CONQUERING SUMMITS

First Capital
A Janashakthi Group Company

FIRST CAPITAL HOLDINGS PLC
ANNUAL REPORT 2022/23

CONQUERING SUMMITS

At First Capital Holdings, we have confidently met our strategic objectives attuning ourselves with the needs of the Sri Lankan people through innovative solutions. Our winning approach has always been 'Performance First' and this year, we have conquered summits of greatness which has been reflected in our overall performance as the company celebrates a marvellous milestone; the greatest year in 40 years and so we arise in triumph, thankful to our loyal people, our invaluable treasures.

As we journey purposefully into the future, we plan to focus on key sustainability strategies, which have been firmly embedded into our company core to generate maximum value for all our stakeholders across the nation and thus, we remain passionate in uplifting and enhancing lives across Sri Lanka for a brighter tomorrow.

Because we are conquerors of summits.

First Capital
A Janashakthi Group Company

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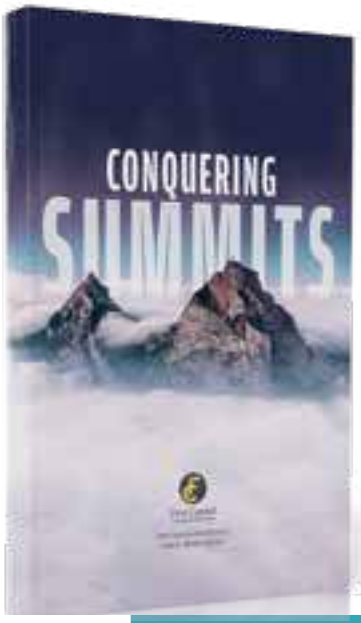
OUR INTEGRATED REPORT



We are pleased to present the second integrated report of First Capital Holdings PLC (First Capital, FCH or the Company).

This integrated report serves as our primary report to shareholders, debt funding providers and regulators. It also provides disclosures and information that can be of relevance to a diverse set of stakeholders. The integrated report is intended to provide a balanced, concise and accurate view of our operations and value story. It describes First Capital's approach to creating and preserving sustainable shared value whilst mitigating value erosion in the short (less than 12 months), medium (one to three years) and long term (beyond three years).

Our integrated report is an amalgam of the following reports and supplements, which collectively provide comprehensive disclosure and satisfy compliance reporting requirements:

- **Audited financial statements**
  Sets out the Group's audited financial statements for financial year FY2023 including the independent auditor's report.
  Pg 205 to 296
- **Governance report**
  Discusses the Group's governance approach and priorities.
  Pg 142 to 182
- **Enterprise risk management report**
  Sets out the approach to Group-wide risk management.
  Pg 192 to 201
- **Environmental, social and governance (ESG) supplement**
  An overview of the Group's approach and governance structures relating to environmental and social concerns.
  Pg 128 to 133

Subsidiary annual report

Our listed subsidiary, First Capital Treasuries PLC, provides an account to its stakeholders through its own annual report which is available on our website.

Intended readers

First Capital's integrated report is relevant for a range of stakeholders including shareholders, debt capital providers, regulators, clients, employees, business partners and the broader society.

All our annual reports, latest press releases, research, results presentations and announcements are available on our website, https://firstcapital.lk.

The invitation to the annual general meeting (AGM) and form of proxy are part of this report. The integrated report and the invitation to the AGM have been circulated among shareholders through the Colombo Stock Exchange website, https://cse.lk.

Printed copies of the annual report are available to shareholders upon request.

For information on forward-looking statements, refer to page 8.

Navigation

The following icons refer readers to information in our integrated report.

Refers readers to information elsewhere in this report.

Refers readers to information in other reports online.

Capital Icons

- Financial Capital
- Manufactured Capital
- Intellectual Capital
- Human Capital
- Social and Relationship Capital
- Natural Capital

ABOUT OUR REPORT

This report details the manner in which we uphold our corporate philosophy, deliver strategic priorities and measure strategy-in-action relative to our financial and non-financial targets in the period spanning 1 April 2022 to 31 March 2023 (FY2023). It provides an assessment of the opportunities, risks and impacts influencing our ability to create and preserve sustainable shared value, whilst containing value erosion. The report also presents insights and forward-looking statements on emergent trends, strategic initiatives and performance in the year ahead. The scope of information in this report relates predominantly to the medium term.

The reporting period from 1 April 2022 to 31 March 2023 is consistent with our annual reporting cycle for financial and sustainability reporting.

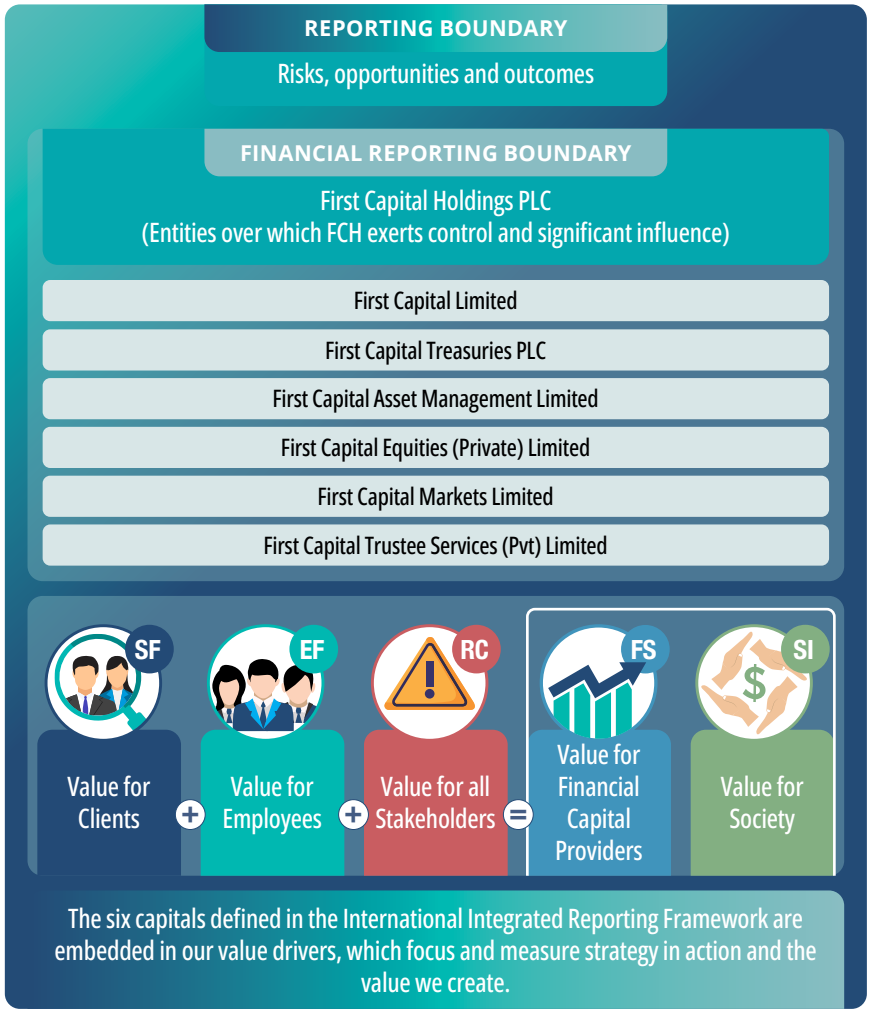
Key to Guide Our Value Drivers

REPORTING BOUNDARY

The data in this report, both financial and non-financial, pertain to First Capital Holdings PLC (First Capital, FCH or the Company) as the reporting entity including all entities over which it exerts control or significance influence (collectively the Group, First Capital Group or FCH Group). Certain measures may relate to specific categories of activity only and are specified as such.

The reporting boundary includes the strategic narrative pertaining to our business activities inclusive of subsidiaries where they are relevant to the Group's business model and strategy, performance and prospects. The risks, opportunities and outcomes arising from entities and stakeholders over which we do not have control or significant influence, are included where the nature and materiality of the risks, opportunities and outcomes affect our ability to create and preserve value.

Financial information has been prepared based on of Sri Lanka Accounting Standards comprising Sri Lanka Financial Reporting Standards (SLFRS), unless otherwise specified, and therefore includes the consolidation of all entities in the Group. The presentation and classification of figures for the corresponding period of the previous year have been reclassified/restated to be comparable with those of the current year where necessary.



ABOUT OUR REPORT

KEY FRAMEWORKS

The information contained within this report complies with all applicable laws, regulations and standards. The preparation of this report has drawn on concepts, principles, and guidelines established in the International Integrated Reporting Framework (International <IR> Framework). This report has been prepared in accordance with the Standards published by the Global Reporting Initiative (GRI) and adheres to the following frameworks:

	Reporting Framework	Internal Assurance	External Assurance
Financial	→ Sri Lanka Accounting Standards comprising Sri Lanka Financial Reporting Standards (SLFRSs) → Companies Act No. 7 of 2007 (as amended) → Inland Revenue Act No. 24 of 2017 (as amended) → Value Added Tax Act No. 14 of 2002 (as amended) → Listing Rules of the Colombo Stock Exchange (CSE) → Relevant directions/circulars issued on reporting format by the Central Bank of Sri Lanka (CBSL)	→ Internal Audit → Internal controls → Reporting to the Board Audit Committee and the Board of Directors	→ Independent Auditors' Report by KPMG, Chartered Accountants
Narrative	→ International <IR> Framework of the International Integrated Reporting Council → "A Preparer's Guide to Integrated Corporate Reporting" issued by the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka)	→ Review by the Board of Directors	
Sustainability	→ Global Reporting Initiative Sustainability Reporting Standards (GRI) → Sustainability Accounting Standards Board (SASB) Standards → Gender Parity Reporting Framework of CA Sri Lanka → Guide on communicating sustainability issued by the CSE → United Nations (UN) Sustainable Development Goals (SDGs)	→ Assessment of non-financial information by the Awards Committee, an executive committee with oversight on reporting excellence → Internal Audit	→ Independent assurance on GRI Reporting by KPMG, Chartered Accountants
Corporate governance	→ Listing Rules of the CSE → Rules promulgated under the Securities and Exchange Commission of Sri Lanka Act No.19 of 2021 applicable to market intermediaries published in Gazette Extraordinary No. 2271/09 dated 15 March 2022 → Code of Best Practice on Corporate Governance issued by the Institute of Chartered Accountants of Sri Lanka (2017)	→ Governance framework and statutory and regulatory compliance review by the Risk and Compliance division	

ASSURANCE

The Board of Directors ensures the integrity of our external reporting through an established internal process that is embedded in practice and supported by various levels of oversight.

We apply a risk-based, combined assurance approach over the Group's operations. Internal controls, management committee assurance, compliance and internal audit reviews, as well as the services of independent external service providers support the accuracy of the disclosures within this report.

The Group Auditor, KPMG, Chartered Accountants has provided independent assurance and has expressed an unmodified audit opinion on the Group's audited consolidated annual financial statements for the year ended 31 March 2023 included in this report.

This integrated report includes sustainability reporting on which assurance on selected information has been provided by KPMG.

PROCESS DISCLOSURES

The following processes were employed in the preparation and approval of our reports:

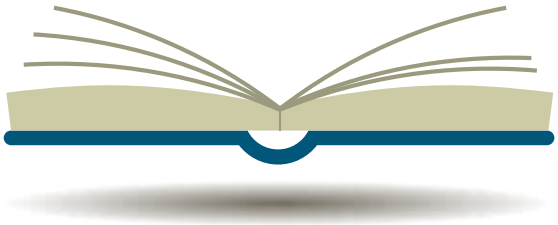
- A cross-functional project team combining finance, risk and compliance, research and branding disciplines supported by internal and external advisors, ensures that a comprehensive information gathering and preparation process is followed.
- A gap analysis was conducted of the previous year's annual report, our debut in integrated reporting. The findings were reviewed and taken on Board by the Awards Committee, an management committee overseeing that process and controls are applied in the information gathering, drafting, approval and publication process.
- Internal and external feedback on processes, content and focused application of the International <IR> Framework were used to improve this integrated report.

- Guidance on the reporting approach and content planning is provided by the Awards Committee. Information and perspectives of executives and senior management are gathered by the project team to support content planning.
- Several drafts of the report are reviewed by the senior management and feedback incorporated by the project team under the Awards Committee's oversight, prior to the review by the Board of Directors.

- The Risk and Compliance division follows an enterprise risk identification process to determine the risk grading of material matters. Together with matters gathered by operating context assessment and identification of internal and external stakeholder matters of legitimacy, issues identified through an enterprise risk perspective are pivotal to the preparation of the integrated report. Issues that are reported as material are reviewed, filtered and finalised by the Awards Committee.
- Material matters are reviewed and approved by the Board of Directors.

- Information included in this report is sourced through diverse internal and external sources. The Board of Directors, Board sub-committees, the Group Managing Director and senior management are consulted to gather deep and broad insights and to validate perspectives underlying decision-making.
- Third party sources are identified and bibliographed so as to aid verifiability.

- Components of the integrated report pertain to both financial and non-financial data. Such information across the report is checked and aligned for consistency by the project team with oversight by the Awards Committee.



ABOUT OUR REPORT

MATERIALITY

The report presents a balanced and accessible assessment of First Capital's strategies, performance, governance, sustainability and prospects in relation to our material matters.

Our material matters are reviewed annually and are determined by a range of considerations including changes in our operating environment; potential trends impacting the way we execute strategies or create shared value and long-term financial and non-financial performance; matters presented for discussion to our Board of Directors; risks identified; and the evolving expectations of our key stakeholders.

The materiality analysis provides insight into the choices made in developing the content shown in the report. This is illustrated in a materiality matrix that identifies the topics that have had a substantial impact on stakeholders and the Group.

Read more on the process relating to determining material matters for FY2023 on Pages 58 to 59.

