the year</b>	40,273	184,623	-	-

First Capital Limited holds 8,270,077 ordinary shares acquired at Rs. 40 per share in Kanrich Finance Limited which is equivalent to 10% stake and the said investment is classified under Financial assets measured at fair value through other comprehensive income. The Group designated the investment shown above as equity securities at Fair value through other comprehensive income because these equity securities represent investment that the Group intends to hold for medium to long term for strategic purpose.

As at,	Note	Group		Company	
		31.03.2021 Rs. '000	31.03.2020 Rs. '000	31.03.2021 Rs. '000	31.03.2020 Rs. '000

**19 FINANCIAL ASSETS AT AMORTISED COST**

Corporate debt securities	19.1	2,249,139	1,341,371	1,107,886	-
Investments under re-sale agreements	19.2	2,417,798	911,929	172,594	13,790
Investments in fixed deposits	19.3	35,179	29,155	22,993	17,866
Short term lending	19.4	2,002,093	2,611,746	7,729,413	6,736,511
Long term lending	19.5	249,347	370,871	-	-
Staff loan		82,085	96,440	-	-
		<b>7,035,641</b>	<b>5,361,512</b>	<b>9,032,886</b>	<b>6,768,167</b>

**19.1 Corporate debt securities**

Investment in commercial papers		450,786	814,215	-	-
Investment in securitised papers		1,802,178	531,600	1,110,145	-
Provision for impairment	19.1.1	(3,825)	(4,444)	(2,259)	-
		<b>2,249,139</b>	<b>1,341,371</b>	<b>1,107,886</b>	<b>-</b>

**19.1.a Securities pledged as Collateral**

Investment in Securitised Papers classified as financial assets at amortised cost amounting to Rs. 621 Mn have been pledged as collateral for re-purchase agreements and margin facility entered into by the Group (31 March 2020- Nil).

As at,	Note	Group		Company	
		31.03.2021 Rs. '000	31.03.2020 Rs. '000	31.03.2021 Rs. '000	31.03.2020 Rs. '000
<i>19.1.1 Movement in provision for expected credit loss on corporate debt securities</i>					
Balance as at the beginning of the year		(4,444)	(44)	-	-
Reversal/ (Charge) for the year		619	(4,400)	(2,259)	-
Balance as at the end of the year	19.1.1.1.a	(3,825)	(4,444)	(2,259)	

**19.1.1.1 Group** - This represents expected loss on corporate debt securities classified as "Stage 1" and "Stage 2" amounting to Rs. 3,515,784 and Rs. 309,062 (2020 - "Stage 1" - Rs. 4,302,737 and "Stage 2" - Rs. 140,890) respectively in accordance with SLFRS 9.

**Company** - This represents expected loss on corporate debt securities classified as "Stage 1" amounting to Rs. 2,259,205 (2020 - Nil) in accordance with SLFRS 9.

As at,	Group		Company	
	31.03.2021 Rs. '000	31.03.2020 Rs. '000	31.03.2021 Rs. '000	31.03.2020 Rs. '000
<i>19.1.1.1.a Movement in Impairment during the year</i>				
<b>Stage 1</b>				
Balance as at 1 April	(4,280)	(2)	-	-
Net impairment (charge)/ reversal for the year	764	(4,278)	(2,259)	-
<b>Balance as at 31 March</b>	<b>(3,516)</b>	(4,280)	<b>(2,259)</b>	

<b>Stage 2</b>					
Balance as at 1 April		(164)	(42)	-	-
Net impairment charge for the year		(145)	(122)	-	-
<b>Balance as at 31 March</b>		<b>(309)</b>	<b>(164)</b>	<b>-</b>	<b>-</b>

As at,	Note	Group		Company	
		31.03.2021	31.03.2020	31.03.2021	31.03.2020
		Rs. '000	Rs. '000	Rs. '000	Rs. '000
<b>19.2 Investments under re-sale agreements</b>					
Government securities	19.2.a	<b>2,361,444</b>	847,204	<b>172,594</b>	13,790
Corporate debt securities		<b>56,354</b>	64,725	-	-
		<b>2,417,798</b>	911,929	<b>172,594</b>	13,790

**19.2.a** This represents fair value of collateral accepted by the Group amounting to Rs. 2,474.18Mn as at 31 March 2021 (Company - Rs. 186.9Mn) and the Group is entitled to repledge the same for borrowings (repos). Fair value of collateral amounting to Rs. 2,171.67Mn has been repledged for the borrowings (repos) as at 31 March 2021 and the Group is required to return the said collateral to the respective counterparties with the settlement of outstanding (reverse repos).

## Notes to the Financial Statements

As at,	Note	Group		Company	
		31.03.2021 Rs. '000	31.03.2020 Rs. '000	31.03.2021 Rs. '000	31.03.2020 Rs. '000
<b>19 FINANCIAL ASSETS AT AMORTISED COST (CONTD.)</b>					
<b>19.3 Investments in fixed deposits</b>					
Fixed deposits	19.3.1	<b>40,180</b>	34,162	<b>27,994</b>	22,872
Provision for impairment	19.3.2	<b>(5,001)</b>	(5,007)	<b>(5,001)</b>	(5,006)
		<b>35,179</b>	29,155	<b>22,993</b>	17,866

**19.3.1** Group investments in fixed deposits amounting to Rs. 33.5Mn (Company - Rs. 28Mn) have been pledged as collateral for banking facilities (As at 31 March 2020 - Group Rs. 34.2Mn, Company - Rs. 22.9Mn).

As at,	Note	Group		Company	
		31.03.2021 Rs. '000	31.03.2020 Rs. '000	31.03.2021 Rs. '000	31.03.2020 Rs. '000
19.3.2 Movement in provision for expected credit loss on fixed deposits					
Balance as at the beginning of the year		(5,007)	(5,018)	(5,006)	(5,002)
(Charge) /reversal for the year		6	11	5	(4)
Balance as at the end of the year	19.3.2.1.a	(5,001)	(5,007)	(5,001)	(5,006)

**19.3.2.1 Group** - This represents expected loss on investment in fixed deposits classified as "Stage 1" and "Stage 3" amounting to Rs. 961 and Rs. 5,000,000 (2020 - "Stage 1" - Rs. 6,869 and "Stage 3" - Rs. 5,000,000) respectively in accordance with SLFRS 9.

**Company** - This represents expected loss on investment in fixed deposits classified as "Stage 1" and "Stage 3" amounting to Rs. 898 and Rs. 5,000,000 (2020 - "Stage 1" - Rs. 5,888 and "Stage 3" - Rs. 5,000,000) respectively in accordance with SLFRS 9.

As at,	Group		Company	
	2021 Rs. '000	2020 Rs. '000	2021 Rs. '000	2020 Rs. '000

**19.3.2.1.a Movement in Impairment during the year****Stage 1**

Balance as at 1 April	(7)	(18)	(6)	(2)
Net impairment (charge)/ reversal for the year	6	11	5	(4)
<b>Balance as at 31 March</b>	<b>(1)</b>	<b>(7)</b>	<b>(1)</b>	<b>(6)</b>

**Stage 3**

Balance as at 1 April	(5,000)	(5,000)	(5,000)	(5,000)
Net impairment (charge)/ reversal for the year	-	-	-	-
<b>Balance as at 31 March</b>	<b>(5,000)</b>	<b>(5,000)</b>	<b>(5,000)</b>	<b>(5,000)</b>

As at,	Note	Group		Company	
		31.03.2021	31.03.2020	31.03.2021	31.03.2020
		Rs. '000	Rs. '000	Rs. '000	Rs. '000
<b>19.4 Short term lending</b>					
Short term lending (Gross)		2,072,007	2,668,680	7,730,772	6,763,277
Provision for impairment	19.4.1	(69,914)	(56,934)	(1,359)	(26,766)
		2,002,093	2,611,746	7,729,413	6,736,511

#### 19.4.1 Movement in provision for expected credit loss on short term lending

Balance as at the beginning of the year		(56,934)	(47,474)	(26,766)	(8,598)
(Charge) /reversal for the year		(12,980)	(9,460)	25,407	(18,168)
Write off during the year		-	-	-	-
<b>Balance as at the end of the year</b>	19.4.1.1.a	<b>(69,914)</b>	<b>(56,934)</b>	<b>(1,359)</b>	<b>(26,766)</b>

#### 19.4.1.1 Group

This represents expected loss on short term lending classified as "Stage 1", "Stage 2" and Stage 3" amounting to Rs. 9,567,938, Rs. 1,212,822 and Rs. 59,133,040 respectively (2020 - "Stage 1" - Rs. 3,301,560 "Stage 2" - Rs. 8,873,740 and "Stage 3" - Rs. 44,758,898) in accordance with SLFRS 9.

#### Company

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

As at,	Group		Company	
	2021 Rs. '000	2020 Rs. '000	2021 Rs. '000	2020 Rs. '000

#### 19.4.1.1.a Movement in Impairment during the year

##### Stage 1

Balance as at 1 April	(3,302)	-	(26,766)	(8,598)
Net impairment (charge)/ reversal for the year	(6,266)	(3,302)	25,407	(18,168)
Balance as at 31 March	(9,568)	(3,302)	(1,359)	(26,766)

##### Stage 2

Balance as at 1 April	(8,873)	(3,623)	-	-
Net impairment (charge)/ reversal for the year	7,660	(5,250)	-	-
Balance as at 31 March	(1,213)	(8,873)	-	-

##### Stage 3

Balance as at 1 April	(44,759)	(43,851)	-	-
Net impairment charge for the year	(14,374)	(908)	-	-
Balance as at 31 March	(59,133)	(44,759)	-	-

## Notes to the Financial Statements

As at,	Note	Group		Company	
		31.03.2021 Rs. '000	31.03.2020 Rs. '000	31.03.2021 Rs. '000	31.03.2020 Rs. '000

**19 FINANCIAL ASSETS AT AMORTISED COST (CONTD.)****19.5 Long term lending**

Long term lending (Gross)		253,022	377,101	-	-
Provision for impairment	19.5.1	(3,675)	(6,230)	-	-
		249,347	370,871	-	-

*19.5.1 Movement in provision for expected credit loss on long term lending*

Balance as at the beginning of the year		(6,230)	(882)	-	-
(Charge) /reversal for the year		2,555	(5,348)	-	-
Balance as at the end of the year	19.5.1.1.a	(3,675)	(6,230)	-	-

*19.5.1.1* This represents expected loss on long term lending classified as "Stage 1" - 2021 - Rs. 3,674,757 (2020 - "Stage 1" - Rs. 6,073,460 and "Stage 3" - Rs. 156,170) in accordance with SLFRS 9.

As at,		Group		Company	
		2021 Rs. '000	2020 Rs. '000	2021 Rs. '000	2020 Rs. '000

*19.5.1.1.a Movement in Impairment during the year***Stage 1**

Balance as at 1 April		(6,074)	(564)	-	-
Net impairment (charge)/ reversal for the year		2,399	(5,510)	-	-
Balance as at 31 March		(3,675)	(6,074)	-	-

**Stage 3**

Balance as at 1 April		(156)	(318)	-	-
Net impairment reversal for the year		156	162	-	-
Balance as at 31 March		-	(156)	-	-

As at,	Note	Group		Company	
		31.03.2021 Rs. '000	31.03.2020 Rs. '000	31.03.2021 Rs. '000	31.03.2020 Rs. '000

**20 TRADE AND OTHER RECEIVABLES**

Trade receivables	20.1	516,081	373,296	-	-
Other receivable	20.2	393,525	225,376	4,203	1,418
		909,606	598,672	4,203	1,418



As at,	Note	Group		Company	
		31.03.2021 Rs. '000	31.03.2020 Rs. '000	31.03.2021 Rs. '000	31.03.2020 Rs. '000
<b>20.1 Trade receivables</b>					
Margin trading debtors	20.1.(a)	-	-	-	-
Stock broking debtors	20.1.(b)	516,081	373,296	-	-
		516,081	373,296	-	-
<b>20.1.(a) Margin trading debtors</b>					
Margin trading debtors		63,508	63,508	-	-
Less : provision for impairment		(63,508)	(63,508)	-	-
		-	-	-	-
<b>20.1.(b) Stock broking debtors</b>					
Stock broking debtors		516,081	373,296	-	-
Less : provision for impairment		-	-	-	-
		516,081	373,296	-	-
<b>20.2 Other receivable</b>					
Rent deposit		3,893	14,689	-	-
Dividend receivable		21,978	-	-	-
Deposit with CSE		3,290	1,750	-	-
Advance paid for land and premises		77,300	77,300	-	-
Fee receivable		2,326	23,080	621	-
Prepayment		17,447	10,567	1,839	1,125
Coupon receivable		12,220	58,205	-	-
Staff advances		3,904	12,440	-	-
Net investment in sub leased asset		133	422	-	-
Advance paid for Building		223,649	-	-	-
Miscellaneous		27,385	26,923	1,743	293
		393,525	225,376	4,203	1,418

**21 NON-CURRENT ASSETS HELD FOR SALE - GROUP**

Investments in equities	21.1	42,416	42,416	-	-
		42,416	42,416	-	-

## Notes to the Financial Statements

## 21 NON-CURRENT ASSETS HELD FOR SALE - GROUP (CONTD.)

	No. of shares	31.03.2021 Rs. '000	31.03.2020 Rs. '000
<b>21.1 Investments in equities - Group</b>			
Ceyspence (Private) Limited	2,861,856	71,432	71,432
Ceyaki Shipping (Private) Limited	3,116,600	29,928	29,928
		101,360	101,360
Less : provision for impairment		(58,944)	(58,944)
		42,416	42,416

This represents equity investments in shipping business made by First Capital Limited. All these businesses are in the process of liquidation and stated at their realisable values as at the reporting date. A provision of Rs. 58.94Mn has been accounted for the estimated liability on income tax, settlement of creditors and the impairment of investment to reflect the recoverable amount.

As at,	Notes	Group		Company	
		31.03.2021 Rs. '000	31.03.2020 Rs. '000	31.03.2021 Rs. '000	31.03.2020 Rs. '000

## 22 TAXES RECEIVABLE/ PAYABLE

Tax receivable	22.1	88,798	271,610	74,388	103,006
Tax payable	22.2	840,696	488,668	-	-

## 22.1 Taxes receivables

Balance at the beginning of the year		271,610	178,845	103,006	58,585
Over/(under) provision with respect to previous years		(275)	(440)	235	4,370
Payment made during the year		156	100,231	-	40,051
WHT Refunds received		(2,471)	-	(227)	-
Provision for income tax		(178,780)	(6,060)	(28,626)	-
Provision for economic service charge		(1,442)	(966)	-	-
Balance at the end of the year		88,798	271,610	74,388	103,006

## 22.2 Taxes payables

Balance at the beginning of the year		488,668	348	-	-
Impact of adoption of IFRIC 23	22.3	-	488,668	-	-
Adjusted balance as at 1 April		488,668	489,016	-	-
(Over)/ under provision for the previous year		8,766	-	-	-
Provision for the year		343,841	-	-	-
Payment made during the year		(579)	(348)	-	-
Balance at the end of the year		840,696	488,668	-	-

**22.3** First Capital Treasuries PLC (subsidiary) has pending income tax assessments in relation to the chargeability of interest income on Primary Dealer's operations for years of assessment of 2008/09, 2012/13, 2013/14, 2014/15, 2015/16, 2016/17 and 2017/18 amounting to Rs. 1.2Bn. First Capital Limited (subsidiary) has pending income tax assessments in relation to extra disallowance of interest/operating costs for the years of assessment of 2010/11, 2012/13, 2013/14, 2014/15, 2015/16, 2016/17 and 2017/18 amounting to Rs. 405Mn. The subsidiaries have appealed against these assessments and they are currently at different appeal procedure levels.

Based on the Group's assessment in line with IFRIC 23 – uncertainty over income tax treatment on the above assessments, a provision amounting to Rs. 452Mn for First Capital Treasuries PLC and another provision amounting to Rs. 48Mn for First Capital Limited have been accounted for as at 31 March 2021 based on the tax consultants' view. Provision made in First Capital Treasuries PLC reflects the most likely amount of liability that the Company would be liable to pay considering the unutilised tax losses of Rs. 1.2Bn which better predicts the resolution of the uncertainty. Provision made in First Capital Limited reflects the liability based on expected value as per IFRIC 23.

As at,	No. of shares		Value of shares	
	31.03.2021	31.03.2020	31.03.2021 Rs. '000	31.03.2020 Rs. '000

## 23 INVESTMENT IN SUBSIDIARY - COMPANY

### Investment in subsidiary - Company

#### First Capital Limited

Balance at the beginning of the year	11,700,005	11,700,005	3,291,070	3,212,043
Impact of adoption of IFRIC 23	-	-	-	(464,230)
<b>Adjusted balance as at the beginning of the year</b>	<b>11,700,005</b>	<b>11,700,005</b>	<b>3,291,070</b>	<b>2,747,813</b>
Share of profit during the year	-	-	1,900,366	982,949
Share of other comprehensive income during the year	-	-	(151,776)	(33,492)
Dividend received	-	-	(1,012,284)	(406,200)
<b>Balance at the end of the year</b>	<b>11,700,005</b>	<b>11,700,005</b>	<b>4,027,376</b>	<b>3,291,070</b>
Holding percentage	100.0%	100.0%	100.0%	100.0%

As at,	Notes	Group		Company	
		31.03.2021 Rs. '000	31.03.2020 Rs. '000	31.03.2021 Rs. '000	31.03.2020 Rs. '000

## 24 DEFERRED TAX ASSET

Balance at the beginning of the year		299,775	862,024	6,683	16,573
Impact of change in income tax rate recognised in profit or loss	13	(41,233)	-	(955)	-
Impact of change in income tax rate recognised in other comprehensive income	13	(1,592)	-	-	-
Recognised in other comprehensive income	13	3,962	211	-	-
Recognised in statement of profit and loss	13	(241,684)	(562,460)	(5,691)	(9,890)
<b>Balance at the end of the year</b>		<b>19,228</b>	<b>299,775</b>	<b>37</b>	<b>6,683</b>

Deferred tax asset is recognised by considering the brought forward tax losses of which, the amount in the opinion of the Directors, will be available to allow the benefit of the loss to be realised in accordance with LKAS 12 and provisions of Inland Revenue Act No. 24 of 2017. The deferred tax asset has been computed on the basis of 24% (tax rate which is applicable for 2019/20 is 28%). Related tax rate changes during 2020/21 has been adjusted in both profit or loss and other comprehensive income statements. Deferred tax asset on the loss of fair valuation of investment in Kanrich Finance Limited (Note 18.3) has not been recognised considering the uncertainty in timing of the realisation.