FORWARD-LOOKING STATEMENTS

We may have included certain forward-looking statements on our future priorities, strategies and growth opportunities. These are based on projections and expectations that may be evolving and subject to change based on market conditions, operating environment and factors that are beyond our control.

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

All forward-looking statements are not conclusive and have not been reviewed by the Group Auditor.

FEEDBACK AND QUERIES

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

Please direct your feedback regarding this report to:

Mangala Jayashantha
Chief Financial Officer
First Capital Holdings PLC
02, Deal Place
Colombo 00300.
mangala@firstcapital.lk

STATEMENT OF THE BOARD OF FIRST CAPITAL HOLDINGS PLC

The Board acknowledges its responsibility to ensure the integrity of the FY2023 integrated annual report. The Board Audit Committee, as mandated by the Board to oversee the preparation and presentation of the integrated report has reviewed and recommended this report to the Board of Directors for approval.

The Board considers the preparation and presentation of this report as being materially in accordance with the guidelines of the Integrated <IR> Framework. The Board is therefore of the opinion that the report addresses material information and fairly presents the Group's performance for FY2023.

Approved and signed on behalf of the Board,

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

OUR REPORTING JOURNEY

We first implemented the principles of integrated reporting in publishing last year's annual report. It is our aim to closely align with global best practices and widen the scope of external assurance as we progress on this reporting journey.

The First Capital integrated report for FY2022 won Silver at the TAGS Awards organised by CA Sri Lanka and the CSE.

Our first integrated report:

- Adopted integrated thinking using a value driver-based strategic approach and a delivery model fusing the six capitals of the International <IR> Framework
- Provided quantitative measures on stakeholder value created
- Achieved compliance with the Core Option under the GRI Standards 2016
- Reported on compliance with the revised Code of Best Practice on Corporate Governance issued by CA Sri Lanka (2017)

IN FORMULATING OUR INTEGRATED ANNUAL REPORT FOR FY2023, WE ENDEAVOURED TO REFINE OUR INTEGRATED THINKING AND RESHAPE PRESENTATION.

Detailed briefings by internal and external reporting experts guided our enhancement efforts;

External Assurance

- Obtained external assurance for GRI reporting
- Limited scope assurance was obtained on selected non-financial reporting including certain sustainability reporting related information

Non-financial reporting

- Adopted SASB Standards
- Provided disclosures relating to ESG matters and Gender Parity as per guidance issued by the CSE and CA Sri Lanka
- Initiated reporting on how we align with the United Nations Sustainable Development Goals

Connectivity

- Improved connectivity by using navigation icons and establishing graphical linkages across the report

Emphasis

- Demonstrates more clearly how we engage and prioritise stakeholders and create value for relevant stakeholder groups
- Deepened how we measure strategic progress to provide a balanced and clear comparative view of metrics
- Demonstrated linkages and trade-offs between capital inputs

Conciseness

- Reduced repetitive information to facilitate easier reading and contextualising

Reinforcing our commitment towards sustainable practices, we encourage our shareholders to download our integrated report from First Capital's corporate website to eliminate paper wastage.

FIRST CAPITAL IN PERSPECTIVE

WHO WE ARE

In 2022, First Capital turned 40. The legacy of success as an elite investment and advisory solutions provider stems from our tactical origin as a money broker and primary dealer in the local market. Since 1982, we have consistently added to these foundational capabilities and extended our geographic reach and industry penetration.

A new management vision for this milestone year embodies our accelerating efforts to create a more sustainable society. First Capital has adopted a meaningfully different strategic approach leading to superior long-term outcomes reflective of this vision.

We provide a focused set of products and services to institutional, corporate, mass-affluent and high-net-worth individual as well as retail investors. With over 100 professionals and support staff, we operate out of five thriving commercial hubs to better serve our strong client base across Sri Lanka.

Creating exceptional value is enabled by our PERFORMANCE FIRST ideology. This unity of purpose is embraced by our talented team which provides independent financial solutions backed by broad and deep insight, rigour in conduct and integrity of analysis.

At First Capital, we focus on building enduring relationships with our stakeholders and uphold a corporate philosophy encompassing the guiding principles and ideologies underpinning our vision to improve the lives of all Sri Lankans through financial solutions.

Our unwavering corporate philosophy, a resolute vision and values act as cornerstones to establishing a distinct, performance oriented and positive culture.

Read more on how we move beyond financial services in embracing our new vision on page 69.

COMPELLING INVESTMENT PROPOSITION

As an integrated financial services provider, First Capital has been fêted for its multi-faceted industry presence. Our principles-led, purpose driven growth, skilled people and technology- based reach, and a symbiotic relationship with the Janashakthi Group are catalytic forces determining expansive brand recognition and legitimacy.

Read more pages 87 to 127

Positioned to respond to the transition

As our economy and markets traverse a fundamental transition, we are optimistic that timely Government action and reforms, and a new rate regime relative to that prevalent over the year can support strong growth in capital market services providers that have already proved fit-for-purpose to navigate dynamic change, volatility, complexity and ambiguity.

Read more pages 134 to 136

Committed to driving sustainable growth and shared value

We have refined and reprioritised strategic targets to scale key pillars of growth in an ambitious corporate strategy aiming to deliver superior shareholder value. A new corporate vision commits us to deliver sustainable and inclusive societal value in selected microcosms in turn creating prosperity for all.

Read more pages 70 to 73

DIFFERENTIATING FACTORS

Diversified business model

Our businesses and income are diversified across client groups to provide protection in times of vacillating economic fortunes and complexity.

We aim to optimise the balance between capital light, fee-based income and capital intensive, fund-based income to enhance scalability and our ability to achieve and maintain superlative growth.

Stability

The diversity of our core offering and meticulous approach to risk management creates stability for our Group and all its stakeholders.

This stability is clearly conveyed in First Capital's credit rating, bolstered by a strong and liquid balance sheet that provides flexibility to balance uncertainty and complexity with growth aspirations.

Cohesion

Our Group is an amalgam of entities which recognises that the whole is greater than the sum of its parts. We are a unified enterprise, reliant on both the management autonomy and offerings of each core business and shared services which form the foundation for a beneficial deal making environment. We empower each other to unify in our diversity of capability to achieve one vision.

Appetite for collaborative expansion

We have the access to capital and collaborative resources- Group synergies, business partnerships and other alliances, to help pursue leading growth and societal impact.

Service focus and digital reach

Our skilled investment and trading teams strive to create and preserve client-wealth. Our advisory solutions are objective, unconflicted and customised for client needs. Superior risk-adjusted returns are targeted for certain client groups where risk profiles align.

To enhance our processes and to provide clients with an excellent service we invest in our digital core as part of our strategy. We leverage technology to help clients transition towards a more sustainable future by facilitating access, improving financial decision-making and their financial wellbeing through our capital market solutions.

Growth potential in capital markets

Prospects for future growth are supported by an anticipated new dimension in economic and market conditions.

We believe that opportunities and potential persist to increase market share, particularly in some of the less capital intensive services where we have relatively small market shares.

Where we have market dominance we believe will gain further momentum as economic conditions turn salutary as envisaged.

Across the globe, difficulties in pricing risk and capital when interest rate hikes showed no sign of abating gave way to a "freeze-up" in capital formation which eventually worked its way into the M&A market. We anticipate potential improvements in both markets that we have witnessed these challenges, as the interest regime transitions.

As we expand our communal macrocosm as part of the sustainability vision, underbanked or financially excluded niche markets will increasingly be of interest to us.

We strive to access broader retail markets while targeting select wholesale markets, to enhance our growth potential.

Highlights of Value

Indicator	Group		Company	
	FY2023	FY2022	FY2023	FY2022
Profitability and Efficiency ratios				
Operating profit margin	26.76%	-33.9%	9.60%	4.3%
Net profit margin	18.52%	-28.7%	62.86%	-55.3%
Return on assets	4.90%	-1.7%	14.62%	-3.6%
Return on equity	46.16%	-14.1%	46.36%	-12.3%
Return on capital employed	25.57%	2.9%	33.70%	1.83%
Cost to income ratio (times)	0.75	1.37	0.90	0.95
Equity ratios				
Net assets value per share* (Rs.)	15.05	10.00	15.05	10.00
Earnings per share* (Rs.)	5.78	(1.50)	5.81	(1.31)
Dividend per share (Rs.)	2.25	-	2.25	-
Dividend payout	38.92%	N/A	38.75%	N/A
Price earnings ratio (times)	5.50	N/A	5.48	N/A
Price to book ratio (times)	2.11	0.77	2.11	0.77
Market value per share				
High (Rs.)	41.00	49.50	41.00	49.50
Low (Rs.)	29.00	30.70	29.00	30.70
Year-end (Rs.)	31.80	31.00	31.80	31.00
Dividend Yield	7.08%	N/A	7.08%	N/A
Debt ratios and risk measures				
Debt to equity ratio (times)	8.6	8.1	1.7	2.8
Quick assets ratio (times)	1.2	1.2	1.5	1.3
Interest cover (times)	1.4	0.6	1.9	0.3
Equity assets ratio (times)	0.10	0.11	0.37	0.26
Capital adequacy ratio-core equity Tier 1 +Tier 2 (CAR)	23.98%	84.90%	N/A	N/A
Credit Rating**	A (Stable outlook)	A (Stable outlook)	A (Stable outlook)	A (Stable outlook)

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

** In FY2023, the Company was rated by the newly appointed Lanka Rating Agency. The appointment comes as a result of the previous Rating Agency, ICRA Lanka ceasing its operations.

Valued team

FY2023 : **106**
Permanent employees

FY2022 : 90

Valued clients

FY2023 : **10,247**
Total active clients

FY2022 : 7,807

Partnerships for societal impact

Janashakthi Foundation

Habitat for Humanity Sri Lanka

Digital Core

Industry leading digital response.

Streamlined pre-post trade processes.

COMMON EQUITY TIER 1 + TIER 2 Capital Adequacy Ratio

FY2023 : **24.0%**

FY2022 : 84.9%

Brand value

FY2023 : **Rs. 562Mn**

FY2022 : Rs. 1.0 Bn

Credit rating

FY2023 :
Rated A (Stable) by Lanka Rating Agency

FY2022 :Rated A (Stable) by ICRA Lanka

ROE

FY2023 : **46.2%**

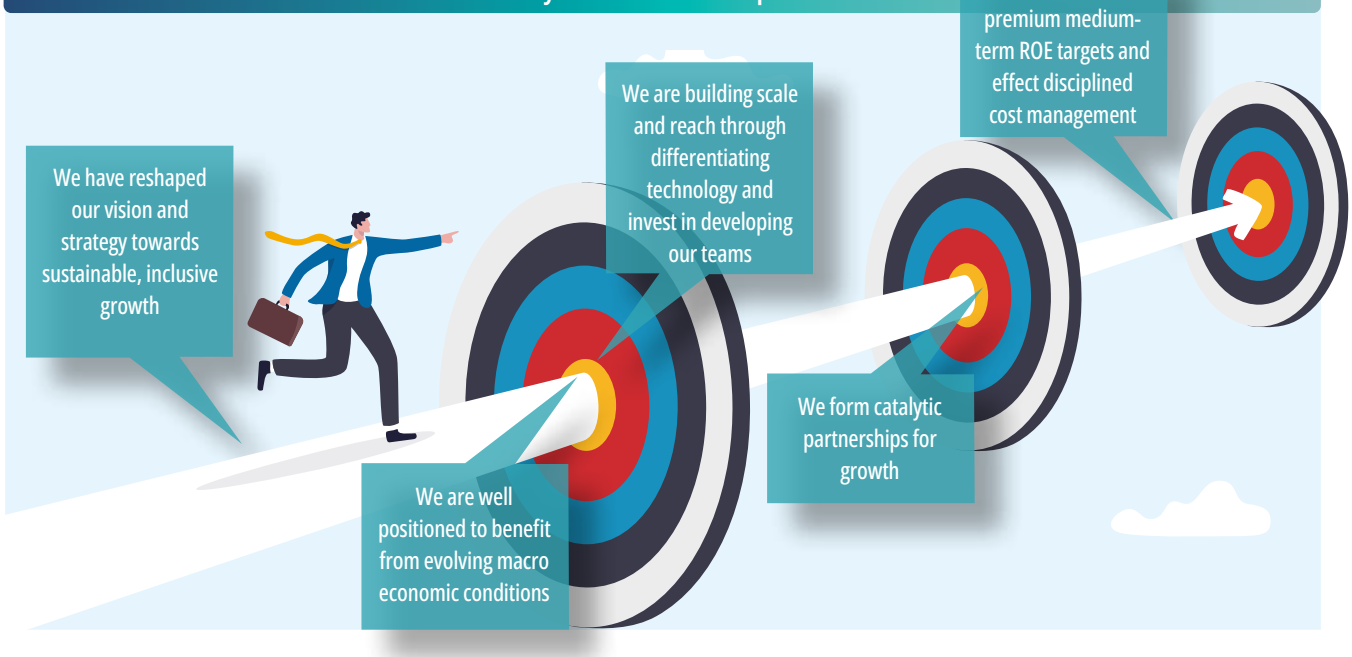
FY2022 : (14.1%)

ROA

FY2023 : **4.9%**

FY2022 : (1.7%)

Why invest in First Capital?



Awards and Recognition

Most Valuable Consumer Brand in the Investment Banking Sector: Brands Annual 2023

TAGS Award – Silver Investment Banking Sector

LMD Most Awarded 2022 Joint No.1 in the Investment Banking Sector

Most Valuable Consumer Brand

Best Sector Report – Bronze Capital Market Awards 2023

LMD Most Awarded 2022

Operating Structure

We uniquely combine the scope and capability of our integrated service platform through a structure that achieves legal separation of businesses, operational independence of subsidiaries and objectivity.

FCH exerts influence on operating subsidiaries through primarily non-executive representation on their Boards thus enabling relative autonomy of Group entities. A majority of each subsidiary Board is comprised of independent non-executive directors in keeping with benchmark subsidiary governance practices.

In terms of structure, First Capital Holdings PLC is the controlling company of our core businesses. FCH is publicly owned and listed on the CSE, trading under the ticker CFVF.

Our structure and operating subsidiaries as at 31 March 2023

First Capital Holdings PLC (FCH)

First Capital Limited (FCL)
100%

First Capital Treasuries PLC (FCT)	First Capital Asset Management Limited (FCAM)	First Capital Equities (Private) Limited (FCE)	First Capital Markets Limited (FCM)	First Capital Trustee Services (Private) Limited (FCTS)
89.4%	98.7%	100%	100%	100%

Salient features of the First Capital structure

- We consider First Capital as an integrated service platform. First Capital's holding structure is two-tier, with First Capital Limited, a solely owned operating subsidiary of FCH, in-turn having majority or sole ownership of five subsidiaries.
- The portfolio of subsidiaries together with First Capital Limited operate independently and are legally separated entities. Strategic direction, financial capital and managerial support emanates from Group level to create a synergistic business environment.
- First Capital's business units are primarily physically separated and where required, functionally segregated in relation to fee and fund-based services. They are interlinked through a common brand, management team, systems and shared functions.
- Regulated businesses are licensed by the Securities and Exchange Commission of Sri Lanka (SEC) and the Central Bank of Sri Lanka (CBSL).

- As a responsible steward of our Group entities, subsidiaries are required to adhere to group level policies in relation to governance, risk management, internal controls, financial management, legal compliance, social responsibility, health and safety, information management, stakeholder relationships, succession planning and sustainability.
- As per the latest Market Intermediary Rules laid down by the SEC with respect to the business of Corporate Finance Advisory, First Capital Holdings PLC (FCH) is in the process of obtaining licence for the said business operations by incorporating a new subsidiary under FCH.

Our Integrated Solutions

First Capital provides a full-suite of integrated investment, trading and advisory solutions. Our core products and services leverage deep expertise and insight to challenge limitations.

We aim to build well-defined, value-added businesses focused on serving select market niches where we can compete optimally.

First Capital is active across several classes, sectors and markets serviced via our core business segments.

Our clients' business and investment objectives

- Superior risk-adjusted returns
- Diversification
- Accessing markets
- Raising capital
- Risk mitigation
- Deal execution

Our integrated investment and advisory platform

- Investment and Trading solutions
- Advisory solutions

Our advisory solutions engender independence and objectivity as a valued adviser to our clients

Our investment solutions focus on helping clients create and preserve wealth

Advisory solutions

Multi-sector /Debt and equity primary markets

- Debt and equity offerings in public and private markets
- Origination, structuring and placement of corporate debt securities and structured products
- M&A
- IPO
- Valuations
- Restructurings
- Project advisory

Investment and trading solutions

Focus on helping clients access markets and investments that create and preserve wealth across multiple asset classes.

Fixed Income

- Primary market access to Government securities
- Fixed income investment products including repos, reverse repos, term repos and structured products with gilts as underlying
- Rate solutions including forwards and swaps
- Corporate debt securities and structured products
- Secondary market trading in government securities and corporate debt
- Market making

Equities

- Secondary market trading in listed equities
- Credit against listed equities

Funds /Multi- asset class

- Unit trusts
- Private wealth management
- Discretionary and non-discretionary portfolio management
- Personal financial planning
- Succession planning
- Lifestyle financial planning solutions

First Capital Research

Provides deep sector expertise complementing both buy-side and sell-side analytics to support investment and trading solutions.

Our Businesses

We service clients through four core segments

- Government Securities
- Corporate Finance and Advisory
- Asset Management
- Stock Brokering

Our Core Businesses

Our offering leverages deep expertise and insight to challenge limitations.

First Capital's core businesses each come with its distinct proposition and operational footprint.

Government Securities

Provides access to primary markets and trading and rate solutions in gilts.

Market positioning

Market dominant non-bank affiliated primary dealer.

Value proposition

- Best-execution and tactical trading strategies in government debt markets
- Agility through leveraged trading strategies
- Opportunities to expand into innovative rate solutions

Target market

- Institutional and high-income professionals/ affluent investors, qualified retail investors (meeting a minimum investment threshold) with a view to broadening to small-ticket retail

Corporate Finance and Advisory

Provides debt and equity capital raising and advisory solutions.

Market positioning

Market nicher cautiously optimistic on pricing risk and capital in a new rate regime.

Value proposition

- Best-efforts based execution of capital formation transactions in public and private markets
- High-quality, objective advisory solutions
- Bespoke funding, investment and risk mitigation solutions leveraging treasury and trading services
- Strong ability to originate, structure and place asset backed products

Target market

- Primarily institutional investors including listed and unlisted corporates

Asset Management

Provides unit trust and investment management services.

Market positioning

Market challenger ranked amongst top five in terms of money market performance with growing traction in retail distribution.

Value proposition

- Yield superior risk adjusted returns against internal benchmarks in assets under management

Target market

- Unit trusts target retail investors while private wealth management target institutional and high-net-worth investors

Stock Brokering

Provides secondary market trading services in equities.

Market positioning

Market follower retaining its ranking by turnover, exploring potential for enhanced reach and cost efficiency.

Value proposition

- Best execution and custom trading strategies including leveraged trading based on client risk profile
- Two distinct channels: direct and agency, for geographic reach and cost efficiency
- Strategy to internationalise, targeting foreign institutional investors within regional markets, particularly, India

Target market

- Institutional, high-net-worth individuals and retail investors
- Selective foreign institutional is a new target market

Our Operational Footprint

First Capital's segmental operational footprint is detailed below:

Operating profit of Government Securities increased 522% to Rs. 3,753 Mn

Successful Participation rate T bills	Successful Participation rate T bond	Effective Participation T Bond
10.2%	10.1%	128.4%

Operating profit of Corporate Finance and Advisory increased 163% to Rs. 141 Mn

Funds mobilised for clients	Outright sale of commercial papers
Rs. 7.0 Bn	Rs. 5.8 Bn

Operating profit of Asset Management decreased 102% to (Rs. 0.4 Mn)

Unit trust assets under management	Non-discretionary and other funds under management	Total assets under management
Rs. 7.2 Bn	Rs. 33.3 Bn	Rs. 40.5 Bn

Operating profit of Stock brokering decreased 50% to Rs. 155 Mn

Turnover from foreign sources	Retail turnover	Total turnover
Rs. 2.0 Mn	Rs. 190.0 Mn	Rs. 192.0 Mn

Our Operational Footprint

Business leaders

GOVERNMENT SECURITIES

Sachith Perera

CORPORATE FINANCE AND ADVISORY/ CORPORATE DEALING SECURITIES AND BRANCH OPERATIONS

Tharusha Ekanayake

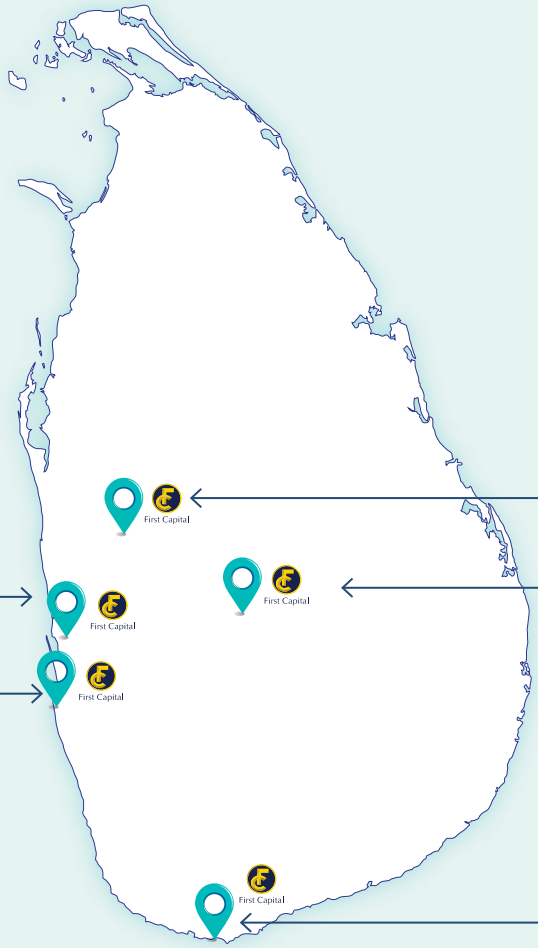
ASSET MANAGEMENT

Kavin Karunamoorthy

STOCK BROKERING

Jaliya Wijeratne

Where we operate



KURUNEGALA

Established in 2011

NEGOMBO

Established in 2013

KANDY

Established in 1996

COLOMBO

Headquartered in Colombo since 1982

Brand well established as provider of full-suite of investment and advisory solutions

MATARA

Established in 2000

Branches are focused on growing as boutique operations.

Performance Momentum

Successful strategic realignment to navigate uncertainty, volatility and vulnerability in our economy and markets over the past year has resulted in significant performance momentum.

We delivered record earnings growth and several strategic milestones as our businesses continue to grow and evolve. We are pleased to report on this progress in this integrated report.

First Capital delivered apex Group performance despite arduous operating conditions. The diversity of our businesses, the strength of our risk culture and timely controls meant that even as some core businesses faced difficult market conditions, others were able to expand profitably by servicing a growing client base and exploiting transitional opportunities.

The Group achieved record results in operating and net profit

Group operating profit increased 596% to Rs. 3,826 Mn

Operating profit

596% YOY

FY2023 : Rs. 3,826 Mn

FY2022 : (Rs. 771 Mn)

Group net profit increased 505% to Rs. 2,647 Mn

Net Profit

505 %YOY

FY2023 : Rs. 2,647 Mn

FY2022 : (Rs. 652 Mn)

First Capital Treasuries PLC (subsidiary) maintained a sound capital position with total capital adequacy of 24.0%, in excess of regulatory requirements (10%) (FY2022: 84.9%)

Earnings per share (EPS)

FY2023 : **Rs. 5.78**

FY2022 : (Rs. 1.50)

Liquidity remains adequate with cash and near cash balances amounting to Rs. 110 Mn (FY2022: Rs. 527 Mn)

Dividend per share

Dividend was not declared in FY2022

FY2023 : **Rs. 2.25**

FY2022 : None

Performance momentum

Navigating the economic and market flux, challenging for some core businesses;

Diversified business model bolstered overall performance

- Strong Group performance against a backdrop of continued macro-uncertainty, ambiguity and volatility
- Government securities business reflected enhanced client-based flows in a high yield environment
- Corporate Finance and Advisory found operating environment non-conducive for capital formation deals and anticipates a thawing of conditions in the short term
- Asset Management business found market vulnerabilities a challenge due to high net outflows in unit trust funds with capital flight to high-yield gilt markets; recorded relatively stable corporate and private client activity in private wealth management
- Stock Brokering found market conditions negative but held firm although operating profit declined ; sees future opportunities to internationalise within the region and grow international footprint with increased interest in selective sectors
- The Group has successfully leveraged its ability to provide clients a digital retail offering, increasing its client base with active digital clientele
- We see opportunities to increase retail reach further through advanced digital core and capabilities across the value chain

Three of our four core businesses contributed positively to net profit.

FY2023 segmental net profit*

Government Securities

FY2023 : **Rs. 2,886 Mn**

543% YOY

FY2022 : (Rs. 652 Mn)

Corporate Finance and Advisory

FY2023 : **Rs. 40 Mn**

116% YOY

FY2022 : (Rs. 248 Mn)

Asset Management

FY2023 : **(Rs. 0.4 Mn)**

100% YOY

FY2022 : Rs. 87 Mn

Stock Brokering

FY2023 : **Rs. 109 Mn**

53% YOY

FY2022 : Rs. 230 Mn

* Segmental net profit is prior to intra-group adjustments and eliminations.

YOY variations are subject to rounding error, having being computed on actual reported figures as appearing in the financial statements.

Business Model Perspectives

In our 40-year journey, we secured early on, inorganic growth through strategic acquisitions that helped grow our offering. Our operating model also grew organically to facilitate a full-suite of integrated financial solutions.

We believe that we can create a meaningful and balanced service portfolio by strengthening the foundations we have put in place to help gain traction in our performance.

Our current focus is to:

- Continue to build the core businesses organically by investing and building for the next phase of growth in line with strategy
- Maintain momentum in the fee-based businesses
- Continue to leverage our existing client base and attract new clients by extending the breadth and depth of our relevance both locally and in select international jurisdictions
- Provide an integrated and agile full service suite for our clients by advancing our digital platform

Our business model goals

- We aim to maintain a **suitable balance** between income types earned through the core businesses
- We aim to ensure that we **are not overly reliant** on any one core business to sustain our activities
- We aim towards a **solid** recurring income base that enables us to navigate through varying economic and market cycles and supports strategy

Capital light activities

Contributed 2% of Group income

- Asset management
- Corporate Finance
- Advisory

Capital intensive activities

Contribute 98% of Group income

- Dealing portfolios
- Investment portfolios
- Trading income
- Client flows
- Balance sheet management

The manner in which our business model has proceeded over the past five years in terms of the income mix between capital light (fee -based) and capital intensive (fund-based) activities is depicted below.