## Notes to the Financial Statements

## 24 DEFERRED TAX ASSET (CONTD.)

24.1 The provision for deferred tax is attributable to the following;

As at,	31.03.2021		31.03.2020	
	(Taxable)/ Deductible temporary difference Rs. '000	Tax effect Rs. '000	(Taxable)/ Deductible temporary difference Rs. '000	Tax effect Rs. '000
<b>Group</b>				
On Property, Plant and Equipment	(8,814)	(2,115)	(8,168)	(2,287)
On Provision for impairment of Financial assets	33,564	8,055	23,789	6,661
On Retirement Benefit Obligations	55,369	13,288	39,812	11,147
On Accumulated tax losses	-	-	1,015,192	284,254
	<b>80,119</b>	<b>19,228</b>	<b>1,070,625</b>	<b>299,775</b>
<b>Company</b>				
On Property, Plant and Equipment	(3,464)	(831)	(2,905)	(813)
On Provision for impairment of Financial assets	3,617	868	26,773	7,496
	<b>153</b>	<b>37</b>	<b>23,868</b>	<b>6,683</b>

Deferred tax asset has not been recognised in respect of the Group's brought forward tax losses as at 31 March 2021 amounting to Rs. 7,387Mn (31 March 2020 - Rs. 7,522Mn) due to the uncertainty in claiming such losses as a result of tax assessments raised (Company-Nil).

	Office Equipment Rs. '000	Furniture Rs. '000	Fixtures and Fittings Rs. '000	Motor Vehicles Rs. '000	Right of Use Assets Rs. '000	Total Rs. '000
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## 25 PROPERTY, PLANT AND EQUIPMENT AND RIGHT OF USE ASSETS - GROUP (2020/21)

<b>Cost</b>						
As at 1 April 2020	53,655	11,641	30,724	22,115	49,180	167,315
Additions during the year	12,033	250	341	-	-	12,624
Disposals during the year	(295)	(500)	(975)	-	(3,504)	(5,274)
As at 31 March 2021	65,393	11,391	30,090	22,115	45,676	174,665
<b>Accumulated depreciation</b>						
As at 1 April 2020	44,311	9,841	26,128	8,969	12,816	102,065
Charge for the year	5,945	686	1,701	4,374	12,245	24,951
Disposals during the year	(164)	(376)	(665)	-	(1,234)	(2,439)
As at 31 March 2021	50,092	10,151	27,164	13,343	23,827	124,577
<b>Carrying values</b>						
As at 31 March 2021	15,301	1,240	2,926	8,772	21,849	50,088

	Office Equipment Rs. '000	Furniture Rs. '000	Fixtures and Fittings Rs. '000	Motor Vehicles Rs. '000	Right of Use Assets Rs. '000	Total Rs. '000
<b>Property, plant and equipment and Right of use assets – Group (2019/20)</b>						
<b>Cost</b>						
As at 1 April 2019	51,579	11,548	30,295	22,115	-	115,537
Impact of adoption of SLFRS 16	-	-	-	-	49,180	49,180
Adjusted balance as at 1 April	51,579	11,548	30,295	22,115	49,180	164,717
Additions during the year	2,076	93	429	-	-	2,598
Disposals during the year	-	-	-	-	-	-
As at 31 March 2020	53,655	11,641	30,724	22,115	49,180	167,315
<b>Accumulated depreciation</b>						
As at 1 April 2019	40,403	9,142	24,347	4,595	-	78,487
Charge for the year	3,908	699	1,781	4,374	12,816	23,578
Disposals during the year	-	-	-	-	-	-
As at 31 March 2020	44,311	9,841	26,128	8,969	12,816	102,065
<b>Carrying values</b>						
As at 31 March 2020	9,344	1,800	4,596	13,146	36,364	65,250

Based on the assessment of potential impairment carried out by the Group as at 31 March 2021, no provision was required to be made in the Financial Statements (Provision for impairment losses as at 31 March 2020 - Nil).

Group's Property, Plant and Equipment included fully-depreciated assets having a gross amount of Rs. 88.04Mn as at 31 March 2021 (2020 - Rs. 72.31Mn).

There were no capitalised borrowing costs relating to the acquisition of Property, Plant and Equipment during the year (2020 - Nil).

There were no restrictions on the title of the Property, Plant and Equipment as at 31 March 2021 (2020 - Nil).

There were no items of Property, Plant and Equipment pledged as security as at 31 March 2021 (2020 - Nil).

There were no temporary idle items of Property, Plant and Equipment as at 31 March 2021 (2020 - Nil).

## Notes to the Financial Statements

	Office Equipment Rs. '000	Furniture Rs. '000	Fixtures and Fittings Rs. '000	Motor Vehicles Rs. '000	Right of Use Assets Rs. '000	Total Rs. '000
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**25 PROPERTY, PLANT AND EQUIPMENT AND RIGHT OF USE ASSETS - COMPANY (2020/21)****Cost**

As at 1 April 2020	3,053	863	1,998	21,900	6,741	34,555
Additions during the year	2,232	-	12	-	-	2,244
Disposals during the year	-	-	-	-	-	-
As at 31 March 2021	5,285	863	2,010	21,900	6,741	36,799

**Accumulated depreciation/  
Impairment losses**

As at 1 April 2020	1,514	488	850	8,754	2,251	13,857
Charge for the year	927	151	379	4,374	2,251	8,082
Disposals during the year	-	-	-	-	-	-
As at 31 March 2021	2,441	639	1,229	13,128	4,502	21,939

**Carrying values**

As at 31 March 2021	<b>2,844</b>	<b>224</b>	<b>781</b>	<b>8,772</b>	<b>2,239</b>	<b>14,860</b>
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	Office Equipment Rs. '000	Furniture Rs. '000	Fixtures and Fittings Rs. '000	Motor Vehicles Rs. '000	Right of Use Assets Rs. '000	Total Rs. '000
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**Property, plant and equipment and Right of use assets – Company (2019/20)****Cost**

As at 1 April 2019	2,744	863	1,570	21,900	-	27,077
Impact of adoption of SLFRS 16	-	-	-	-	6,741	6,741
Adjusted balance as at 1 April 2019	2,744	863	1,570	21,900	6,741	33,818
Additions during the year	309	-	428	-	-	737
Disposals during the year	-	-	-	-	-	-
As at 31 March 2020	3,053	863	1,998	21,900	6,741	34,555

**Accumulated depreciation/  
Impairment losses**

As at 1 April 2019	997	337	499	4,380	-	6,213
Charge for the year	517	151	351	4,374	2,251	7,644
Disposals during the year	-	-	-	-	-	-
As at 31 March 2020	1,514	488	850	8,754	2,251	13,857

**Carrying values**

As at 31 March 2020	<b>1,539</b>	<b>375</b>	<b>1,148</b>	<b>13,146</b>	<b>4,490</b>	<b>20,698</b>
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Based on the assessment of potential impairment carried out by the Company as at 31 March 2021, no provision was required to be made in the Financial Statements (2020 - Nil).

The Company's Property, Plant and Equipment included fully-depreciated assets having a gross amount of Rs. 0.01Mn as at 31 March 2021 (2020 - Nil).

There were no capitalised borrowing costs relating to the acquisition of Property, Plant and Equipment during the year (2020 - Nil).

There were no restrictions on the title of the Property, Plant and Equipment as at 31 March 2021 (2020 - Nil).

There were no items of Property, Plant and Equipment pledged as security as at 31 March 2021 (2020 - Nil).

There were no temporary idle items of Property, Plant and Equipment as at 31 March 2021 (2020 - Nil).

	Software Rs. '000	Business License (Note 26.1) Rs. '000	Goodwill (Note 26.2) Rs. '000	Total 2021 Rs. '000	2020 Rs. '000
<b>26 INTANGIBLE ASSETS - GROUP</b>					
<b>Gross value</b>					
Balance as at 1 April	42,296	28,800	80,872	151,968	148,304
Additions during the year	10,537	-	-	10,537	3,664
Balance as at 31 March	52,833	28,800	80,872	162,505	151,968
<b>Amortisation/ Impairment losses</b>					
Balance as at 1 April	33,274	-	-	33,274	30,304
Amortisation during the year	4,485	-	-	4,485	2,970
Balance as at 31 March	37,759	-	-	37,759	33,274
<b>Carrying Values as at 31 March 2021</b>	15,074	28,800	80,872	124,746	
Carrying Values as at 31 March 2020	9,022	28,800	80,872		118,694

#### Note 26.1

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

#### Note 26.2

Goodwill on acquisition of subsidiary companies is as follows.

## Notes to the Financial Statements

## 26 INTANGIBLE ASSETS - GROUP (CONTD.)

As at,	Gross Goodwill	Impairment provision	Carrying value 31.03.2021	Carrying value 31.03.2020
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
<b>Subsidiary</b>				
First Capital Limited	54,535	-	54,535	54,535
First Capital Equities (Private) Limited	26,337	-	26,337	26,337
	80,872	-	80,872	80,872

As required by LKAS 36 - "Impairment of Assets", goodwill is tested for impairment annually and assessed for any indications of impairment at each reporting date to ensure that the carrying amount does not exceed the recoverable amount. Accordingly, the management of the company conducted an assessment and concluded that there are no indications of impairment of the goodwill as at 31 March 2021.

The recoverable amount of goodwill is determined based on value-in-use calculations. These calculations use cash flow projections based on financial budgets approved by management. The key assumptions used are given below;

- ★ Margin - Based on past performance and budgeted expectations.
- ★ Inflation - Based on current inflation rate.
- ★ Discount rate - Risk free rate adjusted for the specific risk relating to the industry (2020/2021 - 15%, 2019/2020 - 15%).

		Total	
	Software Rs. '000	2021 Rs. '000	2020 Rs. '000

## 26 INTANGIBLE ASSETS - COMPANY

## Gross value

Balance as at 1 April	7,030	7,030	6,715
Additions during the year	5,766	5,766	315
Disposals during the year	-	-	-
Balance as at 31 March	12,796	12,796	7,030

## Amortisation/ Impairment losses

Balance as at 1 April	3,061	3,061	1,718
Amortisation during the year	2,105	2,105	1,343
Disposals during the year	-	-	-
Balance as at 31 March	5,166	5,166	3,061

<b>Carrying Values as at 31 March 2021</b>	7,630	7,630	
Carrying Values as at 31 March 2020	3,969		3,969

As at,	Note	Group		Company	
		31.03.2021 Rs. '000	31.03.2020 Rs. '000	31.03.2021 Rs. '000	31.03.2020 Rs. '000
<b>27 DERIVATIVE FINANCIAL INSTRUMENTS</b>					
Forward sale contracts	10	824	3,118	-	-
		824	3,118	-	-
<b>28 SECURITIES SOLD UNDER REPURCHASE AGREEMENTS</b>					
Against government securities		19,157,878	32,131,893	-	-
Against corporate debt instruments		1,065,408	1,162,530	-	-
		20,223,286	33,294,423	-	-
<b>29 SHORT TERM BORROWINGS</b>					
Borrowings on corporate debt securities		5,576,600	4,556,029	5,576,600	4,556,029
Other short term borrowings		1,083,763	1,372,078	1,083,763	1,271,342
		6,660,363	5,928,107	6,660,363	5,827,371
<b>30 GROUP BALANCES RECEIVABLES/ PAYABLES</b>					
Group balances receivables	30.1	903	5,632	30,372	9,931
Group balances payables	30.2	861	731	57	-
<b>30.1 Group balances receivables</b>					
Janashakthi Limited		233	4,574	53	4,107
Premier Synthetic Leather Manufacturers (Private) Limited		-	197	-	184
Kelsey Homes (Private) Limited		670	565	540	351
Nextventures Limited		-	56	-	49
KHL Corporate Services Limited		-	240	-	180
First Capital Limited		-	-	4,299	1,534
First Capital Equities (Private) Limited		-	-	3,678	227
First Capital Treasuries PLC		-	-	16,982	2,931
First Capital Asset Management Limited		-	-	4,673	351
First Capital Trustee Services (Pvt) Limited		-	-	147	-
First Capital Markets Limited		-	-	-	17
		903	5,632	30,372	9,931

## Notes to the Financial Statements

## 30 GROUP BALANCES RECEIVABLES/ PAYABLES (CONTD)

## 30.2 Group balances payables

As at,	Group		Company	
	31.03.2021 Rs. '000	31.03.2020 Rs. '000	31.03.2021 Rs. '000	31.03.2020 Rs. '000
Janashakthi Limited	735	715	-	-
KHL Corporate Services Limited	126	16	57	-
	861	731	57	-

## 31 LONG TERM BORROWINGS - GROUP/ COMPANY

Bank	As at 01.04.2020 Rs. '000	Facility obtained Rs. '000	Repayment		Accrued interest Rs. '000	As at 31.03.2021 Rs. '000	Tenure of the Loan	Security offered
			Capital Rs. '000	Interest Rs. '000				
Bank of Ceylon	150,885	-	(100,000)	(9,565)	8,884	50,204	5 Years	- Corporate guarantee of Janashakthi Limited and First Capital Limited

As at,	Note	Group		Company	
		31.03.2021	31.03.2020	31.03.2021	31.03.2020
		Rs. '000	Rs. '000	Rs. '000	Rs. '000

## 32 TRADE AND OTHER PAYABLES

Trade payables		117,989	245,537	-	-
Accrued expenses		305,202	240,749	13,741	27,679
Advance against non-current assets held for sale		80,218	80,218	-	-
Provision for statutory liabilities		89,109	96,197	375	714
Dividend payable		538,565	25,151	537,124	25,040
Lease liabilities	32.1	10,702	17,429	618	1,961
Other liabilities		41,109	16,069	1,480	4,401
		1,182,894	721,350	553,338	59,795

## 32.1 Lease Liabilities

Balance at the beginning of the year		17,429	-	1,961	-
Impact on adoption of SLFRS 16		-	22,300	-	3,084
Adjusted Balance at the beginning of the year		17,429	22,300	1,961	3,084
Interest charged		2,256	2,808	191	365
Lease payments during the period		(8,983)	(7,679)	(1,534)	(1,488)
Balance at the end of the year		10,702	17,429	618	1,961

## 32.2 Amounts Recognised in Profit or Loss

Leases under SLFRS 16					
Interest on lease liabilities		(2,256)	(2,808)	(191)	365
Depreciation on Right of Use assets	25	(12,245)	(12,816)	(2,251)	(2,251)
Income from sub-leasing right-of-use assets presented in "other income"		382	77	-	-

As at,	Group		Company	
	31.03.2021 Rs. '000	31.03.2020 Rs. '000	31.03.2021 Rs. '000	31.03.2020 Rs. '000

**32.3 Amounts Recognised in Statement of Cash Flows**

Total cash outflow for leases	(8,983)	(7,679)	(1,534)	(1,488)
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**33 RETIREMENT BENEFIT OBLIGATIONS**

Balance at the beginning of the year	39,812	31,856	-	-
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**Amount recognised in Profit or loss for the year**

Gratuity charge for the year	6,731	4,560	-	-
Interest charge for the year	3,056	3,086	-	-

**Amount recognised in Other comprehensive income for the year**

Actuarial loss for the year	9,923	684	-	-
Benefits paid during the year	(4,153)	(374)	-	-
Balance at the end of the year	55,369	39,812	-	-

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

The principal assumptions used are as follows:	2020/21	2019/20
Expected annual average salary increment:	7.5%	8.0%
Discount rate / interest Rate:	8.5%	10.25%
Staff turnover factor:	10%	10%
Retirement age of employees :	55 Years	55 Years

**Sensitivity of the Assumptions used**

Reasonable possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts shown below.

	2020/21 Rs. '000	2019/20 Rs. '000
Increase in discount rate by 1%	(3,329)	(2,669)
Decrease in discount rate by 1%	3,595	2,634
Increase in salary increment by 1%	3,596	2,667
Decrease in salary increment by 1%	(3,389)	(2,743)

## Notes to the Financial Statements

As at,	Note	Group		Company	
		31.03.2021 Rs. '000	31.03.2020 Rs. '000	31.03.2021 Rs. '000	31.03.2020 Rs. '000
<b>34 BORROWING ON DEBENTURES</b>					
Balance at the beginning of the year		517,641	216,205	-	-
Add: Issued during the year		2,000,000	750,000	2,000,000	-
Less: Transaction cost		(4,676)	-	(17,099)	-
Adjustment on inter-company (investment)/ sales		230,229	(243,370)	-	-
Accrual of interest		98,692	26,459	27,494	-
		2,841,886	749,294	2,010,395	-
Less: Settlement of interest (Coupon)		(78,885)	(20,098)	-	-
Less: Redemption with interest		-	(211,555)	-	-
Balance at the end of the year	34.1	2,763,001	517,641	2,010,395	-

**34.1 Debentures issued**

First Capital Holdings PLC	2,010,395	-	2,010,395	-
First Capital Treasuries PLC	752,606	517,641	-	-
	2,763,001	517,641	2,010,395	-

**Debentures issued by First Capital Holdings PLC (Company)**

Total debentures represent 20,000,000 Rated, Senior, Unsecured, Redeemable 5 year (2021/2026) debentures at a face value of Rs. 100/- interest payable annually, which consist of 13,247,500 debentures at a rate of 10% and 6,752,500 debentures at a rate of weekly AWPLR + 2% (Cap of 12% and Floor of 9%).

The debentures are quoted on the Colombo Stock Exchange.

Tenure	No. of Debentures	Face value 31.03.2021 Rs. '000	Carrying value 31.03.2021 Rs. '000	Carrying value 31.03.2020 Rs. '000	Allotment Date	Maturity Date	Rate of Interest	Frequency on interest
5 years	13,247,500	1,324,750	1,331,770	-	8-Feb-21	7-Feb-26	10% (AER - 10%)	Annually
5 years	6,752,500	675,250	678,625	-	8-Feb-21	7-Feb-26	Weekly AWPLR + 2% (Cap of 12% & Floor of 9%)	Annually
	20,000,000	2,000,000	2,010,395	-				

**Debentures issued by First Capital Treasuries PLC (Subsidiary)**

The debentures represent 7,500,000 Rated, Subordinated, Unsecured, Redeemable 5 year (2020/2025) debentures at a face value of Rs. 100/- interest payable at a rate of 12.75% semi - annually.

The debentures are quoted on the Colombo Stock Exchange.

Tenure	No. of Debentures	Face value 31.03.2021 Rs. '000	Carrying value 31.03.2021 Rs. '000	Carrying value 31.03.2020 Rs. '000	Allotment Date	Maturity Date	Rate of Interest	Frequency on interest
5 year	7,500,000	750,000	759,255	758,342	30-Jan-20	30-Jan-25	12.75% (AER-13.16%)	Semi- annually
	7,500,000	750,000	759,255	758,342				



Inter- Company investments in Listed Debentures of First Capital Treasuries PLC, face value amounting to Rs. 22.8Mn; including amortised interest cost has been eliminated (As at 31 March 2020 - Rs. 241Mn).

As at,	Group		Company	
	31.03.2021 Rs. '000	31.03.2020 Rs. '000	31.03.2021 Rs. '000	31.03.2020 Rs. '000

### 35 STATED CAPITAL

Ordinary shares of 101,250,000	227,500	227,500	227,500	227,500
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Ordinary shares in the Company are recognised at the amount paid per ordinary share net of directly attributable issue cost. The shares of the Company are quoted on the Colombo Stock Exchange. The holders of ordinary shares are entitled to receive dividend declared from time to time and are entitled to one vote per share at General Meetings of the Company.

As at,	Group		Company	
	31.03.2021 Rs. '000	31.03.2020 Rs. '000	31.03.2021 Rs. '000	31.03.2020 Rs. '000

### 36 RISK RESERVE

Balance at the beginning of the year	1,135,297	1,021,248	1,135,297	1,021,248
Transfers made during the year	173,521	114,049	173,521	114,049
Balance at the end of the year	1,308,818	1,135,297	1,308,818	1,135,297

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

As at,	Group		Company	
	31.03.2021 Rs. '000	31.03.2020 Rs. '000	31.03.2021 Rs. '000	31.03.2020 Rs. '000

### 37 FAIR VALUATION RESERVE

Balance at the beginning of the year	(148,069)	(114,828)	(148,069)	(114,828)
Loss on financial assets fair value through other comprehensive income	(144,350)	(33,241)	(144,350)	(33,241)
Balance at the end of the year	(292,419)	(148,069)	(292,419)	(148,069)

The above reserve is relating to the First Capital Treasuries PLC's (subsidiary) equity investment in Lanka Financial Services Bureau Limited amounting to Rs. 2Mn (at cost) and First Capital Limited's (subsidiary) equity investment in Kanrich Finance Limited amounting Rs. 331Mn (at cost) which is accounted for "Financial Assets - fair value through other comprehensive income." Carrying value of the said investments as at 31 March 2021 is Rs. 40Mn (31 March 2020 - Rs. 185Mn).

### 38 DIVIDEND DECLARED AND PAID

The Board of Directors of First Capital Holdings PLC declared an interim dividend of Rs. 5/- per share amounting to Rs. 506.25Mn for 2020/21 in March 2021 (2019/20 - total dividend of Rs. 9/- per share amounting to Rs. 911.25Mn was paid).

## Notes to the Financial Statements

## 39 INVOLVEMENT WITH UNCONSOLIDATED STRUCTURED ENTITIES

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

Name of the Fund	Nature of Business	Date of Incorporation	Managing Company	Investment made by First Capital Limited and First Capital Asset Management Limited (Rs' 000)	Management fee received by First Capital Asset Management Limited (Rs' 000)
First Capital Wealth Fund	The Unit Trust engages in investment in medium term fixed income securities (i.e. Government Securities and Corporate Debt Securities) on behalf of its clients.	18 August 2010	First Capital Asset Management Limited	-	3,169
First Capital Money Market Fund	The Unit Trust engages in investment in Short Term Fixed Income Securities on behalf of its clients.	16 September 2014	First Capital Asset Management Limited	1,768,765	61,005
First Capital Gilt -Edged Fund	The Unit Trust engages in investment in Government securities on behalf of its clients.	16 September 2014	First Capital Asset Management Limited	-	263
First Capital Fixed Income Fund	The Unit Trust engages in investment in fixed income securities (i.e. Government Securities and Corporate Debt Securities) on behalf of its clients.	25 April 2014	First Capital Asset Management Limited	-	4,459
First Capital Equity Fund	The Unit Trust engages in investment in equity shares on behalf of its clients.	30 July 2015	First Capital Asset Management Limited	51,630	2,994

Summarised financial performance of the above unit trusts for the year ended 31 March 2021 are as follows.

Name of the Fund	Income Rs. '000	Profit/(loss) after tax for the year Rs. '000	Total Equity Rs. '000	Net Asset per Unit Rs.
First Capital Wealth Fund	29,203	28,450	262,467	1,141
First Capital Money Market Fund	1,221,228	1,123,378	21,478,221	1,932
First Capital Gilt -Edged Fund	2,692	2,191	53,594	1,502
First Capital Fixed Income Fund	99,995	113,278	939,461	1,874
First Capital Equity Fund	20,619	40,066	78,945	1,359

Group did not provide financial or other support to an unconsolidated structured entities mentioned above.

**40 RELATED PARTY DISCLOSURES****40.1 Directorships in other companies**

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

Name of the company	Relationship	Mr. Nishan Fernando	Mr. Dinesh Schaffter*	Mr. Dilshan Wirasekara	Mr. Eardley Perera**	Ms. Minette Perera	Mr. Chandana Lal de Silva	Dr. Nishan De Mel	Mr. Prakash Schaffter	Mr. Ramesh Schaffter
Janashakthi Limited	Parent	-	Director	-	Director	-	Chairman	-	Deputy Chairman	Managing Director/Group CEO
Janashakthi Insurance PLC	Subsidiary of the Parent	-	Director	-	Director	-	-	-	Chairman	Director
Janashakthi Capital Limited	Subsidiary of the Parent	-	-	-	-	-	-	-	Director	Director
Orient Finance PLC	Subsidiary of the Parent	-	-	-	-	Director	-	-	Director	Director
Orient Capital Limited	Subsidiary of the Parent	-	-	-	-	-	-	-	Director	Director
First Capital Limited	Subsidiary	Chairman	Managing Director	Director/CEO	Director	Director	Director	Director	-	-
First Capital Asset Management limited	Subsidiary	Chairman	Managing Director	Director/CEO	Director	Director	Director	Director	-	-
First Capital Treasuries PLC	Subsidiary	Chairman	Managing Director	Director/CEO	-	Director	Director	Director	Director	Director
First Capital Markets Limited	Subsidiary	Chairman	Managing Director	Director/CEO	Director	Director	Director	Director	-	-
First Capital Equities (Private) Limited	Subsidiary	Chairman	Managing Director	Director	Director	Director	Director	Director	-	-
First Capital Trustee Services (Private) Limited	Subsidiary	-	Managing Director	Director/CEO	-	-	-	-	-	-
Kelsey Developments PLC	Subsidiary of the Parent	-	Director	-	Chairman	-	Director	-	Director	Director
Kelsey Homes (Private) Limited	Subsidiary of the Parent	-	Managing Director	-	Director	-	Director	-	-	-
Kelsey Homes (Central Park) Limited (formerly Twid Capital (Private) Limited)	Subsidiary of the Parent	-	Director	-	Director	-	Director	-	-	-
K H L Corporate Services Limited	Subsidiary of the Parent	-	Director	-	-	-	-	-	Director	Director
Premier Synthetic Leather Manufacturers (Private) Limited	Related party through KMP	-	Director	-	-	-	-	-	Director	Director
Nextventures Limited	Related party through KMP	-	Director	-	-	-	-	-	-	-

KMP - Key Management Personnel

\* Mr. Dinesh Schaffter has been appointed to the Board of Directors of Janashakthi Insurance PLC with effect from 5 July 2021

\*\* Mr. Eardley Perera has stepped down from the Board of Directors of Janashakthi Insurance PLC with effect from 30 June 2021

## Notes to the Financial Statements

## 40 RELATED PARTY DISCLOSURES (CONTD.)

## 40.1 Directorships in other companies (Contd.)

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

The Company carries out transactions with parties who are defined as related parties as per Sri Lanka Accounting Standard (LKAS 24), "Related Party Disclosure", in the ordinary course of its business. The details of such transactions are reported below. The pricing applicable to such transactions is based on the assessment of risk and pricing model of the Company and is comparable with what is applied to transactions between the Company and its unrelated customers. Related party transactions were made on terms equivalent to those that prevail in arm's length transactions.

## 40.2 Transactions with Parent Company

Nature of transaction	Group		Company	
	2020/21 Rs.'000	2019/20 Rs.'000	2020/21 Rs.'000	2019/20 Rs.'000
<b>Statement of Profit or Loss and Other Comprehensive Income</b>				
Interest income	233,044	187,548	-	-
Fee income	27,213	13,810	26,746	-
Brokerage income (Stock broking)	10,398	2,866	-	-
Gain realised on sale of corporate debt securities	36	2	-	-
Interest expense	51	883	-	-
Reimbursement of expenses	29,305	26,358	3,429	2,372
Corporate Guarantee facility commission expenses	5,672	4,635	5,672	4,635
Corporate Guarantee facility commission income	2,833	833	2,833	833
<b>Statement of Changes in Equity</b>				
Dividend paid & declared	840,486	316,479	840,486	316,479
<b>Statement of Financial Position</b>				
Current account payable	735	715	-	-
Current account receivable	233	4,574	53	-
Short term lending	449,666	740,818	-	-
Investment in commercial papers	-	380,939	-	-
Investment in debentures	572,865	284,348	-	-
<b>Transactions relating to Corporate Guarantees</b>				
Corporate Guarantee provided	400,000	400,000	400,000	400,000
Corporate Guarantee received	1,550,000	1,300,000	1,550,000	1,300,000

## 40.3 Transactions with Subsidiaries

Nature of transaction	Group		Company	
	2020/21 Rs.'000	2019/20 Rs.'000	2020/21 Rs.'000	2019/20 Rs.'000
<b>Statement of Profit or Loss and Other Comprehensive Income</b>				
Interest income	-	-	774,221	1,102,497
Fee income	-	-	4,990	5,010
Dividend receipts	-	-	1,012,284	406,200
Corporate Guarantee facility commission income	-	-	2,514	2,976
<b>Statement of Financial Position</b>				
Short term lending	-	-	7,730,772	6,763,278
Current account receivable	-	-	29,780	5,644
Securities purchased under re-sale agreements (against government securities)	-	-	172,594	13,790
<b>Transactions relating to Corporate Guarantees</b>				
Corporate Guarantee provided	-	-	274,000	274,000
Corporate Guarantee received	-	-	1,250,000	1,000,000

## Notes to the Financial Statements

## 40 RELATED PARTY DISCLOSURES (CONTD.)

## 40.4 Transactions with other related companies

Nature of transaction	Group		Company	
	2020/21 Rs.'000	2019/20 Rs.'000	2020/21 Rs.'000	2019/20 Rs.'000
<b>Statement of Profit or Loss and Other Comprehensive Income</b>				
Interest income	319,269	222,576	-	-
Fee income	16,484	10,187	6,042	-
Gain realised on sale of government securities	43,476	65,025	-	-
Dividend income	-	33,701	-	-
Interest expense	68,944	76,850	142	-
Secretarial fees	1,389	1,433	481	593
Management fee (Portfolio Management and Unit Trust)	110,435	51,093	-	-
<b>Statement of Financial Position</b>				
Investment in securitized papers	202,801	167,218	-	-
Investment in unit trust	1,856,149	433,142	-	-
Short term lending	999,741	988,309	-	-
Long term lending	-	40,754	-	-
Securities purchased under re-sale agreements (against government securities)	812,410	-	-	-
Securities sold under re-purchase agreements (against government securities)	5,884,405	998,149	-	-
Borrowing on listed debentures	263,303	252,781	10,218	-
Management fee receivable (Portfolio management)	833	10,436	-	-
Current account receivable	670	1,057	-	-
Current account payable	126	16	-	-
Funds under management (Portfolio Management)	20,472,997	15,524,899	-	-

Outstanding trading investments/borrowings other than investment under resale agreements/borrowings on repurchase agreements with related parties including current account balances at year end are not secured. There are no guarantees involved in investments under resale agreements/borrowings on repurchase agreements. The said transactions have been collateralised through trading securities. The settlement of all transactions occurs in cash. No expenses have been recognised in the current year or prior year for bad or doubtful debts in respect of amounts owed by related parties.

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

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



**40.5 Transactions with Key Management Personnel (KMP) and their Close Family Members (CFM) (Contd.)**

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

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

Close Family Members are related parties to the Entity.

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

Nature of transaction	Group		Company	
	2020/21 Rs.'000	2019/20 Rs.'000	2020/21 Rs.'000	2019/20 Rs.'000
<b>Statement of Profit or Loss and Other Comprehensive Income</b>				
Interest income	24,999	66,469	-	-
Brokerage income (Stock brokering)	10,461	156	-	-
Management fee income (Portfolio Management)	5,603	4,340	-	-
Interest expense	2,918	5,950	-	-
Emoluments paid	164,793	156,445	30,686	20,570
Consultancy fee	-	347	-	347
<b>Statement of Changes in Equity</b>				
Dividend paid by unit trust	1	1	-	-
<b>Statement of Financial Position</b>				
Management fee receivable (Portfolio Management)	684	391	-	-
Lending	429,660	346,212	-	-
Securities sold under re-purchase agreements (against government securities)	6,190	7,172	-	-
Securities sold under re-purchase agreements (against corporate debt securities)	12,181	33,443	-	-
Investments in unit trust	148,874	69,144	-	-
Funds under management (Portfolio Management)	1,084,062	742,419	-	-

## Notes to the Financial Statements

## 40 RELATED PARTY DISCLOSURES (CONTD.)

## 40.6 Recurrent transactions - Group

Name of the related party	Relationship	Nature of the transaction	Aggregate Value of Related Party transaction entered during the financial year Rs. '000	Aggregate value of Related Party Transactions as a % of Net Revenue/ Income	Terms and conditions of the Related Transactions
First Capital Limited/ Nextventure Limited	Subsidiary/ Related Party via Key Management Personnel	Short Term Lending	999,741	17%	Short Term Lending at commercial terms (Limit - Rs. 1Bn).
First Capital Treasuries PLC/ Janashakthi Insurance PLC - Shareholders Fund	Subsidiary/ Fund managed by a Subsidiary of Parent	Investment via Re-sale agreements	812,310	13%	Investment is at the prevailing market rates.
First Capital Treasuries PLC/ Janashakthi Insurance PLC - Policyholders Fund	Subsidiary/ Fund managed by a Subsidiary of Parent	Borrowing via Re-purchase agreements	834,566	14%	Borrowing is at the prevailing market rates.
First Capital Holdings PLC/ Janashakthi Limited	Company/ Parent	Corporate Guarantee facility	1,550,000	26%	Corporate Guarantee facilities at commercial terms.

## Recurrent transactions - Company

Name of the related party	Relationship	Nature of the transaction	Aggregate Value of Related Party transaction entered during the financial year Rs. '000	Aggregate value of Related Party Transactions as a % of Net Revenue/ Income	Terms and conditions of the Related Transactions
First Capital Holdings PLC/ First Capital Limited	Company/ Subsidiary	Short Term Lending	7,730,772	128%	Short term lending made at commercial terms.
First Capital Holdings PLC/ First Capital Limited	Company/ Subsidiary	Interest income on Short term lending	769,327	13%	Short term lending made at commercial terms.
First Capital Holdings PLC/ First Capital Limited/	Company/ Subsidiary	Corporate Guarantee facility	1,250,000	21%	Corporate Guarantee facilities at commercial terms.
First Capital Holdings PLC/ Janashakthi Limited	Company/ Parent	Corporate Guarantee facility	1,550,000	26%	Corporate Guarantee facilities at commercial terms.

#### 41 CONTINGENT LIABILITIES

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

##### Company

- (a) First Capital Holdings PLC (the Company) has provided corporate guarantees for banking facilities of Janashakthi Limited (Parent), First Capital Limited (Subsidiary) and First Capital Treasuries PLC (Subsidiary) amounting to Rs. 400Mn, Rs. 250Mn and Rs. 24Mn respectively.
- (b) The Company has appealed against assessments on Financial VAT for the year of assessment 2016/17 and 2017/18 amounting to Rs. 21Mn and Rs. 233.3Mn to the Department of Inland Revenue. The hearing has not been commenced yet.