Capital light activities

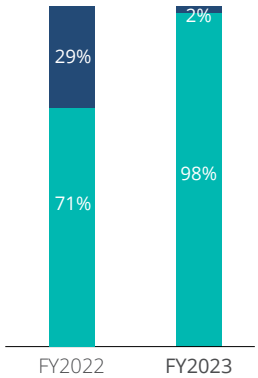
CAPITAL LIGHT BUSINESSES

Rs. 345 Mn
2% of direct income

Net fees and commissions of Rs. 155 Mn
1% of direct income

Brokering income fees
Rs. 190 Mn
1% of direct income

Income Mix



CAPITAL INTENSIVE BUSINESSES

Rs. 13.9 Bn
98% of direct income

Interest income of
Rs. 13.5 Bn
95.0% of total direct income

Investment income (Dividend) of
Rs. 47 Mn
0.3% of direct income

Trading income of
Rs. 375 Mn
2.7% of direct income

Third party assets under management and advisory income

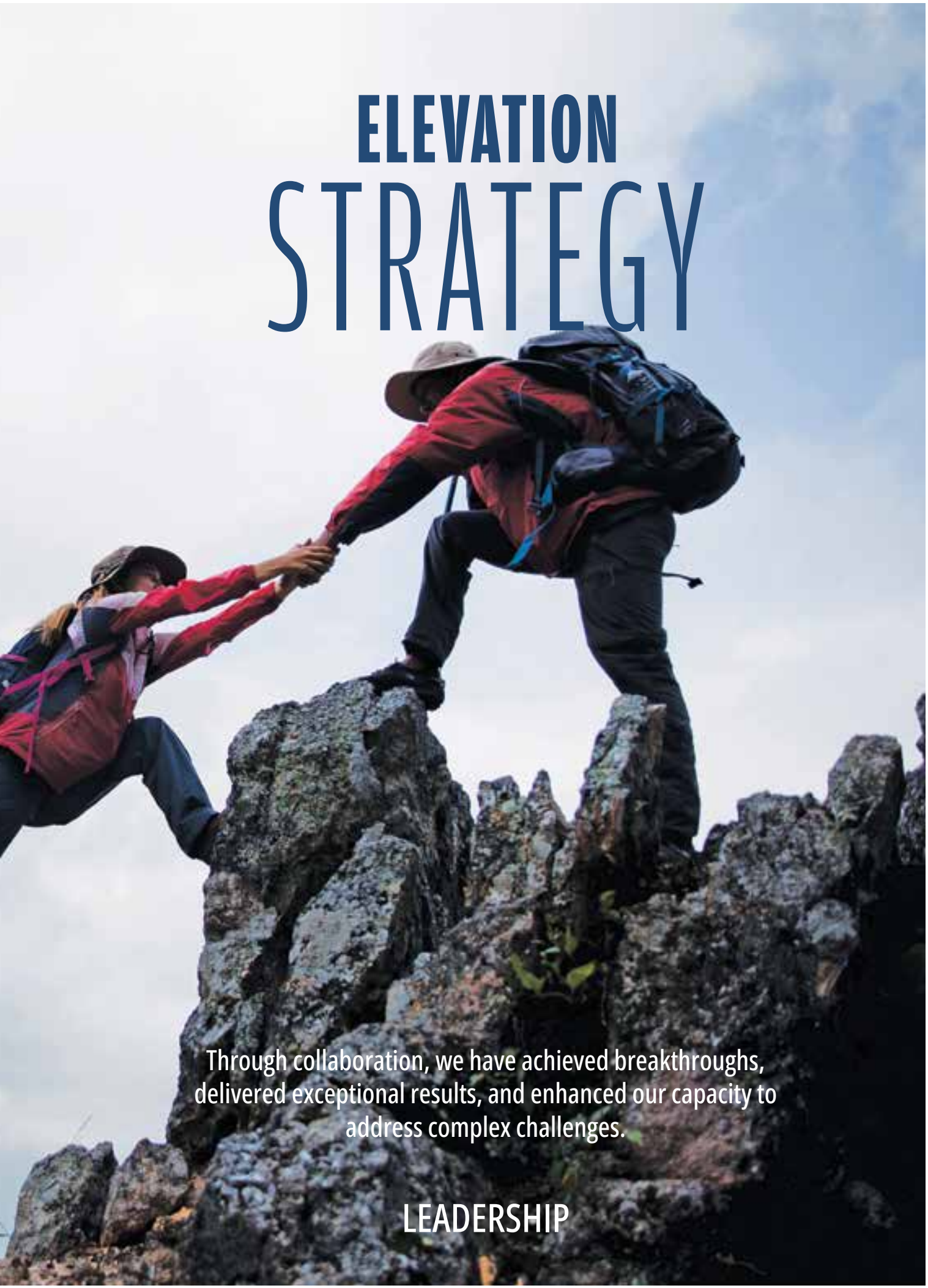
- Asset management (unit trust funds)
- Wealth management (discretionary and non-discretionary funds)
- Corporate Finance and Advisory services

- Maintaining credit quality
- Prudently managing risk and liquidity

Net interest income, investment (dividend) income and trading income

- Lending portfolios
- Investment portfolios
- Trading income arising from client flow
- Trading income arising from balance sheet management and other trading activities

ELEVATION STRATEGY



Through collaboration, we have achieved breakthroughs, delivered exceptional results, and enhanced our capacity to address complex challenges.

LEADERSHIP

CHAIRMAN'S STATEMENT

First Capital has delivered a record profit, underpinned by its diversified business model, controlled risk taking and a team unified in its performance commitment, to enter the new year with solid momentum.

Nishan Fernando
Chairman

RECORD PERFORMANCE

First Capital delivered a record financial outcome in FY2023 despite external conditions becoming more challenging.

Direct income reached a historic high at Rs. 14.3 Bn reflecting a five-fold growth from the prior year's figure of Rs. 2.2 Bn. A record net profit after tax at Rs. 2.6 Bn reflects a five-fold growth YoY against the net loss of Rs. 652 Mn recorded in FY2022.

The combined strengths of our business model, strategy in action and robust risk management were clearly on display alongside a tangible commitment to the PERFORMANCE FIRST ideology by our teams.

Even as some core businesses faced difficulties due to emergent trends in our operating context, others expanded profitability by exploiting prevailing conditions tactically and serving a growing client base. The Government Securities business had an exceptional year finding opportunities in the tightening policy cycle for tactical trading and inventory management whilst the Stock Brokering business held its market position in fragile market conditions. A constrained environment in pricing capital and risk continued to negatively impact Corporate Finance and Advisory while market vulnerabilities and a sweep of redemptions meant that performance in the Asset Management business was muted.

First Capital earned a return on shareholders' equity of 46.2% and recorded underlying earnings per share of Rs. 5.78 which compares favourably to last year's loss per share of Rs. 1.50. As a result of strong earnings and profitability, the Board declared an interim dividend of Rs. 2.25 per share reflecting a 7.1% dividend yield on year end market price. The dividend payout of 39% is in line with the Board's longstanding dividend policy - an attractive cash return, whilst maintaining sustainability for future deployment of shareholder's funds as the opportunity arises.

Considering our intrinsic growth, First Capital achieved a compounded average growth rate (CAGR) of 33.9% in net profits over the past ten years. In relative terms, the 3-year CAGR held at 12.5%, can be considered as reflective of relatively low variability in profits, given the unprecedented turbulence faced.

First Capital ended the reporting year maintaining a comfortable capital adequacy ratio of 24% against a regulatory minimum of 10%. In FY2022, the Group held capital at the upper end of budgeted targets to help navigate the crisis effectively, lessening impact on reserves. This year we have reverted to a targeted growth strategy aimed at achieving superlative value whilst retaining a comfortable capital buffer. We managed tight liquidity conditions well through early cash and liquidity preservation.

The Group Managing Director's review provides a detailed account of the record performance achieved during the year with more granular aspects on our fund-based and fee-based businesses.

Reaching an income and profitability apex in an environment defined by multiple challenges is a credit to the management and employees of First Capital. These outcomes have been achieved while making continued progress on strategic initiatives that aim to strengthen customer experience, transform human capital, fortify risk culture and map a purposeful journey towards sustainable growth and inclusive value. The Board joins me in commending the senior leadership and the entire staff for their achievements over the past year.

A VISION COMMITTED TO SUSTAINABILITY

First Capital adopted a new management vision in what was its 40th year as an elite financial services provider. The change comes in advance of a credible roadmap towards progressive recovery being set out for Sri Lanka. With the performance momentum gained and the brand legitimacy established, the Board believes this to be an opportune time to transition from the preceding management vision "To be the leading investment bank in Sri Lanka", to begin a journey which goes beyond financial services.

The new vision "To improve the lives of all Sri Lankans through financial solutions" is reflective of our hope and optimism during this historic economic and societal transition, conveying the role we intend to play in the future prosperity of our economy.

The Board approved a detailed Sustainability Policy that will catalyse the Group's efforts in incorporating Environmental, Social and Governance (ESG) principles in the business. During the year, we initiated the foundational steps for a net zero carbon future, aligning with the national agenda for carbon neutrality. During the ensuing year we will be retooling in terms of technology, process, policy and action to create impetus towards our climate goal of achieving carbon neutrality by FY2027.

As a testament to sustainability, we underscore our responsibility to provide a diverse and welcoming environment for our people and have invested in creating a positive culture of diversity, inclusion and cohesion. We remain an accredited Great Place to Work®.

Under the Sustainability Policy, we recognise our duty to contribute to the sustainable economic development of the communities in which we operate in and society as a whole. Several social investment ecosystems inclusive of financial inclusion, financial literacy, health, education and climate action inter-alia, appear on the First Capital mandate for shared value, in turn aiding alignment with the United Nation's Sustainable Development Goals.

As our financial outcomes continue to grow and diversify, the Board recognises the increasing importance of sound ESG practices in generating better outcomes for all our stakeholders. Transparency is an important consideration and we have examined approaches to expand our disclosures to better meet recognised global frameworks. In this integrated report we provide for the first time,

CHAIRMAN'S STATEMENT

Sustainable Accounting Standards Board disclosures. We also report with enhanced transparency on metrics such as diversity and inclusion and gender parity under guidance frameworks issued by the CA Sri Lanka and the CSE.

BOARD AND LEADERSHIP CHANGES

I pay tribute to Eardley Perera who retired from the Board in September 2022, having completed 11 years of service. Amongst the longest serving Independent Directors on our Board, Eardley was an effective shareholder-steward contributing to Group and subsidiary governance, resolutely. His wise counsel, strategic insight and experience will be missed. The Board conveys its gratitude for his dedication and invaluable service. On behalf of the Board, I wish him well with his future endeavours.

The Board is deeply saddened by the demise of Dinesh Schaffter in December 2022. Dinesh was the longest serving member of the Board, at the time completing 15 years of tenure as an Executive Director. Dinesh's association with First Capital began with two landmark change of control transactions in 2006 and 2007, setting in motion the Group's evolution via a combination of organic and inorganic growth over the years, to emerge as an integrated platform of services with considerable traction for growth.

Dinesh's remarkable grasp of core businesses saw him guide First Capital in its advancement, as Managing Director since 2014, and more recently in facilitating post-acquisition integration following the strategic purchase by Janashakthi Limited in 2019. Dinesh added a distinct facet that combined traditional values, a modernist intellect and openness in his Board interactions. The Board honours his memory and invaluable impact.

Dilshan Wirasekara, the Chief Executive Officer of First Capital since 2014, and Executive Director on the Board since 2017 succeeded Dinesh as Managing Director following a nominations process. Dilshan represents continuity and will provide impetus to take First Capital forward in this new role with effect from 27 December 2022. He will build on the strength of his previous experience to ensure that the Group remains firm in its accelerated strategy and responsibility towards all its stakeholders.

Manjula Mathews was re-appointed to the Board to fortify composition upon the casual vacancy, as Deputy Chair, effective 27 December 2022. Manjula has previously acted in the capacity of Joint Managing Director of the Group and was the preceding Chairperson prior to my assuming the role in 2017.

The Board retains a sound composition to balance longevity with fresh perspectives, underpinned by the requisite diversity of expertise.

OUTLOOK

The initial tranche of the IMF- EFF programme of approximately USD 333 Mn received in March 2023 is a precursor to restoring macroeconomic stability, debt sustainability and systemic preservation of the financial services industry. Sri Lanka's creditor nations convened in May 2023 to consider an equitable debt treatment plan, negotiations for which are progressing satisfactorily. Alongside, the reception to domestic debt restructuring is satisfactory. Although an array of immediate and emerging constraints may still hold back progress, the interest rate regime is seen to be moderating in the short-term. Sri Lanka's GDP is now forecast to contract to 3.0% in CY2023 recovering to a growth of 1.3% in CY2024. Group outlook is positive considering the transitioning rate environment and improving market conditions will be advantageous for fee-based activities such as Stock Brokering. With its strong balance sheet and prudent risk management, First Capital is well placed to respond to risks and opportunities that may present themselves during this time.

APPRECIATION

I would like to thank our Board members for their diligence and insight during challenging times. I appreciate the Group's Senior Executives and staff for their continued hard work through this transformational period.

I appreciate our regulators, the Central Bank of Sri Lanka, the Securities and Exchange Commission of Sri Lanka and the Colombo Stock Exchange.

In closing, I would like to thank our shareholders and all our stakeholders for their continued support. Building on this record year, I believe that First Capital has both the momentum and opportunity to continue on its long-term growth trajectory.

(Sgd.)
Nishan Fernando
Chairman

15 August 2023

MANAGING DIRECTOR/ CHIEF EXECUTIVE OFFICER'S REVIEW

Against a tenuous backdrop on multiple fronts, First Capital responded with solid performance momentum, achieving record financial outcomes. The diversity of First Capital's business, early capital and liquidity preservation, a prudent risk culture and a driven team helped us adapt to uncertain times. We stand further empowered to identify and capitalise on growth opportunities in line with a new vision that embodies a deeper purpose.