##### Group

- (c) First Capital Treasuries PLC (Subsidiary) has appealed against assessments on financial VAT in year of assessment 2010/11, 2012/13, 2013/14, 2014/15, 2015/16 and 2016/17 amounting to Rs. 357.8Mn to the Tax Appeals Commission. Hearing of the said appeals has not been concluded yet. Further, the Commissioner General of Inland Revenue determined the Subsidiary's appeal on NBT on Financial Services (2016/17) amounting to Rs. 7Mn in favour of the Department of Inland Revenue (January 2021) and the said matter has been referred to the Tax Appeals Commission. Further, the Subsidiary has appealed against assessment on financial VAT (2017/18) and NBT on financial services (2017/18) amounting to Rs. 121.9Mn and Rs. 16.2Mn respectively to the Department of Inland Revenue and hearing has not been determined yet.
- (d) First Capital Limited (Subsidiary) has appealed against assessment on financial VAT (2012/13, 2013/14, 2014/15) amounting to Rs. 111.4Mn to the Tax Appeals Commission. Hearing of the said appeals has not been concluded yet.

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

There were no material litigations or claims with respect to employee compensation. Further, the Company did not have any other material litigations or claims that could have a material impact on the financial position of the group, or which would lead to a disclosure in the financial statements for the year ended 31 March 2021.

#### 42 COMMITMENTS

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

##### Capital Commitments

- ★ First Capital Treasuries PLC (subsidiary) entered into an agreement to acquire three condominium units currently occupied by the company for a purchase consideration of Rs. 270Mn. An advance payment of Rs. 250Mn was made in 2020/21.
- ★ First Capital Treasuries PLC entered into a sale and purchase agreement to acquire a property (land and premises) for a consideration of Rs. 382Mn and an advance of Rs. 77.3Mn was paid. However, in consequent to the seller failing to honor the terms of the agreement, legal proceedings were initiated against the seller and the District Court granted an interim order in favour of the Company, against the Seller disposing and alienating the property to any third party. The legal proceedings have not been concluded yet.

##### Other Commitments

The value of forward purchase contracts (Government Securities) as at 31 March 2021 is Rs. 2,718Mn (31 March 2020 - Rs. 636Mn) and the value of forward sales contracts (Government Securities) as at 31 March 2021 is Rs. 1,437Mn (31 March 2019 - Rs. 967Mn).

## Notes to the Financial Statements

### 43 SUBSEQUENT EVENTS

There were no material events after the reporting period, which require disclosures/ adjustments in the financial statements.

### 44 IMPACT ON COVID-19 PANDEMIC

The World Health Organisation declared COVID 19 as a Global Pandemic situation on 11 March 2020. The pandemic significantly affected the Sri Lankan economy as well as the business environment. The situation is being continued effecting many aspects of the country. With the declaration of COVID 19 as a Global Pandemic situation and in response to the serious threat imposed on public health and safety, Sri Lankan Government enforced several measures to control the pandemic in March 2020.

The Country began to stabilise during the second half of year 2020 with lifting of lockdowns and gradual resurrection of business operations along with the consumer demand, that was lowered by the re-surge of 2<sup>nd</sup> wave of the pandemic occurred towards the end of year 2020. The Country and Group has been going through another distress as a result of 3<sup>rd</sup> wave of COVID 19 since April 2021.

COVID-19 Pandemic had a low impact on the Company and Group's general business routines. The Group followed the government guidelines and acted to ensure the safety of employees, stakeholder and business partners. The Group was equipped with a strong Business Continuity Plan. Accordingly, the Group was better prepared and equipped to face such contingent situations when the Government initially imposed curfew in March 2020. The Group had adequate infrastructure in place to face such emergency and therefore the impact on the business operations was minimal. The outbreak of COVID-19 did not have a negative impact on the performance, liquidity and valuation of assets of the Group. The Central Bank of Sri Lanka reduced the policy rates in three instances in year 2020/21 which resulted in a favourable impact on the Group's performance.

### 45 FINANCIAL RISK MANAGEMENT

#### Overview

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

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

#### 45.1 Risk Management Framework

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

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

#### 45.2 Market Risk

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

Management of market risk includes the following elements:

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

**45.3 Liquidity Risk**

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

Management of liquidity risk includes the following elements:

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

**Maturity Analysis of the Financial Assets and Financial Liabilities**

Group	Carrying Amount Rs.'000	On Demand Rs.'000	Up to 3 Months Rs.'000	3 Months to 1 Year Rs.'000	1-3 Years Rs.'000	3-5 Years Rs.'000	Over 5 Years Rs.'000
<b>Assets</b>							
Cash at banks and in hand	242,053	242,053	-	-	-	-	-
Derivative financial instruments	2,315	-	2,315	-	-	-	-
Financial assets recognised through profit or loss - measured at fair value	28,047,361	3,521,483	81,224	2,809,892	18,364,306	2,452,302	818,154
Financial assets - fair value through other comprehensive income	40,273	-	-	-	-	40,273	-
Financial assets at amortised cost	7,035,641	-	2,597,898	2,858,774	1,496,884	-	82,085
Other financial assets (Trade receivables - Net)	516,081	-	516,081	-	-	-	-
<b>Total As at 31 March 2021</b>	<b>35,883,724</b>	<b>3,763,536</b>	<b>3,197,518</b>	<b>5,668,666</b>	<b>19,861,190</b>	<b>2,492,575</b>	<b>900,239</b>
As at 31 March 2020	44,524,368	937,316	4,459,923	19,066,991	10,839,777	8,186,026	1,034,335
<b>Liabilities</b>							
Bank overdrafts	3,451	3,451	-	-	-	-	-
Derivative financial instruments	824	-	824	-	-	-	-
Securities sold under repurchase agreements	20,223,286	-	17,907,876	2,304,916	6,190	-	4,304
Short term borrowings	6,660,363	-	2,876,502	3,783,861	-	-	-
Other financial liabilities (Trade payables - Net)	117,989	117,989	-	-	-	-	-
Long term borrowings	50,204	-	25,204	25,000	-	-	-
Borrowings on debentures	2,763,001	-	-	289,873	582,832	3,256,846	-
<b>Total As at 31 March 2021</b>	<b>29,819,118</b>	<b>121,440</b>	<b>20,810,406</b>	<b>6,403,650</b>	<b>589,022</b>	<b>3,256,846</b>	<b>4,304</b>
As at 31 March 2020	40,594,814	700,640	34,221,495	5,095,444	55,672	517,641	3,922

## Notes to the Financial Statements

## 45 FINANCIAL RISK MANAGEMENT (CONTD.)

## Maturity Analysis of the Financial Assets and Financial Liabilities

Company	Carrying Amount Rs.'000	On Demand Rs.'000	Up to 3 Months Rs.'000	3 Months to 1 Year Rs.'000	1-3 Years Rs.'000	3-5 Years Rs.'000	Over 5 Years Rs.'000
<b>Assets</b>							
Cash at banks and in hand	42,187	42,187	-	-	-	-	-
Financial assets recognised through profit or loss - measured at fair value	611,801	-	-	-	-	-	611,801
Financial assets at amortised cost	9,032,886	-	9,032,886	-	-	-	-
<b>Total as at 31 March 2021</b>	<b>9,686,874</b>	<b>42,187</b>	<b>9,032,886</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>611,801</b>
As at 31 March 2020	6,787,911	19,744	6,768,167	-	-	-	-
<b>Liabilities</b>							
Bank overdrafts	1,316	1,316	-	-	-	-	-
Short term borrowings	6,660,363	-	2,876,502	3,783,861	-	-	-
Long term borrowings	50,204	-	25,204	25,000	-	-	-
Borrowings on debentures	2,010,395	-	-	193,248	391,582	2,410,959	-
<b>Total as at 31 March 2021</b>	<b>8,722,278</b>	<b>1,316</b>	<b>2,901,706</b>	<b>4,002,109</b>	<b>391,582</b>	<b>2,410,959</b>	<b>-</b>
As at 31 March 2020	6,420,980	442,724	5,853,256	75,000	50,000	-	-

## 45.4 Credit Risk

Credit risk is the risk of financial loss to the Group if a client or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Group's advances to clients, investment in corporate debt securities, investment in reverse repo agreements and forward transactions.

Management of credit risk includes the following components:

- ★ Formulating credit policies in consultation with business units covering collateral requirements, credit assessment, risk grading and reporting, documentary and legal procedures and compliance with regulatory and statutory requirements.
- ★ Establishing the authorisation structure for the approval and renewal of credit facilities.
- ★ Limiting concentration of exposures to counter parties.
- ★ Reviewing compliance through regular audits by internal audit.

## 45.4.1 Credit risk exposure - Cash at bank and in hand

Credit risk exposure of cash at bank and cash in hand is depicted in the below table using carrying values as at the Statement of Financial Position date.

31 March	Rating	Rating Agency	Group		Company	
			Rs. '000 2021	Rs. '000 2020	Rs. '000 2021	Rs. '000 2020
Bank of Ceylon PLC	AA-	Fitch	5,040	14,283	298	298
Commercial Bank of Ceylon PLC	AA-	Fitch	15,106	3,147	15,001	3,081
DFCC Bank PLC	A+	Fitch	49	50	-	-
Habib Bank Limited	A+	ICRA	10	22	-	-
Hatton National Bank PLC	AA-	Fitch	19,055	21,767	17,453	12,941
National Development Bank PLC	A+	Fitch	5,723	3,275	5,690	3,269
Nations Trust Bank PLC	A	Fitch	3,228	1,992	-	-
Pan Asia Bank Corporation PLC	BBB-	Fitch	52	27	-	-
People's Bank PLC	AA-	Fitch	1,533	446	224	10
Sampath Bank PLC	AA-	Fitch	18,726	2,594	-	-
Seylan Bank PLC	A	Fitch	172,802	9,327	3,521	145
Union Bank of Colombo PLC	BBB-	Fitch	32	32	-	-
<b>Total Exposure to credit Risk</b>			<b>241,356</b>	<b>56,962</b>	<b>42,187</b>	<b>19,744</b>
Central Bank of Sri Lanka			414	4,091	-	-
Cash in hand			283	301	-	-
<b>Cash and Cash Equivalents</b>			<b>242,053</b>	<b>61,354</b>	<b>42,187</b>	<b>19,744</b>

## Credit Quality by Class of Financial Assets

Group - As at 31 March 2021	12 Month Expected Credit losses Rs.'000	Life Time Expected Credit losses Not Credit Impaired Rs.'000	Life Time Expected Credit losses Credit Impaired Rs.'000	Total Rs.'000
<b>Assets</b>				
Financial assets at amortised cost	5,503,917	1,448,396	83,328	7,035,641
Other financial assets (Trade receivables)	516,081	-	63,508	579,589
<b>Total financial assets</b>	<b>6,019,998</b>	<b>1,448,396</b>	<b>146,836</b>	<b>7,615,230</b>



## Notes to the Financial Statements

## 45 FINANCIAL RISK MANAGEMENT (CONTD.)

## Credit Quality by Class of Financial Assets

	12 Month Expected Credit losses Rs.'000	Life Time Expected Credit losses Not Credit Impaired Rs.'000	Life Time Expected Credit losses Credit Impaired Rs.'000	Total Rs.'000
<b>Group - As at 31 March 2020</b>				

**Assets**

Financial assets at amortised cost	2,896,610	2,364,014	100,888	5,361,512
Other financial assets (Trade receivables)	373,296	-	63,508	436,804
<b>Total financial assets</b>	<b>3,269,906</b>	<b>2,364,014</b>	<b>164,396</b>	<b>5,798,316</b>

	12 Month Expected Credit losses Rs.'000	Life Time Expected Credit losses Not Credit Impaired Rs.'000	Life Time Expected Credit losses Credit Impaired Rs.'000	Total Rs.'000
<b>Company - As at 31 March 2021</b>				

**Assets**

Financial assets at amortised cost	9,032,886	-	5,000	9,037,886
<b>Total financial assets</b>	<b>9,032,886</b>	<b>-</b>	<b>5,000</b>	<b>9,037,886</b>

	12 Month Expected Credit losses Rs.'000	Life Time Expected Credit losses Not Credit Impaired Rs.'000	Life Time Expected Credit losses Credit Impaired Rs.'000	Total Rs.'000
<b>Company - As at 31 March 2020</b>				

**Assets**

Financial assets at amortised cost	6,768,167	-	5,000	6,773,167
<b>Total financial assets</b>	<b>6,768,167</b>	<b>-</b>	<b>5,000</b>	<b>6,773,167</b>

**45.5 Analysis of Concentration Risk**

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

Group - As at 31 March 2021	Cash at Banks and in Hand Rs.'000	Derivative Financial Instruments Rs.'000	Financial Assets - FVTPL Rs.'000	Financial Assets at amortised cost Rs.'000	Financial Assets - FVTOCI Rs.'000	Other Financial Assets (Trade Receivables- Net) Rs.'000	Total Financial Assets Rs.'000
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**Sector Wise Breakdown**

Government	414	2,315	23,085,413	-	-	-	23,088,142
Corporate	241,639	-	4,961,948	6,233,637	40,273	516,081	11,993,578
Others	-	-	-	802,004	-	-	802,004
<b>Total</b>	<b>242,053</b>	<b>2,315</b>	<b>28,047,361</b>	<b>7,035,641</b>	<b>40,273</b>	<b>516,081</b>	<b>35,883,724</b>

Group - As at 31 March 2020	Cash at Banks and in Hand Rs.'000	Derivative Financial Instruments Rs.'000	Financial Assets - FVTPL Rs.'000	Financial Assets at amortised cost Rs.'000	Financial Assets - FVTOCI Rs.'000	Other Financial Assets (Trade Receivables- Net) Rs.'000	Total Financial Assets Rs.'000
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**Sector Wise Breakdown**

Government	4,091	73	36,212,069	-	-	-	36,216,233
Corporate	57,263	2,661	2,328,780	4,359,436	184,623	373,296	7,306,059
Others	-	-	-	1,002,076	-	-	1,002,076
<b>Total</b>	<b>61,354</b>	<b>2,734</b>	<b>38,540,849</b>	<b>5,361,512</b>	<b>184,623</b>	<b>373,296</b>	<b>44,524,368</b>

Company - As at 31 March 2021	Cash at Banks and in Hand Rs.'000	Derivative Financial Instruments Rs.'000	Financial Assets - FVTPL Rs.'000	Financial Assets at amortised cost Rs.'000	Financial Assets - FVTOCI Rs.'000	Other Financial Assets (Trade Receivables- Net) Rs.'000	Total Financial Assets Rs.'000
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**Sector Wise Breakdown**

Government	-	-	-	-	-	-	-
Corporate	42,187	-	611,801	9,032,886	-	-	9,686,874
Others	-	-	-	-	-	-	-
<b>Total</b>	<b>42,187</b>	<b>-</b>	<b>611,801</b>	<b>9,032,886</b>	<b>-</b>	<b>-</b>	<b>9,686,874</b>

## Notes to the Financial Statements

## 45 FINANCIAL RISK MANAGEMENT (CONTD.)

Company - As at 31 March 2020	Cash at Banks and in Hand Rs.'000	Derivative Financial Instruments Rs.'000	Financial Assets - FVTPL Rs.'000	Financial Assets at amortised cost Rs.'000	Financial Assets - FVTOCI Rs.'000	Other Financial Assets (Trade Receivables- Net) Rs.'000	Total Financial Assets Rs.'000
Sector Wise Breakdown							
Government	-	-	-	-	-	-	-
Corporate	19,744	-	-	6,768,167	-	-	6,787,911
Others	-	-	-	-	-	-	-
<b>Total</b>	<b>19,744</b>	<b>-</b>	<b>-</b>	<b>6,768,167</b>	<b>-</b>	<b>-</b>	<b>6,787,911</b>

## 45.6 Operational Risk

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

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

The primary responsibility for the development and implementation of controls to address operational risk is assigned to senior management within each business unit. This responsibility is supported by the development of overall Group's standards for the management of operational risk in the following areas:

- ★ Requirements for appropriate segregation of duties, including the independent authorisation of transactions.
- ★ Requirements for the reconciliation and monitoring of the transaction.
- ★ Compliance with regulatory and other legal requirements.
- ★ Documentation of controls and procedures.
- ★ Development of business contingency plans.
- ★ Training and professional development.
- ★ Ethical and business standards.
- ★ Risk mitigation, including insurance where this is effective.

Compliance with Group's internal controls and procedures is supported by a programme of periodic reviews undertaken by internal audit. The results of internal audit reviews are discussed with the management of the business units with summaries submitted to the Audit Committee.

**45.7 Market Risk****Interest rate risk**

The interest rate profile of the Group's interest-bearing financial instruments are as follows:

	Group		Company	
	Carrying Amount		Carrying Amount	
	2021	2020	2021	2020
	Rs:'000	Rs:'000	Rs:'000	Rs:'000
<b>Fixed rate instruments</b>				
<b>Financial assets</b>				
Forward purchase contracts	2,315	2,734	-	-
Investment in government securities	23,085,413	36,212,069	-	-
Investment in debentures	1,440,465	1,452,818	611,801	-
	24,528,193	37,667,621	611,801	-
<b>Financial liabilities</b>				
Forward sale contracts	824	3,118	-	-
Borrowings on debentures	2,084,377	517,641	1,331,771	-
	2,085,201	520,759	1,331,771	-
<b>Variable rate instruments</b>				
<b>Financial assets</b>				
Investment in unit trust	2,378,709	433,142	-	-
	2,378,709	433,142	-	-
<b>Financial liabilities</b>				
Borrowings on debentures	678,624	-	678,624	-
	678,624	-	678,624	-

## Notes to the Financial Statements

## 45 FINANCIAL RISK MANAGEMENT (CONTD.)

## Fair value sensitivity analysis for fixed rate instruments

The Group does account for fixed rate financial assets at fair value through profit or loss. Therefore, a change in interest rate at the reporting date would affect profit or loss of the Group.

A reasonably possible 1% change interest rates at the reporting date would have increased or decreased equity and profit or loss by the amounts shown below. The analysis assumes that all other variables, in particular foreign currency exchange rates remain constant.

Group	Profit or loss		Equity, net of tax	
	1% Decrease Rs.'000	1% Increase Rs.'000	1% Decrease Rs.'000	1% Increase Rs.'000
<b>Fixed rate instruments</b>				
<b>Financial assets</b>				
Forward purchase contracts	45,996	(44,748)	34,957	(34,008)
Investment in government securities	439,503	(426,807)	334,022	(324,373)
Investment in debentures	86,502	(81,519)	65,742	(61,954)
	572,001	(553,074)	434,721	(420,335)
<b>Financial liabilities</b>				
Forward sale contracts	15,346	(15,711)	11,663	(11,940)
Borrowings on debentures	1,728	(1,715)	1,313	(1,303)
	17,074	(17,426)	12,976	(13,243)

Company	Profit or loss		Equity, net of tax	
	1% Decrease Rs.'000	1% Increase Rs.'000	1% Decrease Rs.'000	1% Increase Rs.'000
<b>Fixed rate instruments</b>				
Investment in debentures	35,272	(32,885)	26,807	(24,993)
	35,272	(32,885)	26,807	(24,993)

**Cash flow sensitivity analysis for variable rate instruments**

A reasonably possible 1% change interest rates at the reporting date would have increased or decreased equity and profit or loss by the amounts shown below. The analysis assumes that all other variables.

Group	Profit or loss		Equity, net of tax	
	1% Decrease Rs.'000	1% Increase Rs.'000	1% Decrease Rs.'000	1% Increase Rs.'000
<b>Variable rate instruments</b>				
Borrowings on debentures	882	(876)	671	(665)
	882	(876)	671	(665)

Company	Profit or loss		Equity, net of tax	
	1% Decrease Rs.'000	1% Increase Rs.'000	1% Decrease Rs.'000	1% Increase Rs.'000
<b>Variable rate instruments</b>				
Borrowings on debentures	882	(876)	671	(665)
	882	(876)	671	(665)

**Exchange Rate Risk**

A reasonably possible 1% change exchange rates (USD to LKR) at the reporting date would have increased or decreased equity and profit or loss by the amounts shown below. The analysis assumes that all other variables, in particular foreign currency exchange rates remain constant.

Group	Profit or loss		Equity, net of tax	
	1% Decrease Rs.'000	1% Increase Rs.'000	1% Decrease Rs.'000	1% Increase Rs.'000
<b>Fixed rate instruments</b>				
Investment in government securities - Sri Lanka Development Bonds	(26,797)	26,797	(20,366)	20,366
	(26,797)	26,797	(20,366)	20,366

## Notes to the Financial Statements

### 46 FINANCIAL INSTRUMENTS- FAIR VALUE MEASUREMENT

The Company measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements.

#### Level - 1

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

#### Level - 2

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

#### Level - 3

Valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.



**46.1 Fair values versus the Carrying amounts**

The fair values of financial assets and liabilities, together with the carrying amounts shown in the Statement of Financial Position, are as follow;

Group	As at 31.03.2021		As at 31.03.2020	
	Carrying Amount Rs. '000	Fair Value Rs. '000	Carrying Amount Rs. '000	Fair Value Rs. '000
<b>Financial assets measured at fair value</b>				
Derivative financial instruments	2,315	2,315	2,734	2,734
Financial assets recognised through profit or loss - measured at fair value	28,047,361	28,047,361	38,540,849	38,540,849
Financial assets - fair value through other comprehensive income	40,273	40,273	184,623	184,623
	28,089,949	28,089,949	38,728,206	38,728,206
<b>Financial assets not measured at fair value</b>				
Cash at banks and in hand	242,053	242,053	61,354	61,354
Financial assets at amortised cost	7,035,641	7,035,641	5,361,512	5,361,512
Group balances receivable	903	903	5,632	5,632
Trade receivables	516,081	516,081	373,296	373,296
	7,794,678	7,794,678	5,801,794	5,801,794
<b>Total financial investments</b>	<b>35,884,627</b>	<b>35,884,627</b>	<b>44,530,000</b>	<b>44,530,000</b>
<b>Financial liabilities measured at fair value</b>				
Derivative financial instruments	824	824	3,118	3,118
	824	824	3,118	3,118
<b>Financial liabilities not measured at fair value</b>				
Bank overdrafts	3,451	3,451	455,103	455,103
Group balances payable	861	861	731	731
Trade and other payables	1,182,894	1,182,894	721,350	721,350
Securities sold under re-purchase agreements	20,223,286	20,234,348	33,294,423	33,331,477
Short term borrowings	6,660,363	6,660,363	5,928,107	5,928,107
Long term borrowings	50,204	50,204	150,885	150,885
Borrowings on debentures	2,763,001	2,813,106	517,641	521,589
	30,884,060	30,945,227	41,068,240	41,109,242
<b>Total financial liabilities</b>	<b>30,884,884</b>	<b>30,946,051</b>	<b>41,071,358</b>	<b>41,112,360</b>

## Notes to the Financial Statements

## 46 FINANCIAL INSTRUMENTS- FAIR VALUE MEASUREMENT (CONTD.)

## 46.1 Fair values versus the Carrying amounts (Contd.)

Company	As at 31.03.2021		As at 31.03.2020	
	Carrying Amount Rs. '000	Fair Value Rs. '000	Carrying Amount Rs. '000	Fair Value Rs. '000
<b>Financial assets measured at fair value</b>				
Financial assets recognised through profit or loss - measured at fair value	611,801	611,801	-	-
	611,801	611,801	-	-
<b>Financial assets not measured at fair value</b>				
Cash at banks and in hand	42,187	42,187	19,744	19,744
Group balances receivable	30,372	30,372	9,931	9,931
Financial assets at amortised cost	9,032,886	9,032,886	6,768,167	6,768,167
	9,105,445	9,105,445	6,797,842	6,797,842
<b>Total financial investments</b>	<b>9,717,246</b>	<b>9,717,246</b>	6,797,842	6,797,842
Financial liabilities measured at fair value	-	-	-	-
<b>Financial liabilities not measured at fair value</b>				
Bank overdrafts	1,316	1,316	442,724	442,724
Group balances payable	57	57	-	-
Trade and other payables	553,338	553,338	59,795	59,795
Short term borrowings	6,660,363	6,660,363	5,827,371	5,827,371
Long term borrowings	50,204	50,204	150,885	150,885
Borrowings on debentures	2,010,395	2,010,395	-	-
	9,275,673	9,275,673	6,480,775	6,480,775
<b>Total financial liabilities</b>	<b>9,275,673</b>	<b>9,275,673</b>	6,480,775	6,480,775

**46.2 Financial instruments- Fair Value**

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

Group - As at 31 March 2021	Total Carrying Amount Rs.'000	Level 1 Rs.'000	Level 2 Rs.'000	Level 3 Rs.'000	Total Fair Value Rs.'000
<b>Financial assets measured at fair value</b>					
<b>Derivative financial instruments</b>					
Forward purchase contracts	2,315	2,315	-	-	2,315
	2,315	2,315	-	-	2,315
<b>Financial assets recognised through profit or loss</b>					
<b>- measured at fair value</b>					
Investment in government securities	23,085,413	23,085,413	-	-	23,085,413
Investment in debentures	1,440,465	505,621	934,844	-	1,440,465
Investment in unit trust	2,378,709	-	2,378,709	-	2,378,709
Investment in listed shares	1,142,774	1,142,774	-	-	1,142,774
	28,047,361	24,733,808	3,313,553	-	28,047,361
Financial assets - fair value through other comprehensive income	40,273	-	40,273	-	40,273
	28,089,949	24,736,123	3,353,826	-	28,089,949
<b>Financial assets not measured at fair value</b>					
Cash at banks and in hand	242,053	-	-	242,053	242,053
Financial assets at amortised cost	7,035,641	-	-	7,035,641	7,035,641
Group balances receivable	903	-	-	903	903
Trade receivables	516,081	-	-	516,081	516,081
	7,794,678	-	-	7,794,678	7,794,678
<b>Total financial investments</b>	<b>35,884,627</b>	<b>24,736,123</b>	<b>3,353,826</b>	<b>7,794,678</b>	<b>35,884,627</b>
<b>Financial liabilities measured at fair value</b>					
<b>Derivative financial instruments</b>					
Forward sale contracts	824	824	-	-	824
	824	824	-	-	824
<b>Financial liabilities not measured at fair value</b>					
Bank overdrafts	3,451	-	-	3,451	3,451
Group balances payable	861	-	-	861	861
Trade and other payables	1,182,894	-	-	1,182,894	1,182,894
Securities sold under re-purchase agreements	20,223,286	-	-	20,234,348	20,234,348
Short term borrowings	6,660,363	-	-	6,660,363	6,660,363
Long term borrowings	50,204	-	-	50,204	50,204
Borrowings on debentures	2,763,001	-	2,813,106	-	2,813,106
	30,884,060	-	2,813,106	28,132,121	30,945,227
<b>Total financial liabilities</b>	<b>30,884,884</b>	<b>824</b>	<b>2,813,106</b>	<b>28,132,121</b>	<b>30,946,051</b>

## Notes to the Financial Statements

## 46 FINANCIAL INSTRUMENTS- FAIR VALUE MEASUREMENT (CONTD)

## 46.2 Financial instruments- Fair Value (Contd)

Group - As at 31 March 2020	Total Carrying Amount Rs.'000	Level 1 Rs.'000	Level 2 Rs.'000	Level 3 Rs.'000	Total Fair Value Rs.'000
<b>Financial assets measured at fair value</b>					
<b>Derivative financial instruments</b>					
Forward purchase contracts	2,734	2,734	-	-	2,734
	2,734	2,734	-	-	2,734
<b>Financial assets recognised through profit or loss -measured at fair value</b>					
Investment in government securities	36,212,069	36,212,069	-	-	36,212,069
Investment in listed debentures	1,452,818	-	1,452,818	-	1,452,818
Investment in unit trust	433,142	-	433,142	-	433,142
Investment in listed shares	442,820	442,820	-	-	442,820
	38,540,849	36,654,889	1,885,960	-	38,540,849
Financial assets - fair value through other comprehensive income	184,623	-	184,623	-	184,623
	38,728,206	36,657,623	2,070,583	-	38,728,206
<b>Financial assets not measured at fair value</b>					
Cash at banks and in hand	61,354	-	-	61,354	61,354
Financial assets at amortised cost	5,361,512	-	-	5,361,512	5,361,512
Group balances receivable	5,632	-	-	5,632	5,632
Trade receivables	373,296	-	-	373,296	373,296
	5,801,794	-	-	5,801,794	5,801,794
<b>Total financial assets</b>	44,530,000	36,657,623	2,070,583	5,801,794	44,530,000
<b>Financial liabilities measured at fair value</b>					
<b>Derivative financial instruments</b>					
Forward sale contracts	3,118	3,118	-	-	3,118
	3,118	3,118	-	-	3,118
<b>Financial liabilities not measured at fair value</b>					
Bank overdrafts	455,103	-	-	455,103	455,103
Group balances payable	731	-	-	731	731
Trade and other payables	721,350	-	-	721,350	721,350
Securities sold under re-purchase agreements	33,294,423	-	-	33,331,477	33,331,477
Short term borrowings	5,928,107	-	-	5,928,107	5,928,107
Long term borrowings	150,885	-	-	150,885	150,885
Borrowings on debentures	517,641	-	521,589	-	521,589
	41,068,240	-	521,589	40,587,653	41,109,242
<b>Total financial liabilities</b>	41,071,358	3,118	521,589	40,587,653	41,112,360

Company - As at 31 March 2021	Total Carrying Amount Rs.'000	Level 1 Rs.'000	Level 2 Rs.'000	Level 3 Rs.'000	Total Fair Value Rs.'000
<b>Financial assets measured at fair value</b>					
Financial assets recognised through profit or loss - measured at fair value	611,801	611,801	-	-	611,801
	611,801	611,801	-	-	611,801
<b>Financial assets not measured at fair value</b>					
Cash at banks and in hand	42,187	-	-	42,187	42,187
Group balances receivable	30,372	-	-	30,372	30,372
Financial assets at amortised cost	9,032,886	-	-	9,032,886	9,032,886
	9,105,445	-	-	9,105,445	9,105,445
<b>Total financial investments</b>	9,717,246	611,801	-	9,105,445	9,717,246
Financial liabilities measured at fair value	-	-	-	-	-
<b>Financial liabilities not measured at fair value</b>					
Bank overdrafts	1,316	-	-	1,316	1,316
Group balances payable	57	-	-	57	57
Trade and other payables	553,338	-	-	553,338	553,338
Short term borrowings	6,660,363	-	-	6,660,363	6,660,363
Long term borrowings	50,204	-	-	50,204	50,204
Borrowings on debentures	2,010,395	-	-	2,010,395	2,010,395
	9,275,673	-	-	9,275,673	9,275,673
<b>Total financial liabilities</b>	9,275,673	-	-	9,275,673	9,275,673
<b>Company - As at 31 March 2020</b>	<b>Total Carrying Amount Rs.'000</b>	<b>Level 1 Rs.'000</b>	<b>Level 2 Rs.'000</b>	<b>Level 3 Rs.'000</b>	<b>Total Fair Value Rs.'000</b>
<b>Financial assets not measured at fair value</b>					
Cash at banks and in hand	19,744	-	-	19,744	19,744
Group balances receivable	9,931	-	-	9,931	9,931
Financial assets at amortised cost	6,768,167	-	-	6,768,167	6,768,167
	6,797,842	-	-	6,797,842	6,797,842
<b>Total financial assets</b>	6,797,842	-	-	6,797,842	6,797,842
Financial liabilities measured at fair value	-	-	-	-	-
<b>Financial liabilities not measured at fair value</b>					
Bank overdrafts	442,724	-	-	442,724	442,724
Trade and other payables	59,795	-	-	59,795	59,795
Short term borrowings	5,827,371	-	-	5,827,371	5,827,371
Long term borrowings	150,885	-	-	150,885	150,885
	6,480,775	-	-	6,480,775	6,480,775
<b>Total financial liabilities</b>	6,480,775	-	-	6,480,775	6,480,775

## Notes to the Financial Statements

## 46 FINANCIAL INSTRUMENTS- FAIR VALUE MEASUREMENT (CONTD)

## 46.3 Measurement of fair values

## 46.3.(a) Valuation techniques and significant unobservable inputs

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

## Financial instruments measured at fair value

Type	Valuation Technique	Significant Unobservable Inputs	Inter-relationship between Significant Unobservable Inputs and Fair Value Measurement
Debentures	The valuation model is based on Yield Curve of the Government Securities. Yields relating to Government Securities based on the remaining maturities of the respective debentures is interpolated in the valuation considering the investee companies' risk premiums.	Risk premium of the investee companies (lies between 3.93% and 7.72%)	The estimated fair value would increase/decrease if risk premium of the investee company is lower or higher
Unit Trusts	The fair values are based on the Net Asset Values published by the respective unit trusts.	Not applicable	Not applicable
Equity Securities (Financial assets - fair value through other comprehensive income)	The fair values are based on the price to book value approach.	Discounting factor used to arrive the unlisted price	The estimated fair value would increase/decrease if the discounting factor used by investor company is lower or higher

## 46.3.(b) Fair Values - Level 2 and Level 3

## Reconciliation of level 2 and level 3 fair values

The following table shows a reconciliation from the opening balance to the closing balances for Level 2 and Level 3 fair values.

	Debentures Rs.'000	Unit Trust Rs.'000	Equity Securities (Financial assets - FVTOCI) Rs.'000	Total Rs.'000
Balance as at 31 March 2020	1,452,818	433,141	184,623	2,070,582
Purchase	1,769,992	2,723,772	-	4,493,764
Sales	(1,759,107)	(889,109)	-	(2,648,216)
Gain/ (loss) on fair valuation of financial investments	(23,238)	110,905	(144,350)	(56,683)
Transfer to level 1	(505,621)	-	-	(505,621)
<b>Balance as at 31 March 2021</b>	<b>934,844</b>	<b>2,378,709</b>	<b>40,273</b>	<b>3,353,826</b>

**46.4. (a) Sensitivity analysis on Listed Debentures (Group)**

Sensitivity of the Market Yield (Effect on Statement of profit or loss and other comprehensive income) is as follows.

	(-) 0.5% Decrease Rs.'000	(-) 1% Decrease Rs.'000	(+) 0.5% Increase Rs.'000	(+) 1% Increase Rs.'000
Commercial Leasing & Finance PLC	212	429	(207)	(410)
Asia Asset Finance PLC	2,138	4,309	(2,104)	(4,177)
LOLC Holdings PLC	17,178	35,272	(16,867)	(32,885)
Softlogic Capital PLC	485	979	(476)	(943)
Janashakthi Limited (Unlisted)	5,032	10,241	(5,197)	(10,219)
	<b>25,045</b>	<b>51,230</b>	<b>(24,851)</b>	<b>(48,634)</b>

**46.4. (b) Sensitivity analysis on Listed Debentures (Company)**

Sensitivity of the Market Yield (Effect on Statement of profit or loss and other comprehensive income) is as follows.