Managing Director/
Chief Executive Officer

MANAGING DIRECTOR/ CHIEF EXECUTIVE OFFICER'S REVIEW

FINANCIAL OUTPERFORMANCE

Through the prism of First Capital's "First to Forty" journey, FY2023 was a triumphant year. Alongside marking 40 years as a financial services provider with a compelling value proposition, we achieved remarkable operating outcomes despite a challenging and complex environment:

Record headline income of

Rs. 14.3 Bn,
up **522%** YoY

Record direct income of

Rs. 14.3 Bn,
up **550%** YoY

Record net profit of

Rs. 2.6 Bn,
up **500%** YoY

Record earnings per share of

Rs. 5.78

Record return on equity of

46.2%

Group net income reflected a 98:2 mix of fund-based to fee-based income in FY2023 (FY2022 71:29). Broadly, our direct income types can be sub classified as interest income, trading income, investment income- primarily dividends and fee income inclusive of advisory, brokerage and commissions. Recurring income as a proportion of direct income amounts to 45.4% indicative of a steady foundation.

This year, the composition favoured interest income as the main growth driver, reflecting a 498% YoY growth to reach Rs. 13.5 Bn. Substantial broadening of the net interest margin and spread, catalytic in part to earnings and profitability, was in line with the anomalous risk-premia on market yields which increased disproportionately relative to policy rates.

Trading income from our trading portfolio, driven by tactical trading and inventory management amounted to Rs. 1,633 Mn in FY2023, accelerating by 306% YoY in comparison to FY2022 in which we sustained significant trading losses of Rs. 795 Mn. During FY2023, we shed our Held to Maturity (HTM) portfolio (comprising financial assets measured at amortised cost) in an environment of steeply rising rates and the anticipated negative impact of the impending domestic debt restructuring at a realised loss of Rs. 1,259 Mn.

Collective trading income (reflecting net gains made on the trading portfolio offset by losses on the sale of the HTM portfolio) amounted to Rs. 375 Mn. Against the previous year's net trading loss, this reflects a 147% YoY increase.

Collective fee and commission income (inclusive of brokerage) declined 46% YoY to Rs. 345 Mn. Dividend income decreased 7% to Rs. 48 Mn during the year. Group net trading income stood at Rs. 4,535 Mn as against Rs. 224 Mn in FY2022, increasing nearly twentyfold.

Operating results reflect continued emphasis on areas underpinning long-term growth, our agility and adaptability in uncertain times, and our ongoing commitment to prudent risk management.

Operating results reflect continued emphasis on areas underpinning long-term growth, our agility and adaptability in uncertain times, and our ongoing commitment to prudent risk management.

CONTEXT

Reflecting on the year, our business and clients faced unprecedented macroeconomic headwinds. The economy moved into a palpable recession in CY2022, marking a 7.8% contraction in real GDP. Sri Lanka experienced multiple challenges resulting from a tenuous external financing position, steep depreciation in the Rupee, scarcity of essentials including food and medicine and severe energy poverty. Inflation rising to an unprecedented 69.8% in September 2022 and increased tax rates negatively impacted real incomes, food security and living standards across the island.

Monetary policy was tightened aggressively by CBSL to curb inflation. Accelerating rates of both short and long term gilts to over 30.0% at end of CY2022, liquidity constraints, all but frozen capital formation and capital flight from equity to high-yielding gilt markets defined the sector environment.

Change in market sentiment was apparent when in September 2022, after a staff level agreement was reached with the IMF on the IMF-EFF programme. In March 2023, a 48-month extended

arrangement of approximately USD 3.0 Bn was approved by the Executive Board of the IMF, to support Sri Lanka's economic policies and reforms, clarifying the potentiality of the trajectory of recovery.

SEGMENTAL STRATEGIES AND FOOTPRINT

Looking back, had I predicted that First Capital would have a record year while a recession was looming, it would have been met with some level of incredulity. The economic effects of the crisis were buffeting the industry as a whole and both primary and secondary fixed income and equity experienced heightened levels of disruption and market dislocation.

We responded well to market impact with three of the four core businesses, Government Securities, Corporate Finance & Advisory and Stock Brokering delivering positively to the record net profit, whilst Asset Management made a marginal loss in the face of hard market conditions. Certain exceptional elements in the operating environment supported some core businesses.

Indeed, Government Securities was the strongest performing business leveraging active trading strategies to navigate turbulent bond markets and a value proposition targeting broadening client-flow. Overall, segmental Operating profit of Government Securities increased by 521% to Rs. 3,749 Mn. Segmental net profit increased 542% YoY to Rs. 2,884 Mn.

As a licensed primary dealer we play a pivotal role in the economy. Our significance in creating pervasive economic value is discernible during a year in which the Government increasingly sought to borrow from the domestic market, as global market access dried up with the preemptive default of selected foreign debt service payments early in the year. Government expenditure for CY2022 alone increased by Rs. 1.0 Tn to end at Rs. 4.5 Tn. Domestic bond markets were indispensable in this setting.

Tying in closely with a long-term vision for shared prosperity in Sri Lanka, we efficiently delivered on our responsibility of providing seamless primary market access and secondary trading of gilts. As market makers we are providers of liquidity, serving as the intermediary to facilitate transactions between buyers and sellers. In performing this role, primary dealers as a whole contribute to the efficient functioning of markets, critical for the allocation of capital in the economy.

In the current context, sound liquidity conditions in these markets positively impact the transmission of monetary policy and financial stability. Our performance as primary dealer in meeting commitments set by the regulator was laudable. We maintained our market dominance within the non-bank affiliated dealer space, outperforming on a relative basis, several conduct metrics in view of fulfilling our obligations as a primary dealer.

We successfully met our performance obligations in T-Bill and T-Bond auctions. In FY2023, T-Bill primary market bid participation rate was 16.6% against the regulatory requirement of 10.0% and the market success rate, 10.2%. In FY2023, T-Bond primary market bid participation rate was 16.8%. The effective participation was 128.4% against the regulatory requirement of 50.0% of average issuance per primary dealer.

Corporate Finance and Advisory saw difficult conditions continue in the sector. The litany of crosscurrents and uncertainty froze-up capital formation. Chiefly, interest rate increases holding firm while tapering off towards fiscal year end made it difficult to price risk and capital as private credit decelerated and liquidity dried-up. Although limited primary market activity was evident in the market, deal origination and execution was challenging in prevailing market conditions even for peers. Our contribution to capital formation was limited to three unlisted issuances raising only Rs. 7 Bn (FY2022: Rs. 5.2 Bn). Overall, primary markets in corporate debt witnessed only 10 initial public offerings in comparison to 27 in FY2022. Debt capital raising totalled Rs. 12.7 Bn as against Rs. 84.4 Bn in the previous year.

Our teams retains a high level of strategic dialogue with clients as the pace and slope of interest rate increases are seen to decline, and a thawing of primary market is imminent.

Our advisory deal pipeline is currently unquantified although expected to benefit from the aforementioned change in the rate regime.

We responded well to market impact with three of the four core businesses, Government Securities, Corporate Finance & Advisory and Stock Brokering delivering positively to the record net profit, whilst Asset Management made a marginal loss in the face of hard market conditions. Certain exceptional elements in the operating environment supported some core businesses.

MANAGING DIRECTOR/ CHIEF EXECUTIVE OFFICER'S REVIEW

Our functionally segregated dealing desk, which is consolidated within this segment, saw enhanced income through client-flow as well as balance sheet management related trading. Collectively, with trading gains offsetting low advisory fees, the Corporate Finance and Advisory segment accounted for Rs. 842.2 Mn in segmental operating profit, up 473.6% YoY and Rs. 739.9 Mn in net profit after tax, up 397.9% YoY.

In Asset Management, segmental operating performance was muted. Operating loss stood at Rs.1.6 Mn, down 101% YoY. Segmental bottom-line deteriorated by 100% to end at a net loss of Rs. 0.1 Mn. We experienced the negative effects of market vulnerabilities and dislocation, with capital flight through a spate of redemptions and broad market declines impacting fund repricing. We are amongst the top five money market funds although our ranking lost pace and AUM depleted to Rs. 7.0 Bn falling 59% YoY.

We witnessed some structural vulnerabilities in money market funds with mounting redemption levels over the year. We met redemptions efficiently without suspension till maturity in illiquid markets and as a consequence faced repricing pressures that impacted fund valuations negatively. Nonetheless, by equitably meeting redemptions we strengthened client-trust in fragile markets, a necessity for enduring relationships in the future. Discretionary and non-discretionary held steadier to end at Rs. 23.5 Bn, down marginally by 3.0% YoY.

Our Stock Brokering business remained focused on providing clients with high quality service as we navigated volatile and uncertain markets throughout CY2022. The CSE ended CY2022 on a marginally positive note with the benchmark ASPI up 0.68% and the S&P SL20 up by 0.36%. Volatile for the most part and dampened by capital flight, the equity market still saw improved sentiment and net foreign inflow soared to a 10-year high of Rs. 30.6 Bn with selective sectors reflecting value-investing interest. Operating profit of the Stock Brokering business amounted to Rs.157 Mn decreasing 50%, while net profits for the year fell 53% YoY to Rs. 110 Mn.

In terms of market position, the segment retained its turnover based industry rank. The value proposition of the business is to selectively enhance the institutional footprint in regional markets where there is a growing interest in Sri Lanka's recovery and concurrent emergence of a compelling equity opportunity. Locally, the segment uses both a direct and agency approach to gain geographic reach and cost efficiency.

TRANSFORMATIONAL ASSETS

An important pillar of our growth strategy is tied to the expansion and enhancement of our client base and coverage model, filling areas of geographic white-space both locally and regionally which remains unexplored.

Our business and growth strategy have been driven and defined by the excellence of our people and our distinct PERFORMANCE FIRST culture underpinned by corporate values. We continued to invest strategically in adding to our teams across sectors and capabilities to expand the breadth of how we serve clients. Reflective of our meritocratic environment, diversity, inclusion and workplace nurture, we were accredited as a Great Place to Work® for the second consecutive year. We also prioritised building more engaging digital experiences that clients truly value. To do that, we're investing in building the most effective, technology led client experiences possible. Enhancements made to client onboarding and across the securities processing value chain are beginning to take effect.

First Capital's transformative assets have garnered brand strength and legitimacy. Our hard work led to external recognition, including:

- Ranked top as the most valuable consumer brand in the investment banking sector in Brands Annual 2023 edition.
- We are amongst the top 100 most valuable consumer brands in Sri Lanka as per Brand Finance.

CONTROLLED RISK TAKING

Our focus on risk management is broad-ranging, comprehensive and timely. Management is committed to advancing this work through FY2023 and beyond. In the previous year, whilst responding to and recovering from the pandemic, in preparation of further significant external shocks, we took a stance of capital preservation, holding capital at the upper end of target ranges. Hence, FY2022 closed reflecting a very high capital adequacy at 85.0%. Timely liquidity transformation helped navigate difficult liquidity conditions, although we sustained maturity mismatches in the process. We ended the fiscal year highly liquid in terms of short-term assets against net-inflows and maintained a positive cash balance albeit depleted from the previous year.

Having shifted to targeted growth once again, we held total capital adequacy at 24.0%, maintaining a comfortable buffer of 14.0% against the regulatory minimum in FY2023 to achieve significant performance momentum. Strong capital levels also enabled us to resume dividend payments this year of Rs. 2.25 per share. Our credit rating by Lanka Rating Agency reflects robust fundamentals and is maintained at A with Stable outlook.

All of these results were delivered by addressing important areas of unmet need to create value that is shared between all our stakeholders. **Delivering Value,** within the discussion and analysis section by Management, provides examples of key areas of activity and inclusive value created during the year.

LEADERSHIP CHANGES

The demise of Dinesh Schaffter, the Group's Managing Director since 2014 has deeply saddened us. It was a great privilege to know Dinesh personally for over 20 years and to work alongside him in the last nine years since joining the Group.

Dinesh's exceptional leadership and role in the transformation of the Group cannot be forgotten during this celebratory year which is muted by the void created with his passing. In succeeding Dinesh as Group Managing Director, I pay tribute to his great contribution to the First Capital business landscape.

To fortify succession, we intensified Group C-level recruitment efforts. Subject to regulatory approval, we have appointed the Chief Executive Officer for the Government Securities business, Sachith Perera, a veteran banker with deep expertise across, primary dealing, forex, derivatives trading, balance sheet management and custodial services. External recruiting efforts will be considered as needed, as we simultaneously cultivate our internal talent-base to further complement the succession plan for key strategic areas.

A FOCUS ON SOCIAL IMPACT AND SHARED VALUE

As profound changes are taking place in our economy, markets and society, we pursue continued transformation to remain relevant. In accepting the paradigm shift of our economy and markets, we have articulated a deeper purpose in our new corporate vision.

In our historic 40th year of outperformance, the new vision emanated as a concerted effort led by the Board, to assume an expanded role in creating shared value opportunities "to improve the lives of all Sri Lankans through financial solutions".

Our people and sustainability partners together contributed time and effort in community endeavours straddling relevant societal investments including financial literacy, financial inclusion, health, education, sustainable dwellings and infrastructure, amongst others. In our work to uplift sport and community wellbeing, we launched the Dinesh Schaffter, Spirit of Tennis award in Dinesh's memory, the inaugural awarded being presented to the Women's Single Champion at the SSC Open Ranking Tennis Championship 2023. We believe it is a fitting tribute to honour his passionate advocacy in this arena.

We contributed Rs. 3 Mn, during the year towards philanthropic causes for individual and activities partnered together with Janashakthi Foundation and Habitat for Humanity Sri Lanka.

Our retail reach events targeting a broader investment base in Government Securities and Stock Brokering drove digital financial inclusion numbers, and helped educate investors on alternative solutions to traditional banking products that align with their risk profile as a means of enhancing financial wellbeing. Driving significant social impact through a business-led shared value perspective, we have significantly secured a digital client base for the Government Securities business alone enhancing our flow-based strategy.

As part of its inclusive value strategy that aligns societal impact and commercial value, we held a well-attended financial and economic educational event reaching and audio/visual audiences. Digital publications reached around 13,000 through social media platforms.