	(-) 0.5% Decrease Rs.'000	(-) 1% Decrease Rs.'000	(+) 0.5% Increase Rs.'000	(+) 1% Increase Rs.'000
LOLC Holdings PLC	17,178	35,272	(16,867)	(32,885)
	<b>17,178</b>	<b>35,272</b>	<b>(16,867)</b>	<b>(32,885)</b>

**46.4. (c) Sensitivity analysis on Unit Trust (Group)**

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

	(-) 0.5% Decrease Rs.'000	(-) 1% Decrease Rs.'000	(+) 0.5% Increase Rs.'000	(+) 1% Increase Rs.'000
First Capital Money Market Fund	(8,847)	(17,694)	8,847	17,694
First Capital Equity Fund	(258)	(516)	258	516
Softlogic Money Market Fund	(264)	(529)	264	529
JB Vantage Money Market Fund	(2,527)	(5,055)	2,527	5,055
	<b>(11,896)</b>	<b>(23,794)</b>	<b>11,896</b>	<b>23,794</b>



## Notes to the Financial Statements

## 47 FINANCIAL INSTRUMENTS - ACCOUNTING CLASIFICATIONS

Group - As at 31 March 2021	Financial assets/ liabilities - FVTPL Rs. '000	Financial assets / liabilities at amortised cost Rs. '000	Financial assets - FVTOCI Rs. '000	Total carrying amount Rs. '000	Fair value Rs. '000
<b>Financial assets measured at fair value</b>					
Financial assets - FVTPL	28,047,361	-	-	28,047,361	28,047,361
Derivative Financial Instruments	2,315	-	-	2,315	2,315
Financial assets - FVTOCI	-	-	40,273	40,273	40,273
	28,049,676	-	40,273	28,089,949	28,089,949
<b>Financial assets not measured at fair value</b>					
Cash at banks and in hand	-	242,053	-	242,053	242,053
Group balances receivable	-	903	-	903	903
Financial assets at amortised cost	-	7,035,641	-	7,035,641	7,035,641
Trade receivables	-	516,081	-	516,081	516,081
	-	7,794,678	-	7,794,678	7,794,678
<b>Total financial assets</b>	28,049,676	7,794,678	40,273	35,884,627	35,884,627
<b>Financial liabilities measured at fair value</b>					
Derivative Financial Instruments	824	-	-	824	824
	824	-	-	824	824
<b>Financial liabilities not measured at fair value</b>					
Bank overdrafts	-	3,451	-	3,451	3,451
Group balances payable	-	861	-	861	861
Trade and other payables	-	1,182,894	-	1,182,894	1,182,894
Securities sold under re-purchase agreements	-	20,223,286	-	20,223,286	20,234,348
Short term borrowings	-	6,660,363	-	6,660,363	6,660,363
Long term borrowings	-	50,204	-	50,204	50,204
Borrowings on debentures	-	2,763,001	-	2,763,001	2,813,106
	-	30,884,060	-	30,884,060	30,945,227
<b>Total Financial Liabilities</b>	824	30,884,060	-	30,884,884	30,946,051

Group - As at 31 March 2020	Financial assets/ liabilities - FVTPL Rs. '000	Financial assets / liabilities at amortised cost Rs. '000	Financial assets - FVTOCI Rs. '000	Total carrying amount Rs. '000	Fair value Rs. '000
<b>Financial assets measured at fair value</b>					
Financial assets - FVTPL	38,540,849	-	-	38,540,849	38,540,849
Derivative Financial Instruments	2,734	-	-	2,734	2,734
Financial assets - FVTOCI	-	-	184,623	184,623	184,623
	38,543,583	-	184,623	38,728,206	38,728,206
<b>Financial assets not measured at fair value</b>					
Cash at banks and in hand	-	61,354	-	61,354	61,354
Financial assets at amortised cost	-	5,361,512	-	5,361,512	5,361,512
Group balances receivable	-	5,632	-	5,632	5,632
Trade receivables	-	373,296	-	373,296	373,296
	-	5,801,794	-	5,801,794	5,801,794
<b>Total financial assets</b>	38,543,583	5,801,794	184,623	44,530,000	44,530,000
<b>Financial liabilities measured at fair value</b>					
Derivative Financial Instruments	3,118	-	-	3,118	3,118
	3,118	-	-	3,118	3,118
<b>Financial liabilities not measured at fair value</b>					
Bank overdrafts	-	455,103	-	455,103	455,103
Group balances payable	-	731	-	731	731
Trade and other payables	-	721,350	-	721,350	721,350
Securities sold under re-purchase agreements	-	33,294,423	-	33,294,423	33,331,477
Short term borrowings	-	5,928,107	-	5,928,107	5,928,107
Long term borrowings	-	150,885	-	150,885	150,885
Borrowings on debentures	-	517,641	-	517,641	521,589
	-	41,068,240	-	41,068,240	41,109,242
<b>Total Financial Liabilities</b>	3,118	41,068,240	-	41,071,358	41,112,360

## Notes to the Financial Statements

## 47 FINANCIAL INSTRUMENTS - ACCOUNTING CLASIFICATIONS (CONTD.)

Company - As at 31 March 2021	Financial assets/ liabilities - FVTPL Rs. '000	Financial assets / liabilities at amortised cost Rs. '000	Financial assets - FVTOCI Rs. '000	Total carrying amount Rs. '000	Fair value Rs. '000
<b>Financial assets measured at fair value</b>					
Financial assets - FVTPL	611,801	-	-	611,801	611,801
	611,801	-	-	611,801	611,801
<b>Financial assets not measured at fair value</b>					
Cash at banks and in hand	-	42,187	-	42,187	42,187
Group balances receivable	-	30,372	-	30,372	30,372
Financial assets at amortised cost	-	9,032,886	-	9,032,886	9,032,886
	-	9,105,445	-	9,105,445	9,105,445
<b>Total financial assets</b>	<b>611,801</b>	<b>9,105,445</b>	<b>-</b>	<b>9,717,246</b>	<b>9,717,246</b>
<b>Financial liabilities not measured at fair value</b>					
Bank overdrafts	-	1,316	-	1,316	1,316
Group balances payable	-	57	-	57	57
Trade and other payables	-	553,338	-	553,338	553,338
Short term borrowings	-	6,660,363	-	6,660,363	6,660,363
Long term borrowing	-	50,204	-	50,204	50,204
Borrowings on debentures	-	2,010,395	-	2,010,395	2,010,395
	-	9,275,673	-	9,275,673	9,275,673
<b>Total financial liabilities</b>	<b>-</b>	<b>9,275,673</b>	<b>-</b>	<b>9,275,673</b>	<b>9,275,673</b>

Company - As at 31 March 2020	Financial assets/ liabilities - FVTPL Rs. '000	Financial assets / liabilities at amortised cost Rs. '000	Financial assets - FVTOCI Rs. '000	Total carrying amount Rs. '000	Fair value Rs. '000
<b>Financial assets not measured at fair value</b>					
Cash at banks and in hand	-	19,744	-	19,744	19,744
Group balances receivable	-	9,931	-	9,931	9,931
Financial assets at amortised cost	-	6,768,167	-	6,768,167	6,768,167
	-	6,797,842	-	6,797,842	6,797,842
<b>Total financial assets</b>	-	6,797,842	-	6,797,842	6,797,842
<b>Financial liabilities not measured at fair value</b>					
Bank overdrafts	-	442,724	-	442,724	442,724
Trade and other payables	-	59,795	-	59,795	59,795
Short term borrowings	-	5,827,371	-	5,827,371	5,827,371
Long term borrowing	-	150,885	-	150,885	150,885
	-	6,480,775	-	6,480,775	6,480,775
<b>Total financial liabilities</b>	-	6,480,775	-	6,480,775	6,480,775

## Notes to the Financial Statements

## 48 SEGMENT REPORTING

## Information about reportable segments

The Group's activities have been segregated into four different segments (Primary Dealer, Corporate Finance, Asset Management, Stock Brokering) based on the business activities that each unit is engaged for the purpose of reviewing the operating results of the Group as well as to make decisions about resource allocation.

Segment information is presented in respect of the Group's business segments as per SLFRS 8. The Group's primary format for segment reporting is based on business segments. The business segments are determined based on the Group's management and internal reporting structure.

For the Year ended 31 March,	Primary Dealer		Corporate Finance	
	2021 Rs.'000	2020 Rs.'000	2021 Rs.'000	2020 Rs.'000
Net Trading Income	2,971,602	1,651,991	433,173	278,465
Other Income/ (expense)	206,834	519	(4,646)	(3,146)
Gain/(loss) on Financial Assets FVTPL	(385,933)	362,930	137,805	(7,378)
Operating Expenses	(395,161)	(263,780)	(254,797)	(296,869)
(Provision)/ reversal for impairment	-	-	(8,113)	(20,571)
<b>Operating profit</b>	<b>2,397,342</b>	<b>1,751,660</b>	<b>303,422</b>	<b>(49,499)</b>
Tax expenses	(560,061)	(544,083)	(36,597)	48,740
Profit for the year	1,837,281	1,207,577	266,825	(759)
Other Comprehensive income/ (expense)	(2,246)	(1,244)	(149,272)	(32,589)
<b>Total Comprehensive Income</b>	<b>1,835,035</b>	<b>1,206,333</b>	<b>117,553</b>	<b>(33,348)</b>
Total Assets	25,724,457	37,382,601	15,308,287	12,043,141
Total Liabilities	21,206,234	33,645,198	10,661,696	8,177,299
<b>Net Assets</b>	<b>4,518,223</b>	<b>3,737,403</b>	<b>4,646,591</b>	<b>3,865,842</b>
Cash flows from operating activities	1,199,510	18,150	(876,952)	1,083,893
Cash flows from investing activities	(7,042)	(1,338)	1,194,287	280,907
Cash flows from financing activities	(1,054,215)	(3,935)	322,898	(728,909)
<b>Net cash flow generated during the year</b>	<b>138,253</b>	<b>12,877</b>	<b>640,233</b>	<b>635,891</b>

Asset Management		Stock Brokering		Eliminations/ Unallocated		Consolidated	
2021 Rs.'000	2020 Rs.'000	2021 Rs.'000	2020 Rs.'000	2021 Rs.'000	2020 Rs.'000	2021 Rs.'000	2020 Rs.'000
133,314	68,514	133,739	16,674	1,874	(8,797)	3,673,702	2,006,847
(3)	2	43,253	26,282	-	-	245,438	23,657
31,865	3,430	-	-	159	(8,713)	(216,104)	350,269
(67,746)	(58,338)	(69,056)	(35,389)	1,600	1,125	(785,160)	(653,251)
25	(25)	-	-	(1,712)	1,399	(9,800)	(19,197)
97,455	13,583	107,936	7,567	1,921	(14,986)	2,908,076	1,708,325
(20,256)	(5,772)	(33,299)	(1,327)	(164,365)	(132,644)	(814,579)	(635,086)
77,199	7,811	74,637	6,240	(162,444)	(147,630)	2,093,497	1,073,239
(150)	(6)	(235)	70	-	-	(151,903)	(33,770)
77,049	7,805	74,402	6,310	(162,444)	(147,630)	1,941,594	1,039,469
147,702	174,399	719,510	453,979	(5,296,528)	(4,500,999)	36,603,428	45,553,121
33,714	34,119	515,972	324,843	(636,665)	(581,621)	31,780,949	41,599,838
113,988	140,280	203,538	129,136	(4,659,863)	(3,919,378)	4,822,479	3,953,283
113,514	4,591	(139,446)	(50,450)	(986,207)	(280,793)	(689,581)	775,391
(1,453)	(469)	2,700	4,422	(1,201,742)	(246,784)	(13,250)	36,738
(102,011)	-	268,729	23,862	1,899,781	418,823	1,335,182	(290,159)
10,050	4,122	131,983	(22,166)	(288,168)	(108,754)	632,351	521,970

## Notes to the Financial Statements

## 49 NON-CONTROLLING INTERESTS (NCI) IN SUBSIDIARIES

## Material Non-Controlling Interest

The Group has assessed each subsidiary that has non-controlling interest based on contributions made to the group revenue, profit, total assets, net assets and cashflows. As per SLFRS 12, following table summarises the information relating to the subsidiary which has a material non-controlling interest.

As at 31 March	First Capital Treasuries PLC		First Capital Asset Management Limited	
	2021	2020	2021	2020
NCI percentage	5.56%	5.56%	1.29%	1.29%
As at 31 March	2021 Rs. '000	2020 Rs. '000	2021 Rs. '000	2020 Rs. '000
Total Assets	25,724,457	37,382,601	147,702	174,399
Total Liabilities	21,206,234	33,645,198	33,714	34,119
Net assets	4,518,223	3,737,403	113,988	140,280
Net assets attributable to NCI	250,945	207,594	1,467	1,778
<b>For the year ended 31 March</b>				
Revenue	4,294,461	3,708,401	134,186	68,778
Profit after tax	1,837,281	1,207,577	77,199	7,811
Other Comprehensive Income/ (expense)	(2,246)	(1,244)	(150)	(6)
Total comprehensive income	1,835,035	1,206,333	77,049	7,805
Profit attributable to NCI	102,071	67,087	994	101
Total comprehensive income attributable to NCI	101,946	67,018	992	100
Dividend declared to NCI	(58,568)	(14,108)	(1,330)	-
Net cash flows generated from/ (used in) operating activities	1,199,510	18,150	113,514	4,591
Net cash flows generated from/(used in) investing activities	(7,042)	(1,338)	(1,453)	(469)
Net cash flows generated from/ (used in) financing activities (including dividend paid to NCI)	(1,054,215)	(3,935)	(102,011)	-
Net increase/(decrease) in cash and cash equivalents	138,253	12,877	10,050	4,122



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## INVESTORS' INFORMATION

### INFORMATION ON ORDINARY SHARES

#### 1. STOCK EXCHANGE LISTING

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

#### 2. DISTRIBUTION OF SHAREHOLDING

No. of Shares held	31 March 2021				31 March 2020			
	Shareholders		Holding		Shareholders		Holding	
	Number	%	Number	%	Number	%	Number	%
1-1,000	4,709	77.16	1,540,538	1.52	4,391	77.69	1,458,722	1.45
1,001 - 10,000	1,132	18.55	3,923,571	3.88	1,011	17.89	3,548,706	3.50
10,001 - 100,000	223	3.65	5,731,784	5.66	216	3.82	6,097,150	6.02
100,001 - 1,000,000	33	0.54	6,306,210	6.23	30	0.53	6,397,525	6.32
Over 1,000,000	6	0.10	83,747,897	82.71	4	0.07	83,747,897	82.71
<b>Total</b>	<b>6,103</b>	<b>100.00</b>	<b>101,250,000</b>	<b>100.00</b>	<b>5,652</b>	<b>100.00</b>	<b>101,250,000</b>	<b>100.00</b>

#### 3. ANALYSIS OF SHAREHOLDERS

Category of Shareholders	31 March 2021				31 March 2020			
	Shareholders		Holding		Shareholders		Holding	
	Number	%	Number	%	Number	%	Number	%
Individuals	5,943	97.38	14,397,943	14.22	5,481	96.97	13,006,812	12.85
Institutions	160	2.62	86,852,057	85.78	171	3.03	88,243,188	87.15
<b>Total</b>	<b>6,103</b>	<b>100.00</b>	<b>101,250,000</b>	<b>100.00</b>	<b>5,652</b>	<b>100.00</b>	<b>101,250,000</b>	<b>100.00</b>
Resident	6,083	99.67	101,034,228	99.78	5,627	99.56	100,423,540	99.18
Non-Resident	20	0.33	215,772	0.22	25	0.44	826,460	0.82
<b>Total</b>	<b>6,103</b>	<b>100.00</b>	<b>101,250,000</b>	<b>100.00</b>	<b>5,652</b>	<b>100.00</b>	<b>101,250,000</b>	<b>100.00</b>

#### 4. PUBLIC HOLDING

	31-03-2021	31-03-2020
Number of shares held by the public	17,073,927	17,073,927
Percentage held by the public	16.86%	16.86%
Float adjusted market capitalisation	930,355,875	389,213,100

Number of public shareholders as at 31 March 2021 is 6,093.

The Company is not in compliant with the Minimum Public Holding Requirement under option 5 of Section 7.13.1 (a) of the CSE Listing Rules.