In our historic 40th year of outperformance, the new vision emanated as a concerted effort led by the Board, to assume an expanded role in creating shared value opportunities "to improve the lives of all Sri Lankans through financial solutions."

To encourage engagement in view of potential avenues for enterprise growth in the small and medium enterprises, our Corporate Finance and Advisory division has held interactive events, regionally.

In keeping with our vision and strategy we look to catalyse ongoing access to funding and drive economic empowerment in all our communities and have aligned with UN SDGs that are most meaningful in our business.

INITIAL STEPS FOR CLIMATE ACTION AT ENTERPRISE LEVEL

In line with a Board approved Sustainability Policy detailing the framework of incorporating ESG principles in the business, we aim to deliver an orderly transition towards carbon neutrality certification and have set a foundation in place nearing the close of the year.

Even with energy security challenges over the past 12 months, decarbonisation targets of Sri Lanka are aligned with that of the global aim of achieving carbon neutrality in 2050. To accomplish enterprise carbon neutrality by FY2027 First Capital will implement a managed glidepath. Our sustainability roadmap acknowledges that investing in and promoting products that support national green energy initiatives and executing institutional action are significant steps towards meaningful climate action.

MANAGING DIRECTOR/ CHIEF EXECUTIVE OFFICER'S REVIEW

EXTERNAL OUTLOOK

Due to the ongoing crisis and proposed resolution methodology, Sri Lanka is in a unique and fundamental transition. We are of the view that progressive reform will clarify the path to recovery under the IMF and the Government's auspices. Our rate outlook, since the change in market sentiment in September 2022, has been one that favours further moderation in the near-term.

By the publication date much of the uncertainty surrounding local debt restructuring has allayed. Our early predictions of a less disruptive avenue entailing reprofiling and the containment of the proliferation of sovereign stress across other sectors of the economy still hold. Although an array of current and emergent constraints may impede inherent growth, the real economy is expected to mitigate its recessionary trend. This will be facilitated by macroeconomic adjustment targets that are anticipated to yield positive outcomes.

First Capital has thrived in varied market environments supported by our broad and deep capabilities and will continue to build upon our strong foundation.

APPRECIATION

I would like to thank our diligent teams for remaining firm in their PERFORMANCE FIRST commitment to deliver strong results in uncertain times. I thank our clients, shareholders and debt investors for their ongoing support. I appreciate our regulators, for continued and constructive engagement during this time of transition.

We remain focused on making a positive impact on our communities, the environment and the society in line with our long-term vision.

We thank our corporate social investment partners, business partners and service providers and all our stakeholders who make up the First Capital macrocosm. Collectively, First Capital is empowered to innovate and invest for a prosperous and inclusive future.

(Sgd.)
Dilshan Wirasekara
Managing Director/
Chief Executive Officer

15 August 2023

TRIBUTE TO OUR BELOVED FORMER MANAGING DIRECTOR

Dinesh Schaffter (1971-2022)

It was with deep sadness and emotion that First Capital announced the passing of Dinesh Schaffter, our former Managing Director, on 15 December 2022.

An ardent proponent of First Capital's corporate ideology, Dinesh leaves an indelible impression on the Group's business landscape and values-led, performance ethos of all our teams.

Dinesh's affiliation with First Capital was a result of an ambitious acquisition philosophy and bold entrepreneurial vision. In 2006 and 2007, Dinesh led progressive change of control transactions that culminated in the emergence of First Capital Holdings PLC (parent company) as a rebranded, publicly listed entity.

During his tenure both as an Executive Director since 2007 and Managing Director since 2014, First Capital expanded through organic and inorganic growth, diversifying its business model and eliciting positive performance momentum. We gained traction in the market through several industry leading transactions and innovative products strengthened by Dinesh's remarkable market and client insight, and deal-making experience. Dinesh also played a pivotal role in post-acquisition-integration following the acquisition by Janashakthi Limited in 2018.

Dinesh's rare intellect, vibrant presence and drive for perfection inspired and instilled in us a distinct way of work. Dinesh bolstered the capacity of our teams and encouraged us to build a close-knit corporate culture with a sense of deeper purpose to create shared opportunities and value. We continue to build on today, areas of significance and emerging topics that were of interest to Dinesh, related knowledge on which he shared with us so graciously.

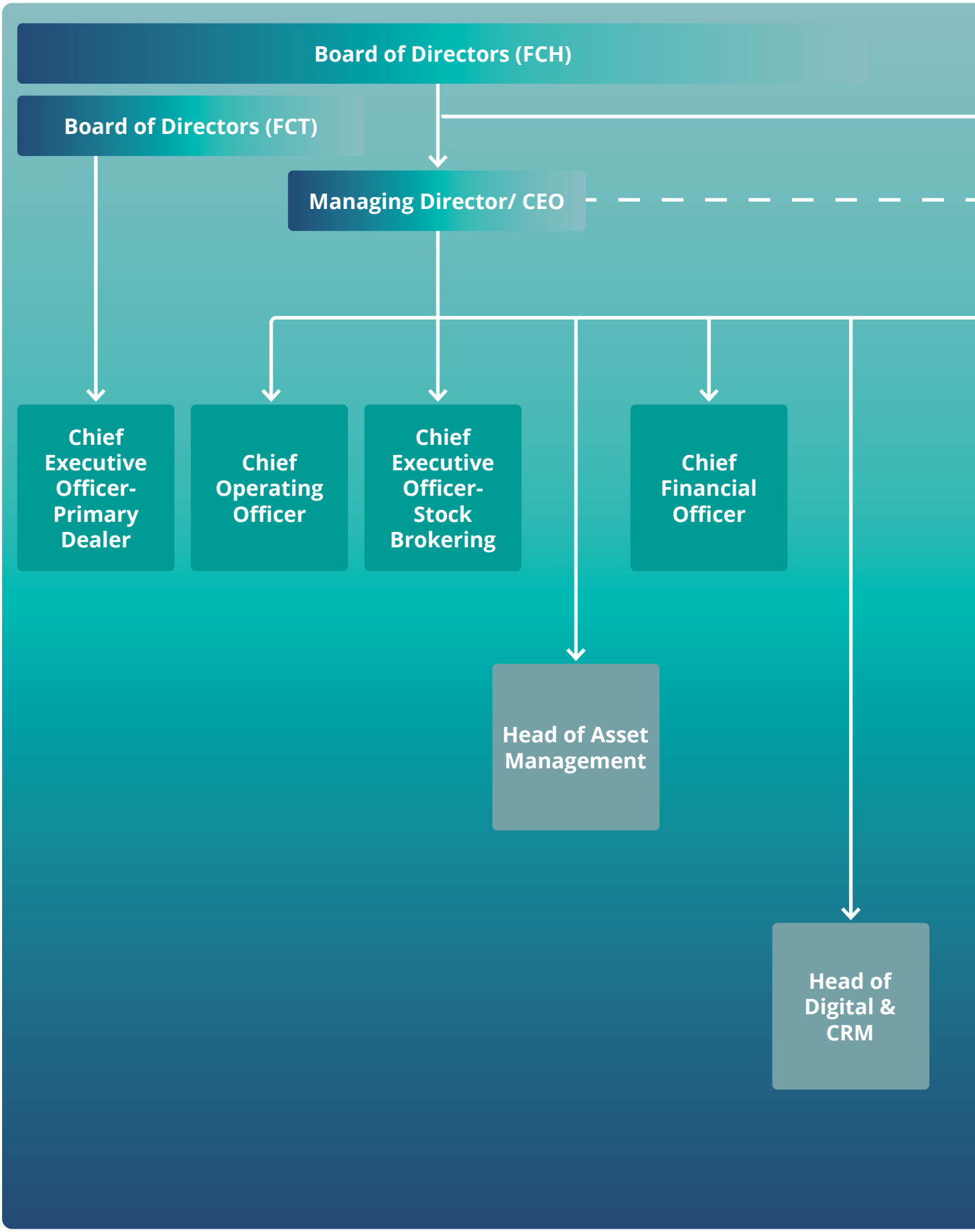
Dinesh helped steer the passage of employee equity at First Capital and many of us have benefitted and undergone true personal and professional metamorphosis under his leadership.

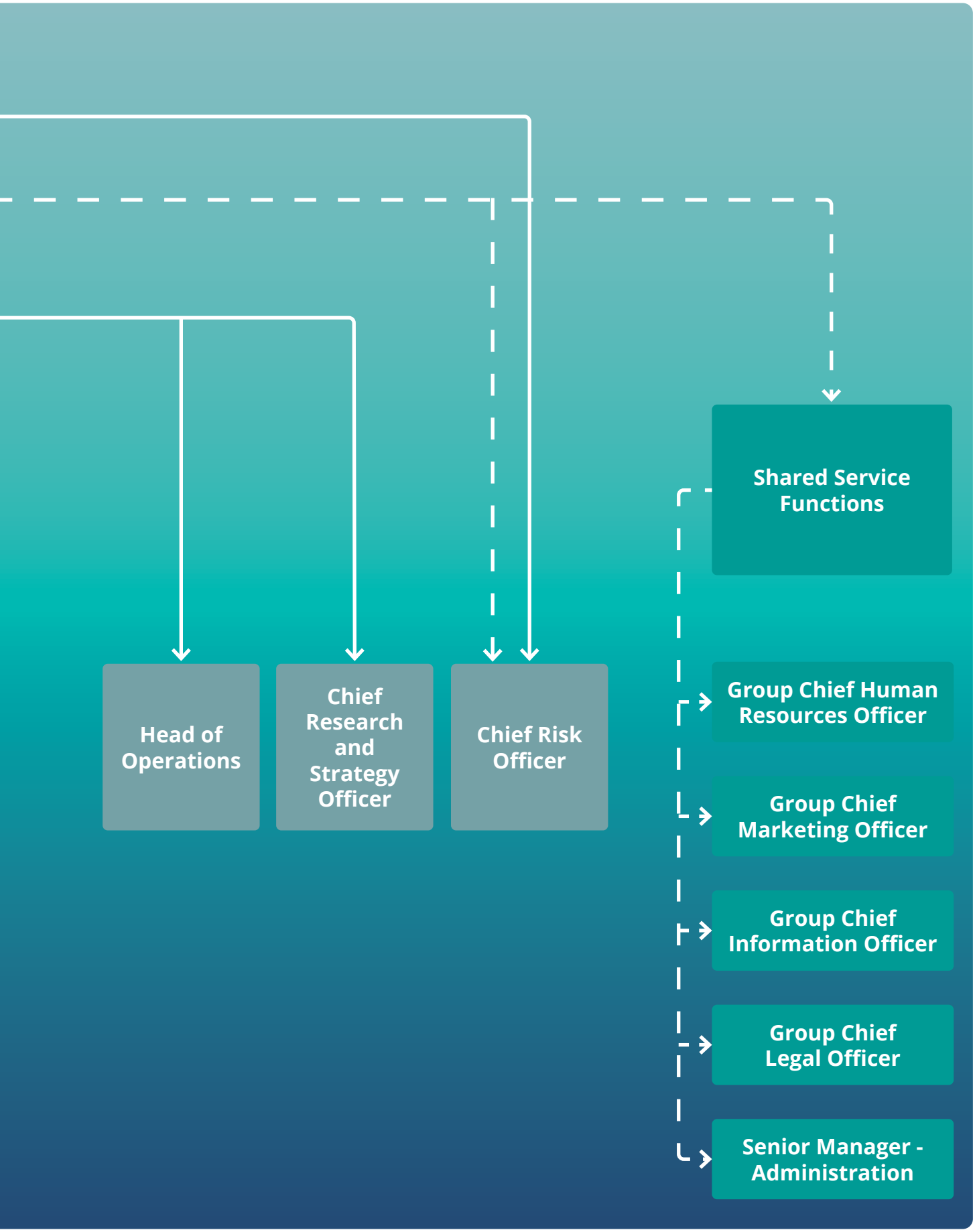
Publicly, most would recognise Dinesh's legacy of success in the industry but privately his family-orientation, diverse interests including a passion for sport, and philanthropic work was what gave him sustained joy. His generosity saved lives and supported many. He was a passionate advocate of equality for all and deeply engaged in championing these aspirations with great compassion for the underprivileged and the unjustly-treated.

A true maverick and at times an introvert, Dinesh's most enduring trait was his belief in people. He built enduring relationships with the First Capital family and others, often setting high standards for them and believing in their abilities or simply being an empathic listener.

As a result of his strong leadership over the years, Dinesh leaves a lasting legacy within the Group, which calls us to think boldly and forge new pathways. Dinesh's commitment to service in this elite workplace he helped grow, sets an example that we will continue to honour in the years ahead.

ORGANISATIONAL STRUCTURE




Shared Service Functions
Head of Operations
Chief Research and Strategy Officer
Chief Risk Officer
Group Chief Human Resources Officer
Group Chief Marketing Officer
Group Chief Information Officer
Group Chief Legal Officer
Senior Manager - Administration

BOARD OF DIRECTORS

Left to Right :

Nishan Fernando - Independent Non-Executive Chairman
Manjula Mathews - Non-Independent Non-Executive Director/ Deputy Chairperson
Dilshan Wirasekara - Managing Director/ Chief Executive Officer
Ramesh Schaffter - Non-Independent Non-Executive Director
Chandana de Silva - Independent Non-Executive Director
Minette Perera - Independent Non-Executive Director
Nishan de Mel - Independent Non-Executive Director
Prakash Schaffter - Alternate Director to Ramesh Schaffter

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 the South Asian Federation of Accountants. He is currently serving as the Chair of the Asian-Oceanian Standards Setters Group.