## 5 SHARE PRICE MOVEMENT FOR THE YEAR

	2020/21 Rs.	2019/20 Rs.
Highest	64.70	56.70
Lowest	22.10	20.00
Year-end	54.50	22.80

## 6. INFORMATION ON SHARE TRADING AND MARKET CAPITALISATION

	2020/21	2019/20
Number of transactions	32,230	18,409
Number of shares traded	30,562,114	18,650,344
Value of shares traded (Rs.)	1,615,462,031	818,159,849
Market capitalisation (Rs.)	5,518,125,000	2,308,500,000

## TOP TWENTY SHAREHOLDERS

	No. of Shares as at 31 March 2021	Holding (%)	No. of Shares as at 31 March 2020	Holding (%)
1 1.1 Commercial Bank of Ceylon PLC/Janashakthi Limited	26,600,000	26.27	31,600,000	31.21
1.2 Seylan Bank PLC/Janashakthi Limited	25,400,000	25.09	25,400,000	25.09
1.3 Hatton National Bank PLC/Janashakthi Limited	15,315,000	15.13	22,119,816	21.85
1.4 Seylan Bank PLC/Janashakthi Limited	8,997,240	8.89	4,628,081	4.57
1.5 Pan Asia Banking Corporation PLC/Janashakthi Limited	5,000,000	4.94	-	-
1.6 Seylan Bank PLC/Janashakthi Limited	2,435,657	2.41	-	-
1.7 Commercial Bank of Ceylon PLC/Janashakthi Limited	300,703	0.30	300,703	0.30
2 People's Leasing & Finance PLC/Mr. D.M.P. Disanayake	602,984	0.60	668,072	0.66
3 Mr. Amal Joseph Tissera	498,300	0.49	208,680	0.21
4 Dr. Subashi Nemindi Samarasinghe	304,616	0.30	200,616	0.20
5 Dr. Withana Pathirana Somasiri, Mrs. D. V. A. Wijewardana & Mr. K. Withanapathirana	300,000	0.30	-	-
6 Mr. Arunasalam Sithampalam	264,000	0.26	264,000	0.26
7 Hatton National Bank PLC/Arunasalam Sithampalam	224,644	0.22	224,644	0.22
8 Mr. Dhanusha Senajith Duke De Lanerolle	220,000	0.22	180,000	0.18
9 Mr. Rajapaksa Vithanage Don Piyathilake & Mr. R.V.D.C.G. Rajapakse	212,222	0.21	300,530	0.30
10 Mr. Nagen Dayaranjan Kurukulasuriya	208,836	0.21	208,836	0.21
11 DFCC Bank PLC /S.M.P.K. Dissanayake	197,715	0.20	-	-
12 Mr. Wickramatunga Arachchi Pathirana Don Mahipala Wickramatunga	190,000	0.19	225,000	0.22
13 Mrs. Vasudevan Saraswathi	186,475	0.18	472,000	0.47
14 Dr. Mayuramana Dewolage	181,374	0.18	-	-
15 Mr. Upali Chandrakumara Bandaranayake	159,980	0.16	175,000	0.17
16 Mrs. Delicia Daphne Swerine de Mel & L. de Mel	142,900	0.14	-	-
17 Mr. Ravindra Erle Rambukwella	142,393	0.14	160,473	0.16
18 DFCC Bank PLC /Mr.K.S.D. Senaweera	142,000	0.14	427,500	0.42
19 Mrs. Tulsi Liyanage	140,904	0.14	-	-
20 Citizens Development Business Finance PLC /K.D.C. Somalatha and K. Nandasiri	139,400	0.14	139,400	0.14
<b>Total</b>	<b>88,507,343</b>	<b>87.45</b>	<b>87,903,351</b>	<b>86.84</b>

## INFORMATION ON LISTED DEBENTURES

### 1. INFORMATION ON LISTED DEBENTURES

#### 1.1 First Capital Holdings PLC

Date of allotment	Type	Frequency on interest payment	No. of Debentures issued and allotted*	Face value Rs. '000	Rate of interest	Tenure	Date of maturity
8-Feb-21	Type A (Fixed Rate)	Annually	13,247,500	1,324,750	10.00% (AER-10%)	5 years	7-Feb-26
8-Feb-21	Type B (Floating Rate)**	Annually	6,752,500	675,250	Weekly AWPLR + 2%	5 years	7-Feb-26
<b>Total</b>			20,000,000	2,000,000			

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

\*\* This reflects a Cap of 12% and Floor of 9%.

#### 1.2 First Capital Treasuries PLC (Subsidiary)

Date of allotment	Frequency on interest payment	No. of debentures issued and allotted*	Face value Rs. '000	Rate of interest	Tenure	Date of maturity
30-Jan-20	Semi annually	7,500,000	750,000	12.75% (AER-13.16%)	5 years	30-Jan-25
<b>Total</b>		7,500,000	750,000			

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

### 2. OBJECTIVE OF THE ISSUES

#### 2.1 Objectives of the Listed Debentures Issue of First Capital Holdings PLC

- ★ To Invest in Listed Debt (35% of the total Funds raised)
- ★ To Invest in Unlisted Debt (50% of the total Funds raised)
- ★ To Invest in Listed Equities on the CSE (15% of the total Funds raised)

The Company has achieved the objectives as stipulated in the prospectus issued to raise Rs. 2Bn via the Debenture Issue made in February 2021 as follows.

Objective as per prospectus	Amount allocated as per Prospectus in Rs. '000	Amount allocated from proceeds in Rs. '000 (A)	% of Total proceeds	Amount Utilised in Rs. '000 (B)	% of Utilisation against allocation (B / A)
1. Investment in Listed Debts	700,000	700,000	35%	611,801	87%
2. Investment in Unlisted Debts	1,000,000	1,000,000	50%	1,000,000	100%
3. Investment in Listed Equities on the CSE	300,000	300,000	15%	Nil	0%

**2.2 Objectives of the Listed Debentures Issue of First Capital Treasuries PLC**

- ★ To finance the 5-year Listed, Rated, Subordinated, Unsecured, Redeemable Debentures of Rs. 500 Mn matured on 6 February 2020.
- ★ To reduce the existing Repo Borrowing position or to invest in Government Securities depending on the market conditions and interest rate outlook prevalent at the time of the receipt of funds.

The Company has achieved the objectives as stipulated in the prospectus issued to raise Rs. 750Mn via the Debenture Issue made in January 2020 as follows.

Objective as per prospectus	Amount allocated as per Prospectus in Rs. '000	Amount allocated from proceeds in Rs. '000 (A)	% of Total proceeds	Amount Utilised in Rs. '000 (B)	% of Utilisation against allocation (B / A)
1. To finance the redemption of Listed Debentures matured on 6 February 2020	500,000	500,000	66.67%	500,000	100%
2. To invest in Government Securities	250,000	250,000	33.33%	250,000	100%

**3. MARKET VALUE****3.1 First Capital Holdings PLC**

Debentures with 5 year maturity have not been traded during the year ended 31 March 2021. Hence, par value is recognised as its market value. Hence, yield to maturity on trade done is also not applicable.

5 year fixed rate (10.00% p.a. payable annually)	2020/21 Rs.	2019/20 Rs.
Highest price	-	N/A
Lowest price	-	N/A
Last traded price	-	N/A
5 year floating (Weekly AWPLR + 2% p.a. payable annually)	2020/21 Rs.	2019/20 Rs.
Highest price	-	N/A
Lowest price	-	N/A
Last traded price	-	N/A
Debenture Interest Yield (last traded)	2020/21	2019/20
Type A - 5 year fixed rate (10.00 % p.a. payable annually)	N/A	N/A
Type B - 5 year floating rate (Weekly AWPLR + 2% p.a. payable annually)	N/A	N/A
Yield of comparable Government Securities (%)	As at 31-03-2021	As at 31-03-2020
Treasury bond (maturity - 1 February 2026)	7.05%	N/A

## Information on Listed Debentures

## 3. MARKET VALUE (CONTD.)

## 3.2 First Capital Treasuries PLC

Debentures with 5 year maturity have been traded during the year ended 31 March 2021. Last traded price (yield) has been recognised as the market value. Yield to maturity on trade done is ranging from 9.75% to 10.50%.

5 year fixed rate (12.75% p.a. payable semi-annually)	2020/21 Rs.	2019/20 Rs.
Highest price	110.02	-
Lowest price	107.76	-
Last traded price	110.02	-

Debenture Interest Yield (last traded)	2020/21	2019/20
5 year fixed rate (12.75 % p.a. payable semi-annually)	9.75%	N/A

Yield of Comparable Government Securities (%)	As at 31-03-2021	As at 31-03-2020
Treasury bond (maturity 15 March 2025)	6.83%	9.25%

## 4. DEBT RELATED RATIOS

## 4.1(i) Debt Ratios - Group (Consolidated)

	As at 31-03-2021	As at 31-03-2020
Debt/equity ratio (times)	6.16	10.21
Quick asset ratio (times)	1.26	1.10
Interest cover (times)	2.38	1.54

## 4.1(ii) Debt Ratios - Company

	As at 31-03-2021	As at 31-03-2020
Debt/equity ratio (times)	1.91	1.72
Quick asset ratio (times)	1.35	1.07
Interest cover (times)	3.99	2.05

## 4.2 Debt Ratios - Subsidiary

	As at 31-03-2021	As at 31-03-2020
Debt/equity ratio (times)	4.45	8.81
Quick asset ratio (times)	1.31	1.14
Interest cover (times)	2.84	1.86

## 5. CREDIT RATINGS

### 5.1 First Capital Holdings PLC

ICRA Lanka Limited upgraded the Company's credit rating to [SL] "A" from [SL] "A-" in November 2020. Long and short term corporate credit (issue) ratings of the Company have also been upgraded to [SL] "A and [SL]A1" from [SL] "A- and [SL]A2". Further, the Company's long term issue rating of Rs. 2Bn Listed, Rated, Senior, Unsecured, Redeemable Debentures (2021/26) has been rated [SL] "A" by ICRA Lanka Limited.

### 5.2 First Capital Treasuries PLC

ICRA Lanka Limited upgraded the Company's credit rating to [SL] "A" from [SL] "A-" in November 2020. The Company's long term issue rating of Rs. 750Mn Listed, Rated, Subordinated, Unsecured, Redeemable Debentures (2020/25) has also been upgraded to [SL] "A-" from [SL] "BBB+."

## TEN-YEAR SUMMARY

## Group Trading Results

## Year ended 31 March

	2021 Rs. '000	2020 Rs. '000	2019 Rs. '000
Gross income	6,033,353	5,220,425	4,171,474
Profit before tax	2,908,076	1,708,325	88,383
Taxation	(814,579)	(635,086)	(80,835)
Profit/(loss) after tax	2,093,497	1,073,239	7,548
Other comprehensive income, net of income tax	(151,903)	(33,770)	(27,555)
Total comprehensive income / (expense)	1,941,594	1,039,469	(20,007)

## Group Financial Position

## As at 31 March

	2021 Rs. '000	2020 Rs. '000	2019 Rs. '000
<b>ASSETS</b>			
Cash at banks and in hand	242,053	61,354	55,317
Derivative financial instruments	2,315	2,734	3,454
Financial assets recognised through profit or loss - measured at fair value	28,047,361	38,540,849	31,985,437
Financial assets - fair value through other comprehensive income	40,273	184,623	217,920
Financial assets at amortised cost	7,035,641	5,361,512	7,557,832
Financial investments - held for trading	-	-	-
Financial investments - available for sale	-	-	-
Financial investments - loans and receivables	-	-	-
Taxes receivable	88,798	271,610	178,845
Trade and other receivables	909,606	598,672	246,661
Investment in venture capital	-	-	-
Investment in equity accounted investees	-	-	-
Deferred tax asset	19,228	299,775	862,024
Property, plant and equipment and right of use assets	50,088	65,250	37,050
Other assets	168,065	166,742	160,930
<b>Total Assets</b>	<b>36,603,428</b>	<b>45,553,121</b>	<b>41,305,470</b>
<b>LIABILITIES</b>			
Bank overdrafts	3,451	455,103	971,036
Derivative financial instruments	824	3,118	2,878
Securities sold under re-purchase agreements	20,223,286	33,294,423	29,204,828
Short term borrowings	6,660,363	5,928,107	6,566,174
Tax payables	840,696	488,668	348
Retirement benefit obligations	55,369	39,812	31,856
Borrowings on debentures	2,763,001	517,641	216,205
Long term borrowings	50,204	150,885	251,833
Other liabilities	1,183,755	722,081	238,722
<b>Total Liabilities</b>	<b>31,780,949</b>	<b>41,599,838</b>	<b>37,483,880</b>
<b>EQUITY</b>			
Stated capital	227,500	227,500	227,500
Risk reserve	1,308,818	1,135,297	1,021,248
Retained earnings	3,326,168	2,529,183	2,506,870
Fair valuation reserve	(292,419)	(148,069)	(114,828)
<b>Equity attributable to equityholders of the parent</b>	<b>4,570,067</b>	<b>3,743,911</b>	<b>3,640,790</b>
Non-controlling interests	252,412	209,372	180,800
<b>Total Equity</b>	<b>4,822,479</b>	<b>3,953,283</b>	<b>3,821,590</b>
<b>Total Equity and Liabilities</b>	<b>36,603,428</b>	<b>45,553,121</b>	<b>41,305,470</b>
<b>OTHER FINANCIAL INFORMATION</b>			
Earning/(loss) per share - Rs.	19.66	9.94	0.02
Dividend per share - Rs.	5.00	9.00	-
Dividend payout (%)	25.43%	90.54%	-
Return on equity (%)	47.88%	27.25%	0.06%
Leverage (times)	6.16	10.21	9.74
Net assets per share - Rs.	45.14	36.98	35.96
Market price per share - Rs.	54.50	22.80	23.10

## OTHER FINANCIAL INFORMATION

Earning/(loss) per share - Rs.	19.66	9.94	0.02
Dividend per share - Rs.	5.00	9.00	-
Dividend payout (%)	25.43%	90.54%	-
Return on equity (%)	47.88%	27.25%	0.06%
Leverage (times)	6.16	10.21	9.74
Net assets per share - Rs.	45.14	36.98	35.96
Market price per share - Rs.	54.50	22.80	23.10

Financial Instruments as at 31 March 2021, 31 March 2020 and 31 March 2019 have been presented in accordance with SLFRS 9 and Financial Instruments as at 31 March 2018, 31 March 2017, 31 March 2016, 31 March 2015, 31 March 2014, 31 March 2013 and 31 March 2012 have been presented in accordance with LKAS 39.



2018 Rs. '000	2017 Rs. '000	2016 Rs. '000	2015 Rs. '000	2014 Rs. '000	2013 Rs. '000	2012 Rs. '000
4,186,064	3,587,574	1,550,780	2,817,633	1,829,852	1,768,713	935,806
1,152,108	245,511	62,060	1,071,123	398,785	517,319	(310,279)
813,615	(13,913)	(14,600)	(86,224)	(68,689)	(23,272)	(14,858)
1,965,723	231,598	47,460	984,899	330,096	494,047	(325,137)
(90,287)	6,836	2,105	(210,616)	(44,438)	254,098	-
1,875,436	238,434	49,565	774,283	285,658	748,145	(325,137)

2018 Rs. '000	2017 Rs. '000	2016 Rs. '000	2015 Rs. '000	2014 Rs. '000	2013 Rs. '000	2012 Rs. '000
319,663	55,340	31,066	33,193	38,298	18,304	7,187
47,868	24,075	40,861	40,609	19,844	10,378	17,583
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
26,519,838	23,799,894	11,326,163	10,236,450	11,639,241	9,932,984	3,720,979
242,750	332,803	2,000	2,000	304,938	346,563	92,465
6,069,028	6,625,115	8,529,332	8,920,212	3,276,554	3,590,811	3,100,936
70,118	104,032	62,379	65,972	62,549	17,426	-
811,035	540,521	576,353	524,524	755,566	356,608	428,861
-	-	-	6,000	6,000	6000	8,000
-	-	-	408,876	-	-	-
929,892	36,703	37,703	40,259	48,173	46,733	49,485
19,990	14,295	16,648	26,357	51,517	30,301	4,353
161,831	156,986	157,779	160,149	158,251	100,725	141,724
35,192,013	31,689,764	20,780,284	20,464,601	16,360,931	14,456,833	7,571,573

294,402	224,445	207,681	866	7,775	5,338	662
21,659	2,240	20,835	31,359	-	837	-
23,412,237	21,102,897	14,487,714	14,837,179	12,368,398	11,771,296	4,845,633
6,013,598	6,768,015	2,886,142	2,224,579	1,052,435	579,471	1,338,519
4,291	3,956	331	1,719	-	-	4,120
27,992	22,696	24,385	19,036	19,040	9,677	7,055
407,178	540,032	730,400	725,776	452,248	-	-
352,368	453,077	-	-	-	-	-
787,712	358,793	237,920	286,276	432,032	135,056	159,808
31,321,437	29,476,151	18,595,408	18,126,790	14,331,928	12,501,675	6,355,797

227,500	227,500	227,500	227,500	227,500	227,500	227,500
1,012,200	854,456	822,022	820,964	648,793	553,704	432,916
2,545,342	1,036,415	1,052,693	1,209,178	859,019	842,508	500,572
(90,053)	-	-	(1,564)	212,473	254,098	-
3,694,989	2,118,371	2,102,215	2,256,078	1,947,785	1,877,810	1,160,988
175,587	95,242	82,661	81,733	81,218	77,348	54,788
3,870,576	2,213,613	2,184,876	2,337,811	2,029,003	1,955,158	1,215,776
35,192,013	31,689,764	20,780,284	20,464,601	16,360,931	14,456,833	7,571,573

18.49	2.09	0.46	9.33	3.13	4.57	(3.13)
2.00	2.00	-	4.00	4.00	-	2.00
10.82%	95.69%	-	42.87%	127.80%	-	-
64.40%	10.05%	2.10%	45.11%	16.57%	31.16%	(21.97%)
7.87	13.14	8.37	7.61	6.84	6.32	5.09
36.49	20.92	20.76	22.28	19.24	18.55	11.47
31.80	20.10	19.10	27.00	19.30	11.20	11.00

## GLOSSARY OF FINANCIAL AND BUSINESS TERMS

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

- ★ **Consolidated Financial Statements:** Financial Statement of a holding company and its subsidiaries based on their combined assets, liabilities and operating results.
- ★ **Contingent Liabilities:** Conditions or situations at the reporting date, the financial affects of which are to be determined by future events which may or may not occur.
- ★ **Core Businesses:** Principal areas of business. In this report we refer to core businesses of the Company as Capital Markets Advisory, Wealth Management Fixed Income and Equities.
- ★ **Capital Market Advisory** refers to a range of advisory services offered by the Company including capital raising, capital market strategy, treasury/ liquidity management and project finance.
- ★ **Wealth Management** refers to the Company's wealth and asset management activities which include unit trust investments, discretionary portfolio management and tailored financial advice and products such as lifestyle investment.
- ★ **Fixed Income** refers to the range of fixed income based investment products and secondary market trading services in addition to primary dealing offered by the Company.
- ★ **Equities** refer to the stock brokering and margin trading services offered by the Company in view of secondary market trading in equity products.
- ★ **Corporate Governance:** Process by which corporate entities are governed to promote stakeholder interest. Shareholders exert collective pressure on management to ensure equitable decision making on matters that may affect the value of their holdings and base their response on statutory requirements or on so called "Best Practice".
- ★ **Cost Method:** Cost method is a method of accounting for an investment whereby the investment is recognised at cost. The investor recognises income from the investment only to the extent that the investor receives distributions from accumulated profits of the investee arising after the date of acquisition. Distributions received in excess of such profits are regarded as a recovery of investment and are recognised as a reduction of the cost of the investment.
- ★ **Credit Rating:** An evaluation of a corporate's ability to repay its obligations or likelihood of not defaulting, carried out by an independent rating agency.
- ★ **Credit Risk:** The risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.
- ★ **Deal Pipeline:** The approach of an investment bank to secure initial contact with a potential client, qualifying that prospect into a lead and further actions that lead into the different stages of execution to closing of the transaction on the client's behalf. Potential validated leads may be numerically estimated to depict the value of a deal pipeline. It is a reflection of the investment bank's potential or 'transactions-in-the-making'
- ★ **Debt Market:** This also refers to as the bond market. A financial market where participants can issue new fixed income securities, known as the primary market, or buy and sell fixed income securities, known as the secondary market.
- ★ **Deferred Tax:** Sum set aside in the financial statements that may become payable/ receivable in a financial year other than the current financial year. It arises because of temporary differences between tax rules and accounting conventions.
- ★ **De-recognition:** Removal of a previously recognised financial asset or financial liability from an entity's Statement of Financial Position.
- ★ **Derivatives:** A derivative is a financial instrument or other contract, the value of which changes in response to some underlying variable (eg. an interest rate), that has an initial net investment smaller than would be required for other instruments that have a similar response to the variable, and that will be settled at a future date.
- ★ **Dividend Cover:** Profit after tax divided by gross dividends. This measures the number of times the dividend is covered by distributable profits.
- ★ **Depreciation:** The systematic allocation of the depreciable amount of an asset over its useful life.
- ★ **Dividend Payout:** It is the percentage of earnings paid to shareholders in dividends.
- ★ **Dividend Yield:** Dividend earned per share as a percentage of its market value.