Nishan was a Commission Member of the Securities and Exchange Commission of Sri Lanka and also served on the Accounting and Auditing Standards Monitoring Board and the Governing Boards of the Postgraduate Institute of Management and the National Institute of Business Management. He has been serving on the Sri Lanka Accounting Standards Committee for over 17 years and was its Chair during 2009-2013 when 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 (Private) Limited

Date appointed to the Board:

18 April 2012

Committee membership:

MANJULA MATHEWS

Non-Independent Non-Executive Director/ Deputy Chairperson

Manjula Mathews has over three decades of experience in finance, marketing, and general management, both in Sri Lanka and the United Kingdom. She is a former finance director of Janashakthi Insurance PLC and until 2021 served in the capacity of a non-executive director. Ms. Mathews's former business positions include that of Managing Director and subsequently Chairperson of Dunamis Capital PLC and its several subsidiaries.

In 2022 Manjula was appointed to the Board of Habitat for Humanity International, a leading global non-profit with a presence in more than 70 countries. Manjula has also been a director of Habitat for Humanity Sri Lanka since 2016 and is currently in her second term as Board Chair. She has been serving as a custodian of the Alzheimer's Association of Sri Lanka since 2019.

More recently Manjula has focused her energies on civic-minded endeavours working as a counsellor in private practice and as a lecturer at the Colombo Theological Seminary. She is a fellow member of the Chartered Institute of Management Accountants in the UK, and holds a Master's degree in Business Administration from the University of Cambridge, UK.

Other principal appointments:

Chairperson:
Habitat for Humanity Sri Lanka

Director:
Janashakthi Limited, Habitat for Humanity International

Custodian:
Alzheimer's Association of Sri Lanka

Date appointed to the Board:

27 December 2022

Committee membership:

DILSHAN WIRASEKARA

Managing Director/ Chief Executive Officer

Dilshan Wirasekara, Managing Director/ Chief Executive Officer of First Capital Holdings PLC is a financial sector professional with over 27 years of diverse experience in banking, treasury and investment management, capital market strategy and corporate advisory.

Having joined First Capital in 2013, Dilshan steered the Company, a full-service investment and advisory services provider in Government Securities, Corporate Finance and Advisory, Asset Management and Stock brokering complemented by an industry-leading Research unit, to establish itself as a significant contributor to the local capital market industry.

He spearheaded the execution of key debt structuring deals with internationally based development financial institutions and strategic partnership formation with foreign institutions focusing on emerging markets such as Sri Lanka.

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

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

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

Other principal appointments:

Chairman:
Colombo Stock Exchange

Date appointed to the Board:

1 May 2017

Committee membership:

DINESH SCHAFFTER (DECEASED)

Former Managing Director

Dinesh Schaffter served as the Managing Director of First Capital Holdings PLC and its subsidiaries.

Dinesh's 25 year professional history spanned managerial, investment and deal-making areas with transactional expertise in private equity, M&A, public offerings, restructuring and valuation.

Dinesh was an Associate Member of the Chartered Institute of Management Accountants and held a Bachelor's degree in Business Law (LL.B Bus. Law) from UK, and an Executive Master's degree in Business Administration from INSEAD, France. His contribution to the business landscape of the Company has been significant, particularly in its progressive inorganic growth and expansion over the years. Dinesh was formerly the Managing Director of Kelsey Developments PLC and Dunamis Capital PLC.

Dinesh Schaffter's directorship ceased due to his demise on 15 December 2022.

Other principal appointments:

Director: Janashakthi Limited and Janashakthi Insurance PLC

RAMESH SCHAFFTER

Non-Independent Non-Executive Director

Ramesh Schaffter serves as Managing Director/Group Chief Executive Officer of Janashakthi Group. Counting over three decades of experience in Finance and Marketing, he is a Fellow Member and former Council Member of the Chartered Institute of Management Accountants, Sri Lanka Branch, and an Associate Member of the Chartered Institute of Marketing.

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.

Ramesh served on the Council of the Colombo Theological Seminary, a graduate and postgraduate educational institute, and is the former Chairman of the Incorporated Trustees of the Church of Ceylon. He presently serves on the Board of Tea Leaf Vision, an organisation that serves young people of the tea plantation areas.

Other principal appointments:

Managing Director/ Group Chief Executive Officer:
Janashakthi Limited

Director:
Janashakthi Insurance PLC, Serendib Land PLC and Sarvodaya Development Finance PLC

Date appointed to the Board:

21 December 2018

Committee membership:

BOARD OF DIRECTORS

EARDLEY PERERA

Independent Non-Executive Director (Retired)

Eardley Perera is a graduate and senior member (Honorary Fellow) of The Chartered Institute of Marketing, UK, with over 50 years of management experience. He has undergone Management training in the UK, Sweden, South Korea, India, Philippines and Singapore. He retired from active executive positions in 2005 and thereafter served as a Non-Executive Director in several public companies.

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

Eardley Perera retired from the Board effective 01 September 2022.

Other principal appointments:

Director:
Janashakthi Limited and Sting Consultants (Private) Limited

Date appointed to the Board:

6 September 2011

MINETTE PERERA

Independent Non-Executive Director

Ms. Minette Perera was the Group Finance Director of the MJF Group from September 2000 till March 2013. The MJF Group comprises a fully vertically integrated tea operation with presence along the entire value chain and includes Companies with the finest tea gardens, factories, printing and packaging facilities and markets "Dilmah Tea" around the world. The Leisure Sector of the MJF Group marketed by Resplendent Ceylon (private) Limited, includes Companies which sets the benchmark for luxury boutique resorts in Sri Lanka.

During the period of her employment with the MJF Group, Ms. Perera was appointed a Director of the MJF Group of Companies, including MJF Holdings Limited. She continues to hold Board positions in several Companies of the MJF Group.

Ms. Perera 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 Finance Professional having worked in leading local and international companies as the CFO and Finance Director.

Other principal appointments:

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

Date appointed to the Board:

7 December 2011

Committee membership:

CHANDANA DE SILVA

Independent Non-Executive Director

Chandana de Silva has 40 years of managerial and financial experience acquired in Sri Lanka and the United Kingdom. In Sri Lanka since 2002, he worked at MAS Holdings in a variety of roles before retiring as Chief Executive Officer of the MAS Investments Division in 2011.

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

Chandana currently serves as an Independent Non-Executive board member and a Consultant.

Other principal appointments:

Chairman:
Janashakthi Limited, Asia Siyaka Commodities

Director:
Eureka Technologies (Private) Limited, 24/7 Techies (Private) Limited, Centre for Policy Alternatives

Trustee:
Lanka Environment Fund

Date appointed to the Board:

2 October 2014

Committee membership:

NISHAN DE MEL

Independent Non-Executive Director

Nishan de Mel, Ph.D is the Executive Director and Head of Research of Verité Research, a think tank that provides analytical research and advisory services on economic, political and legal issues in Sri Lanka and Asia. He is an economist with extensive academic, policy and private sector experience.

He has been a Member of the Presidential Task Force on Health Sector Reform, Presidential Committee on Tobacco, Alcohol and Dangerous Drug Regulation, and the National Steering Committee on Social Security. He has also served as the Executive Director of the International Centre for Ethnic Studies and on the Board of the Sri Lanka Foundation Institute, among others.

Internationally, Nishan has held several governing, teaching, and research positions, including as Lecturer in Economics at the University of Oxford, UK.

His undergraduate degree in Economics is from Harvard University, USA. He earned his postgraduate and doctoral degrees in Economics at the University of Oxford where he was a Chevening scholar.

Other principal appointments:

Director:
Eureka Technology Partners (Private) Limited

Date appointed to the Board:

13 October 2017

Committee membership:

PRAKASH SCHAFFTER

Alternate Director to Ramesh Schaffter

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

Over the course of his tenure of leadership as the Executive Chairman of Janashakthi Insurance PLC., he has led Janashakthi through a growth phase that saw Janashakthi become the third largest Non-Life Insurer in Sri Lanka. 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 was a Member of the council of the Sri Lanka Institute of Directors. He served on the Boards of several listed and unlisted entities including the Bank of Ceylon and has been amongst the youngest Fellow Members of the Chartered Insurance Institute. He has also served as President of the Young Presidents Organisation of Sri Lanka.

Other principal appointments:

Deputy Chairman:
Janashakthi Limited, Janashakthi Insurance PLC

Director:
Orient Finance PLC

Date appointed to the Board:

2 September 2021

Legend

- Committee Chair
- Board Audit Committee
- Remuneration Committee
- Nomination Committee
- Related Party Transactions Review Committee
- Enterprise Risk Management Committee
- Investment, Asset and Liability Committee

MANAGEMENT TEAM

1. DILSHAN WIRASEKARA

Managing Director/ Chief Executive Officer

2. THARUSHA EKANAYAKE

Chief Operating Officer

3. SACHITH PERERA

Chief Executive Officer – First Capital Treasuries PLC

4. JALIYA WIJERATNE

Chief Executive Officer – First Capital Equities (Private) Limited

5. MANGALA JAYASHANTHA

Chief Financial Officer

6. WASANTHI STEPHEN

Group Chief Human Resources Officer

7. K V KUGANATHAN

Group Chief Information Officer

8. HARSHANEE DESHAPRIYA

Group Chief Legal Officer

9. DIMANTHA MATHEW

Chief Research and Strategy Officer

10. KAPILA PERERA

Chief Risk Officer

11. KAVIN KARUNAMOORTHY

Deputy General Manager – Asset Management

12. SUJANI KUMARAGE

Deputy General Manager – Operations

13. ANJELO SIMMONS

Chief Dealer

14. RANDINITH MADANAYAKE

Head of Marketing

15. CHAMARA PUSSELLA

Head of Human Resources

16. ANUSHKA DISSANAYAKE

Assistant General Manager – Treasuries

17. ANUSHI RANAWAKA

Assistant General Manager – Treasury Sales

18. DHILIP JOSEPH

Deputy Chief Financial Officer

MANAGEMENT TEAM

19. RANGAJEEWA ABEYWICKRAMA

Head of Group IT Operations

20. UTHPALA PINNADUWAHEWA

Head of Digital and CRM

21. RASIKA INDRA KUMARA

Head of Foreign Division

22. DILUNI DANUSHIKA

Senior Manager – Finance

23. NISANSALA KOTHALAWALA

Senior Manager – Risk and Compliance

24. HARSHA PERERA

Senior Manager – Operations

25. ROHANA JAYAKODY

Senior Manager – Branch Sales

26. SALINDA SAMARAKONE

Senior Manager – Kandy Branch

27. THESULA RAMBADAGALLA

Senior Manager – Legal

28. MALITH PATHIRANA
Senior Manager – Administration

29. NISHANTHA MUDALIGE
Manager – Investments

30. ISURU JAYAWARDENA
Manager – Investments

31. ANUSHKA BUDDHIKA
Manager – Investments

32. LASANTHI DISSANAYAKE
Manager – Asset Management

33. SANDEEP FERNANDO
Business Development Manager

34. HARRISON KUMAR
Business Development Manager

35. KUMARAVARAN KANAGASOORIAR
Manager – Asset Management

36. NALIN PERERA
Manager – Operations

MANAGEMENT TEAM

37. RAMESH GOMES

Manager – Operations

38. MALAKA JAYAWARDENA

Manager – Finance

39. ROHANA WIJERATNE

Manager – Finance

40. RANJAN RANATUNGA

Manager – Research

1. DILSHAN WIRASEKARA

Managing Director/ Chief Executive Officer

Please refer to the Directors' profile on page 40

2. THARUSHA EKANAYAKE

Chief Operating Officer

BSc. (Special) Degree (University of Peradeniya), CIMA (UK), Member (SLFA)

Over 22 years of experience in banking and financial services, including 2+ years with First Capital

3. SACHITH PERERA

Chief Executive Officer – First Capital Treasuries PLC

ACIFMA Financial Markets Professional Diploma (ACIFMA - The Financial Market Association, Paris)

25+ years of corporate experience, including almost half a year with First Capital

4. JALIYA WIJERATNE

Chief Executive Officer – First Capital Equities (Private) Limited

Licensed Stockbroker, Registered Investment Advisor (SEC))

30 years of investment advisory experience in the capital markets of Sri Lanka, including 10 years with First Capital

President of the Colombo Stockbrokers Association

5. MANGALA JAYASHANTHA

Chief Financial Officer

B.Sc. (Special) Degree in Accountancy (University of Sri Jayewardenepura), Fellow Member (CA Sri Lanka)

Over 22 years of experience in financial management, financial reporting, auditing, corporate planning and taxation, including 17 years with First Capital

6. WASANTHI STEPHEN

Group Chief Human Resources Officer

Attorney-at-Law, Associate Member (CIPM), Certified Professional Coach in Transformative Coaching

23 years of experience in human resource industry, including over 7 years with the company

7. K V KUGANATHAN

Group Chief Information Officer

MSc. in IT Consultancy, BSc. in Computing and Information Systems, Chartered IT professional (CITP), MBCS

Over 25 years of experience in banking, insurance and capital market sectors as an IT professional, including 6+ years with the company

8. HARSHANEE DESHAPRIYA

Group Chief Legal Officer

LL.M. in International Business and Commercial Law (Merit) (University of West London), LLB (Hons) (University of Colombo), Post Attorney Dip. in Corporate Law (Merit)(Sri Lanka Law College), PQHRM (Merit) (IPMSL), Attorney-at-Law

17+ years of corporate experience, including 8 years with the company

9. DIMANTHA MATHEW

Chief Research and Strategy Officer

MBA (University of Wales, UK), LL.B (University of London), ACMA (UK), CGMA (UK)

Over 15 years of experience in investment banking, including 9 years with First Capital

10. KAPILA PERERA

Chief Risk Officer

MBA (University of Colombo), B. Com (Special) Degree (University of Sri Jayewardenepura), Fellow Member - SLICM, Member - CPM, Diploma in Treasury and Risk Management (IBSL)

20 years of experience in risk and compliance, operations and finance, including 16 years with First Capital