## Glossary of Financial and Business Terms

- ★ **Earnings per Share:** Profit attributable to ordinary shareholders, divided by the weighted average number of ordinary shares in issue.
- ★ **Effective Interest Method:** A method of calculating the amortised cost of a financial asset or a financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period.
- ★ **Events occurring after the Reporting Period:** Significant events that occur between the reporting date and the date on which financial statements are authorised for issue.
- ★ **Equity Instrument:** Equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities.
- ★ **Equity Method:** The equity method is a method of accounting whereby the investment is initially recognised at cost and adjusted thereafter for the post-acquisition changes in the investor's share of net assets of the investee. The profit or loss of the investor includes the investor's share of the profit or loss of the investee.
- ★ **Expected Credit Losses:** Expected credit losses are a probability – weighted estimate of credit losses over the expected life of the financial instrument.
- ★ **12 Month Expected Credit Losses:** The portion of expected credit losses that result from default events that are possible within the 12 months after the reporting date.
- ★ **Lifetime Expected Credit Losses:** The expected credit losses that result from all possible default events over the expected life of a financial instrument.
- ★ **Fair Value:** The price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.
- ★ **Financial assets recognised through profit or loss -measured at fair value:** These financial assets are held within a business model with the objective to sell financial assets.
- ★ **Financial assets at amortised cost:** These financial assets are held within a business model with the objective to hold financial assets in order to collect contractual cash flows. These assets are tested for impairment.
- ★ **Financial assets - fair value through other comprehensive income:** These financial assets are held within a business model with the objective to both hold financial assets in order to collect contractual cash flows and sell financial assets.
- ★ **Financial Asset or Financial Liability at Fair Value through Profit or Loss:** Financial asset or financial liability that is held for trading or upon initial recognition designated by the entity as 'at fair value through profit or loss'.
- ★ **Financial Instrument:** Any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.
- ★ **Fixed Income Securities:** Securities whose current income is fixed or based on some underlying index. These are also known as debt securities since they represent a fixed obligation of the company
- unlike equity, which pays dividends only when the company makes profits.
- ★ **Fixed Income AUM:** This refers to Assets Under Management which are made up purely of fixed income investments and also referred to Assets Under Management.
- ★ **Forward Rate Agreement:** An agreement between two parties who wish to protect themselves against a future movement in interest rates.
- ★ **Full Service Investment Banking:** Where an investment bank provides both advisory services in addition to trading, market making and research amongst other services on a broad array of financial products. This is in contrast to boutique or non-full service investment banking where the investment bank provides at least one but not all types of fee and fund based services that comprise investment banking.
- ★ **Fund:** See Unit Trust.
- ★ **Goodwill:** An intangible asset that represents the excess of the purchase price of an acquired company over the value of the net assets acquired.
- ★ **Gross Dividends:** The portion of profit inclusive of tax withheld distributed to shareholders.
- ★ **Group:** A group is a parent and all its subsidiaries.
- ★ **Guarantee:** A promise made for a fee by a third party (Guarantor), who is not a party to the contract between two others, that the guarantor will be liable if one of the parties fails to fulfill the contractual obligations.

- ★ **Held to Maturity Investment:** Non-derivative financial assets with fixed or determinable payments and fixed maturity that an entity has the positive intention and ability to hold to maturity.
- ★ **Impairment:** This occurs when recoverable amount of an asset is less than its carrying amount.
- ★ **Impairment Allowances:** Impairment allowances are provisions held on the Statement of Financial Position as a result of the raising of a charge against profit for the incurred loss. An impairment allowance may either be identified or unidentified and individual (specific) or collective respectively.
- ★ **Inorganic Growth:** Business expansion and enhanced outreach achieved by acquiring new businesses through mergers, acquisitions and take-overs.
- ★ **Intangible Asset:** An identifiable non-monetary asset without physical substance held for use in the production/ supply of goods/ services or for rental to others or for administrative purposes.
- ★ **Interest Rate Risk:** The risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.
- ★ **Interest Rate SWAP:** An interest rate SWAP is a contract, whereby two parties agree to exchange a set of interest cash flows based on a notional principle on pre-arranged dates. Normally fixed rate is exchanged for a floating rate.
- ★ **Interest Cover:** A ratio showing the number of times interest charges is covered by earnings before interest and tax.
- ★ **Initial Public Offering (IPO):** The first sale of a company's shares to the public, leading to the listing of its shares on the stock market.
- ★ **Joint Control:** Joint control is the contractually agreed sharing of the control over an economic activity and exists only when the strategic financial and operating decisions relating to the activity require the unanimous consent of the parties sharing control.
- ★ **Key Management Personnel:** Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly.
- ★ **Lease:** An agreement whereby the lessor conveys to the lessee in return for a payment or series of payments the right to use an asset for an agreed period of time.
- ★ **Liabilities:** Debt or obligations of a business.
- ★ **Liquidity Risk:** The risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities.
- ★ **Listed:** A company or its financial securities which are admitted for trading on a stock exchange.
- ★ **Loans and Receivables:** Non-derivative financial assets with fixed or determinable payments that are not quoted in an active market other than those intends to sell immediately or in the near term and designated as fair value through profit or loss or available for sale on initial recognition.
- ★ **Margin Trading:** A credit facility given to investors who wish to expand their investment portfolio.
- ★ **Market Maker:** In the local context, a market maker is a Primary Dealer that undertakes to buy or sell securities at specified prices for buying and selling, at all times, thus providing liquidity in that security.
- ★ **Market Value per Share:** The price at which an ordinary share is transacted in the stock market.
- ★ **Market Capitalisation:** The market value of a company at a given date obtained by multiplying the share price by the number of issued shares.
- ★ **Materiality:** The relative significance of a transaction or an event, the omission or misstatement of which could influence the decisions of users of financial statements.
- ★ **Money Broker:** Inter-bank money broker approved by the Central Bank of Sri Lanka.
- ★ **Mergers and Acquisitions (M&A):** Transactions in which the ownership of companies, other businesses or their operating units are transferred or combined. They are considered as capital market strategy or tactical management transactions that can allow companies to grow, decrease in size, change the nature of their business or enhance their competitive position.
- ★ **Net Assets per Share:** Net assets (total assets less total liabilities) divided by the number of shares issued.

## Glossary of Financial and Business Terms

- ★ **Non-controlling Interest:** Portion of the profit or loss and net assets of a subsidiary attributable to equity interests that are not owned, directly or indirectly through subsidiaries, by the parent.
- ★ **Operational Risk:** This refers to the risk of loss resulting from inadequate or failed internal processes, people and systems, or from external events.
- ★ **Organic Growth:** The process of business growth through increased output, customer base expansion, or new product development, as opposed to through Mergers and Acquisitions-which is inorganic growth.
- ★ **Outright:** The purchase or sale of a currency or security for delivery on any date other than spot (not being a swap transaction).
- ★ **Overnight:** Deposit or swap transaction for settlement on transaction date to or against the next business day after transaction date.
- ★ **Parent:** A parent is an entity that has one or more subsidiaries.
- ★ **Policy Rates:** The rates that are used by a central bank to implement or signal its monetary policy stance. The Central Bank of Sri Lanka uses the Standing Deposit Facility Rate and Standing Lending Facility Rate as policy rates.
- ★ **Portfolio:** Income generating assets such as loans, finance leases, investment securities and bills discounted etc.
- ★ **Price Earnings Ratio:** Market price of a share divided by earnings per share.
- ★ **Primary Market:** A capital market where newly issued securities are offered to the public directly by the issuer. Initial Public Offerings and new issues where a company offers its shares or debentures directly to investors constitute the primary market.
- ★ **Primary Dealer:** A dealer in government securities licensed by the Central Bank of Sri Lanka.
- ★ **Prime Lending Rate (PLR):** The interest rate a commercial bank will offer to its best customers.
- ★ **Related Parties:** Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions.
- ★ **Related Party Transactions:** A transfer of resources, services or obligations between related parties, regardless of whether a price is charged or not.
- ★ **Repurchase Agreement:** An agreement (Repo for short) is the simultaneous sale and repurchase of a security on different settlement dates.
- ★ **Return on Equity (ROE):** Profit after tax less preference share dividends if any, expressed as a percentage of ordinary shareholders' equity.
- ★ **Return on Assets:** Post-tax profit divided by average total assets.
- ★ **Revenue Reserves:** Reserves which may be distributed to shareholders as dividends.
- ★ **Reverse Repurchase Agreement:** An agreement (Reverse Repo for short) is the simultaneous purchase and resale of a security on different settlement dates.
- ★ **Rights Issue:** The issue of new shares with the right given to existing shareholders to purchase them in proportion to their shareholdings. This raises new capital for the company, often including a premium.
- ★ **Secondary Market:** A capital market where investors purchase securities or assets from other investors, rather than from the issuing companies themselves. The Colombo Stock Exchange is a secondary market (Listed shares/ debentures).
- ★ **Shareholders' Funds:** Shareholders funds consist of issued and fully paid ordinary share capital plus capital and revenue reserves.
- ★ **Standing Deposit Facility Rate (SDLR):** The floor rate of interest for the absorption of overnight excess liquidity from the banking system by the Central Bank of Sri Lanka.
- ★ **Standing Lending Facility Rate (SDFR):** The interest rate applicable on reverse repurchase transactions of the Central Bank of Sri Lanka with commercial banks on an overnight basis providing the ceiling rate for the injection of overnight liquidity to the banking system by the Central Bank of Sri Lanka.
- ★ **Statutory Reserve Requirement (SRR):** The proportion of rupee deposit liabilities that commercial banks are required to maintain as a deposit with the Central Bank of Sri Lanka.

- ★ **Subsidiary:** A subsidiary is an enterprise that is controlled by another enterprise (known as the parent company). Control is the power to govern the financial and operating policies of an enterprise so as to obtain benefits from its activities.
- ★ **Substance Over Form:** The consideration that the accounting treatment and the presentation in financial statements of transactions and the events are governed by their financial reality and not merely by its legal form.
- ★ **Swap (currency):** The simultaneous purchase and sale of identical amounts of a currency for different value dates.
- ★ **Term Repo:** A Repo with more than one day's duration. In this report we use it in relation to the Platinum Bond issued by the Company which is a Repo investment with medium to long term horizon. Also see Repurchase Agreement.
- ★ **Transaction Costs:** Incremental costs which are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability.
- ★ **Unit Trust:** An undertaking formed to invest in securities under the terms of a trust deed. May also be referred to as Fund or Mutual Fund.
- ★ **Unlisted:** A financial instrument that is not traded on a stock exchange. This also refers to a company that has not been admitted to the stock exchange or acquired 'listed' status.
- ★ **Venture Capital Company:** Venture Capital Company is an entity which is specialised in engagement of the business of providing equity investment in relation to commencement or expansion of business project.
- ★ **Yield Curve:** The graphical depiction of the relationship between the yield on Treasury securities and the corresponding period.



## NOTICE OF MEETING

Notice is hereby given that the 29<sup>th</sup> Annual General Meeting of First Capital Holdings PLC will be held as a virtual meeting, at No. 15, Walukarama Road, Colombo 03 on Thursday, 2 September 2021 at 11.00 a.m. to transact the following businesses.

1. To receive the Annual Report and the Audited Financial Statements of the Company for the year ended 31 March 2021 together with the Report of the Auditor's thereon.
2. To re-elect Ms. Minette Perera who retires by rotation in terms of Article 93 of the Articles of Association of the Company and offers herself for re-election.
3. To re-appoint Mr. Eardley Perera as a Director of the Company in terms of Section 211 of the Companies Act, No. 7 of 2007, by passing the following resolution;

"IT IS HEREBY RESOLVED THAT it be declared that the age limit of 70 years referred to in Section 210 of the Companies Act, No. 7 of 2007 shall not apply in relation to Mr. Eardley Perera, who is over 75 years of age and that he be re-appointed as a Director of the Company."

4. To re-appoint Messrs. KPMG, Chartered Accountants as Auditors of the Company for the ensuing year and authorise the Directors to determine their remuneration.
5. To authorise the Directors to determine and make donations.
6. To adopt new Articles of Association.

To consider and if thought fit, to pass the following resolution as a Special Resolution.

"**IT IS HEREBY RESOLVED** that the existing Memorandum and Articles of Association of the Company be replaced in its entirety with the **Articles of Association**, a full text of which is given herewith via the link <https://firstcapital.lk/>

By Order of the Board,

(Sgd.)

**K H L Corporate Services Limited**  
*Secretaries*

11 August 2021



## NOTES

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## Notes

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

**FORM OF PROXY**

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

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

as my/our Proxy to represent me/us and vote on my/our behalf at the 29<sup>th</sup> Annual General Meeting of the Company to be held as a virtual meeting, at No. 15, Walukarama Road, Colombo 03 on 2 September 2021 at 11.00 a.m. and at any adjournment thereof and at every poll which may be taken in consequence thereof.

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

		For	Against
1.	Receiving of the Annual Report and the Audited Financial Statements of the Company for the year ended 31 March 2021 together with the Report of the Auditor's thereon.		
2.	Re-election of Ms. Minette Perera who retires by rotation in terms of Article 93 of the Articles of Association of the Company and offers herself for re-election.		
3.	Re-appointment of Mr. Eardley Perera as a Director in terms of Section 211 of the Companies Act No. 7 of 2007.		
4.	Re-appointment of Messrs. KPMG, Chartered Accountants as Auditors of the Company for the ensuing year.		
5.	Authorising Directors to determine and make donations.		
6.	Adoption of new Articles of Association.		

Signed on this..... day of ..... 2021

Signature/s.....

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

## Form of Proxy

**INSTRUCTIONS FOR THE COMPLETION OF THE FORM OF PROXY**

1. Please perfect the form of Proxy overleaf, after filling in legibly your full name and address, by signing in the space provided and filling the date of signature and your National Identity Card Number.
2. The completed form of Proxy must be forwarded to the Company Secretaries by email [khl@khics.lk](mailto:khl@khics.lk), fax +94 112372498, WhatsApp to +94 773647178 or directly deposited at the office of Company Secretaries, K H L Corporate Services Limited, No. 15, Walukarama Road, Colombo 03 not less than 48 hours before the time fixed for the Meeting. No registration of proxies will be accommodated after this deadline.
3. If an Attorney has signed the form of Proxy, the relative Power of Attorney should also accompany the completed form of Proxy for registration, if such Power of Attorney has not already been registered with the Company.
4. If the Shareholder is a company or a corporate body, the Proxy should be executed in accordance with its Articles of Association or Constitution. The Company may but shall not be bound to require evidence of the authority of any such attorney or officer.
5. If there is any doubt as to how the vote is to be exercised, by reason of the manner in which the form of Proxy has been completed, no vote will be recorded by the form of Proxy.

# CORPORATE INFORMATION

## NAME OF COMPANY

First Capital Holdings PLC

## NAME OF SUBSIDIARIES

First Capital Limited  
First Capital Treasuries PLC  
First Capital Markets Limited  
First Capital Asset Management Limited  
First Capital Equities (Private) Limited  
First Capital Trustee Services (Private) Limited

## LEGAL FORM

Public Limited Liability Company listed on the Colombo Stock Exchange (Incorporated in Sri Lanka on 23 March 1992)

## COMPANY REGISTRATION NUMBER

PQ 44

## REGISTERED OFFICE

No. 2, Deal Place  
Colombo 3  
Sri Lanka

## BOARD OF DIRECTORS

Mr. Nishan Fernando  
Mr. Dinesh Schaffter  
Mr. Dilshan Wirasekara  
Mr. Prakash Schaffter  
Mr. Ramesh Schaffter  
Mr. Eardley Perera  
Ms. Minette Perera  
Mr. Chandana de Silva  
Dr. Nishan de Mel

## SECRETARIES

K H L Corporate Services Limited  
No. 15, Walukarama Road  
Colombo 3  
Tel: 0112145030

## REGISTRARS

SSP Corporate Services (Private) Limited  
No. 101, Inner Flower Road  
Colombo 3  
Tel: 0112 573894

## EXTERNAL AUDITORS

Messrs KPMG  
Chartered Accountants  
32 A, Sir Mohamad Macan Marker Mawatha  
P.O. Box 186  
Colombo 3

## PRINCIPAL BANKERS

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



**First Capital Holdings PLC**  
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T: +94 11 2 639 898 | F: +94 11 2 639 899  
E: [info@firstcapital.lk](mailto:info@firstcapital.lk)