11. KAVIN KARUNAMOORTHY

Deputy General Manager – Asset Management

MBA (Cardiff Metropolitan University, UK), Registered Investment Advisor (CSE), ACI Dealing Certificate (Financial Markets Association – Paris)

Over 20 years of treasury and investment banking experience, including 5 years with First Capital

12. SUJANI KUMARAGE

Deputy General Manager – Operations

MBA (University of Suffolk.), Diploma in Treasury and Risk Management (IBSL), Diploma in Computer Studies (IDM)

24 years of experience in business processing related to fixed income securities and treasury operations with First Capital

13. ANJELO SIMMONS

Chief Dealer

CIMA (UK), Diploma in Treasury and Risk Management (IBSL)

15+ years of fixed income related experience, including 11 years with First Capital

14. RANDINITH MADANAYAKE

Head of Marketing

Bachelor of Science (University of Colombo)

10+ years of experience in brand marketing in consumer durables, FMCG, and alcoholic beverage, including 1+ year with the company

15. CHAMARA PUSSELLA

Head of Human Resources

MBA (University of Wales), Claritas Investment Certification for Investment Banking Professionals (CFA Institute), Professional Member (Association of HR Professionals)

16+ years of collective experience in both local and multinational companies, including companies such as Amba Research and HSBC with 3+ years with First Capital

MANAGEMENT TEAM

16. ANUSHKA DISSANAYAKE

Assistant General Manager – Treasuries

Associate Member CIMA (UK)

15 years of experience in fixed income securities and equity portfolio management, including 10 years with First Capital

17. ANUSHI RANAWAKA

Assistant General Manager - Treasury Sales

AAT (Sri Lanka), Diploma in Treasury Management and Risk Management (IBSL), Diploma in Computer Studies (London Tec International)

25 years of experience mainly related to fixed income securities, including 18 years with First Capital

18. DHILIP JOSEPH

Deputy Chief Financial Officer

MBA (University of Sri Jayewardenepura), Fellow Member (CA Sri Lanka)

Over 15 years of experience in accounting, auditing, financial management, corporate planning and taxation, including 11 years with First Capital

19. RANGAJEEWA ABEYWICKRAMA

Head of Group IT Operations

MBA from (University of Bedfordshire, UK), and BSc in Information Technology (IIC University of Technology), CCNA in Computing and Information Systems (Sri Lanka Institute of Information Technology), Member of the Computer Society of Sri Lanka, currently reading for MSc in Cyber Security (University of Gloucestershire, UK).

20+ years of experience in IT field, including 14+ years with the company

20. UTHPALA PINNADUWAHEWA

Head of Digital and CRM

MBA (University of Northampton, UK), Certified Professional Marketer (Asia Marketing Federation), PG Diploma in Marketing (SLIM), Diploma in Business Finance and Bank Management (IBSL), Diploma in Television Journalism (National Institute of Television Training)

16+ years of experience in the Financial Industry and specialised on CRM, marketing, digital channels and banking, including 1+ year with First Capital

21. RASIKA INDRA KUMARA

Head of Foreign Division

PhD General (University of Canterbury, New Zealand), MBA (University of West London), BBA (Northwood University, USA), Registered Investment Advisor (SEC), Associate Member (CIMA,UK), Registered Investment Advisor (SEC)

18+ years of experience in banking, finance and capital markets, including 2+ years with First Capital

22. DILUNI DANUSHIKA

Senior Manager - Finance

MSc. Accounting and Finance (University of Gloucestershire, UK), BSc. Finance (First Class) (University of Sri Jayewardenepura), ACMA (UK), CGMA (UK), Member (CISI), Member (CTA), Diploma in Banking and Finance (IBSL)

Over 11 years of experience in diverse industries in the fields of accounting, financial reporting and taxation, including 8+ years with First Capital

23. NISANSALA KOTHALAWALA

Senior Manager - Risk and Compliance

MBA (Cardiff Metropolitan University), BSc. Degree (University of Sri Jayewardenepura), Diploma in International Trade (IBSL), Diploma in Business Finance and Bank Management (IBSL), Advance Diploma in Management Accounting (CIMA, UK), Associate member (IBSL)

16+ years of experience in risk and compliance and banking operations, including 5+ years with First Capital

24. HARSHA PERERA

Senior Manager - Operations

Diploma in Computer Studies (IDM), Level 1 of CISI, successful completion of training in "Securities Settlement and Reconciliation" conducted by the SWIFT Training Centre Mumbai, India

28+ years of fixed income securities and post trade operations experience, including 23+ years with First Capital

25. ROHANA JAYAKODY

Senior Manager - Branch Sales

B. Com (Special) Degree (University of Sri Jayewardenepura), Diploma in Investment Advisory (SEC)

25 years of experience in fixed income securities, including 23+ years with First Capital

26. SALINDA SAMARAKONE

Senior Manager – Kandy Branch

Diploma in Marketing (CIM)

Over 20 years of corporate experience, including 19+ years with First Capital

27. THESULA RAMBADAGALLA

Senior Manager – Legal

Attorney-at-Law and Notary Public (Sri Lanka Law College), LL.M. (University of West London), LLB (University of London), Diploma in International Law and Human Rights (Bandaranaike Centre for International Studies)

11+ years of corporate experience, including 6+ years with the company

28. MALITH PATHIRANA

Senior Manager – Administration

EMBA (University of Colombo)

19+ years of experience in administration, supply chain and procurement management, including 10+ years with the company

29. NISHANTHA MUDALIGE

Manager – Investments

MBA (University of Sri Diploma in Computer Applications (IDM), Registered Investment Advisor (CSE)

Over 18 years of experience in the stock brokering industry, including 13+ years with First Capital management, corporate planning and taxation, including 11 years with First Capital

30. ISURU JAYAWARDENA

Manager – Investments

Registered Investment Advisor (CSE)

Over 18 years of experience in stock brokering industry, including 2 years with First Capital

31. ANUSHKA BUDDHIKA

Manager – Investments

Registered Investment Advisor (SEC), Associate Member (CPM), Member (AAT)

Over 15 years of experience in investment banking and accounting, including 2 years with First Capital

32. LASANTHI DISSANAYAKE

Manager – Asset Management

BSc. Management (Public) Special Degree (University of Sri Jayewardenepura), Intermediate level (CA Sri Lanka)

18 years of experience in accounting, taxation, finance, investment management and MIS reporting with First Capital

33. SANDEEP FERNANDO

Business Development Manager

Diploma in Communication and Media (University of Colombo)

Over 15 years of experience in marketing and investment banking, including almost one year with First Capital

34. HARRISON KUMAR

Business Development Manager

MBA (University of Sunderland), MBA (Edith Cowan University), BA (Hons) Degree (Edith Cowan University), Advance Diploma in Business Management (Highway Informatics), Diploma in Computerised Accounting (British Informatics of Computer Technology)

15+ years of customer relationship, sales and marketing experience, including almost half a year with First Capital

35. KUMARAVARAN KANAGASOORIAR

Manager – Asset Management

BBA in Finance (First Class Honors) Degree (University of Colombo), CIMA (UK), CFA Charter

8 years of experience in investment management with First Capital

36. NALIN PERERA

Manager – Operations

Advance Diploma in Business Management (NIBM), Diploma in Information Technology-Pearson Assured (ESOFT Metro Campus), Diploma in Strategic Management and Leadership-Pearson Assured (Human Resource Management Institute of Sri Lanka)

17 years' experience in Non-Bank Primary Dealer Treasury Operations and 3+ years of multidisciplinary corporate experience, including almost half a year with First Capital

37. RAMESH GOMES

Manager – Operations

Diploma in Treasury and Risk Management (IBSL)

13+ years of corporate experience, including 10 years with First Capital

38. MALAKA JAYAWARDENA

Manager – Finance

MBA (University of Colombo), Member (CA Sri Lanka), BSc. (Special) Degree in Business Administration (University of Sri Jayewardenepura), Member (AAT Sri Lanka), Diploma in Professional Marketing (CIM)

12+ years of experience in accounting, auditing, finance and taxation, including 6+ years with First Capital

39. ROHANA WIJERATNE

Manager – Finance

Associate Member (CPM Sri Lanka), Member (AAT Sri Lanka), Finalist (CA Sri Lanka)

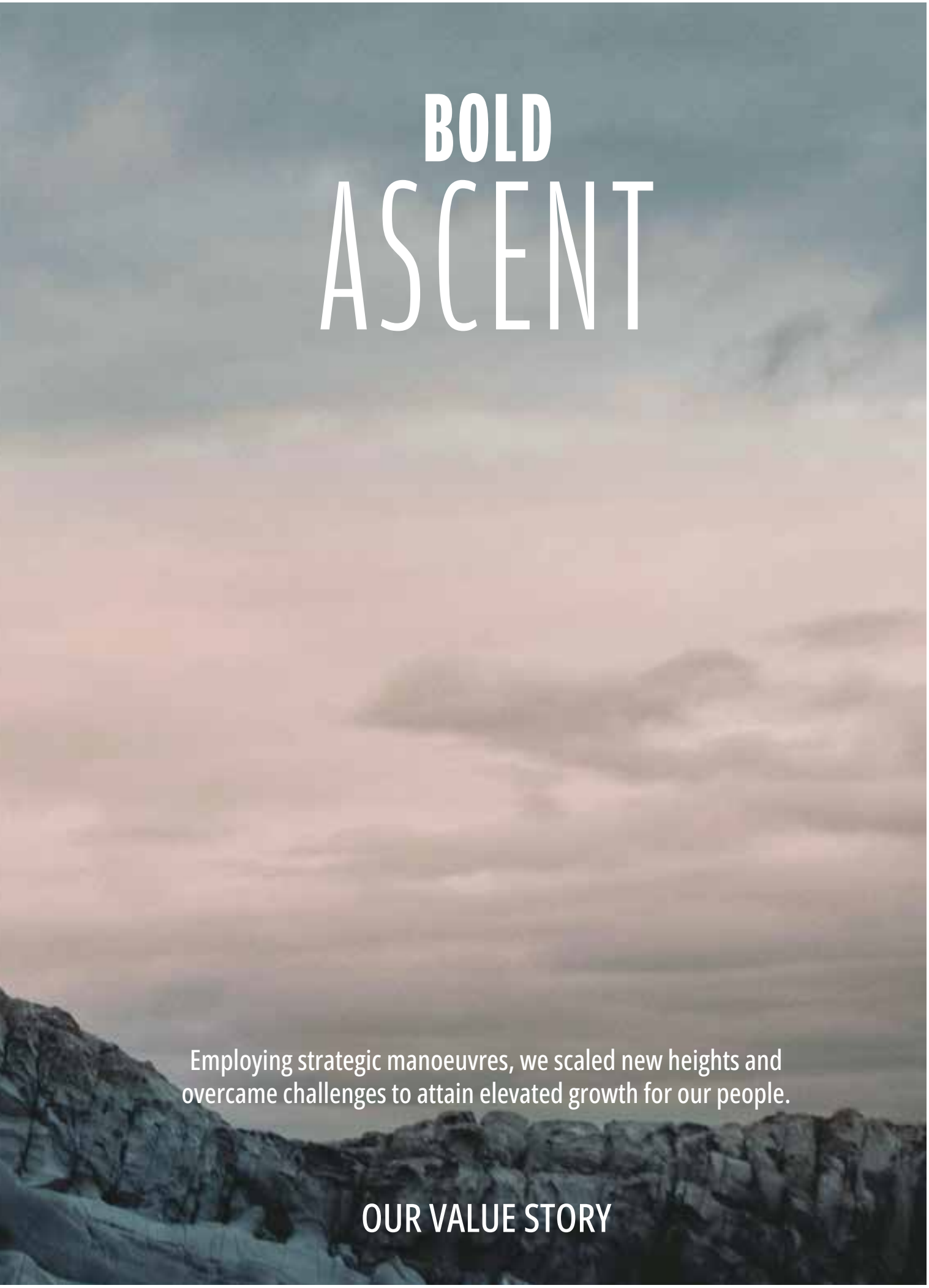
Over 21 years of experience in accounting, financial management, compliance and taxation including 8+ years with First Capital

40. RANJAN RANATUNGA

Manager – Research

BA (Hons) Degree (Staffordshire University), Finalist (CIMA UK)

8 years of experience relating to investment management, including 1 year with First Capital



BOLD ASCENT

Employing strategic manoeuvres, we scaled new heights and overcame challenges to attain elevated growth for our people.

OUR VALUE STORY

OUR APPROACH TO VALUE CREATION

There is a paradigm shift evident in the Sri Lankan economy and financial markets. Empowered by the agility and resilience we have exhibited entering the post-COVID era, First Capital now traverses this historic and fundamental transition. This year, in a concerted exercise, our management vision was changed to convey First Capital's optimism and drive in supporting Sri Lanka's economic recovery and future prosperity by **improving the lives of all Sri Lankans through financial solutions.** It is a vision that recognises that incremental corporate value is intricately linked to ensuring sustainable and inclusive growth of our Group and society as a whole.

Our approach to integrated thinking connects the emergent trends of this new dimension and matters that impact strategic delivery and value creation.

Setting the context

Trends in our operating context

We are navigating a complex and uncertain environment. Even as the pandemic eased, we continued to deepen our resilience in the face of powerful changes in the socio-political and economic arena. In response, these trends necessitate reflection on our strategic stance and priorities.

Read more on page 65

Our stakeholder priorities

Our diversified offering relies on building the trust and loyalty of clients and stakeholders. We proactively engage stakeholders on a range of issues. The insights gained help inform our material matters, shape our business strategy and respond with appropriate solutions to address their concerns

Read more on pages 60 to 65

Our material matters

Our material matters are those that substantially impact value creation and preservation, our business and core offering as well as the quality of stakeholder relationships.

Read more on pages 58 to 59

Strategy in action

Our strategy

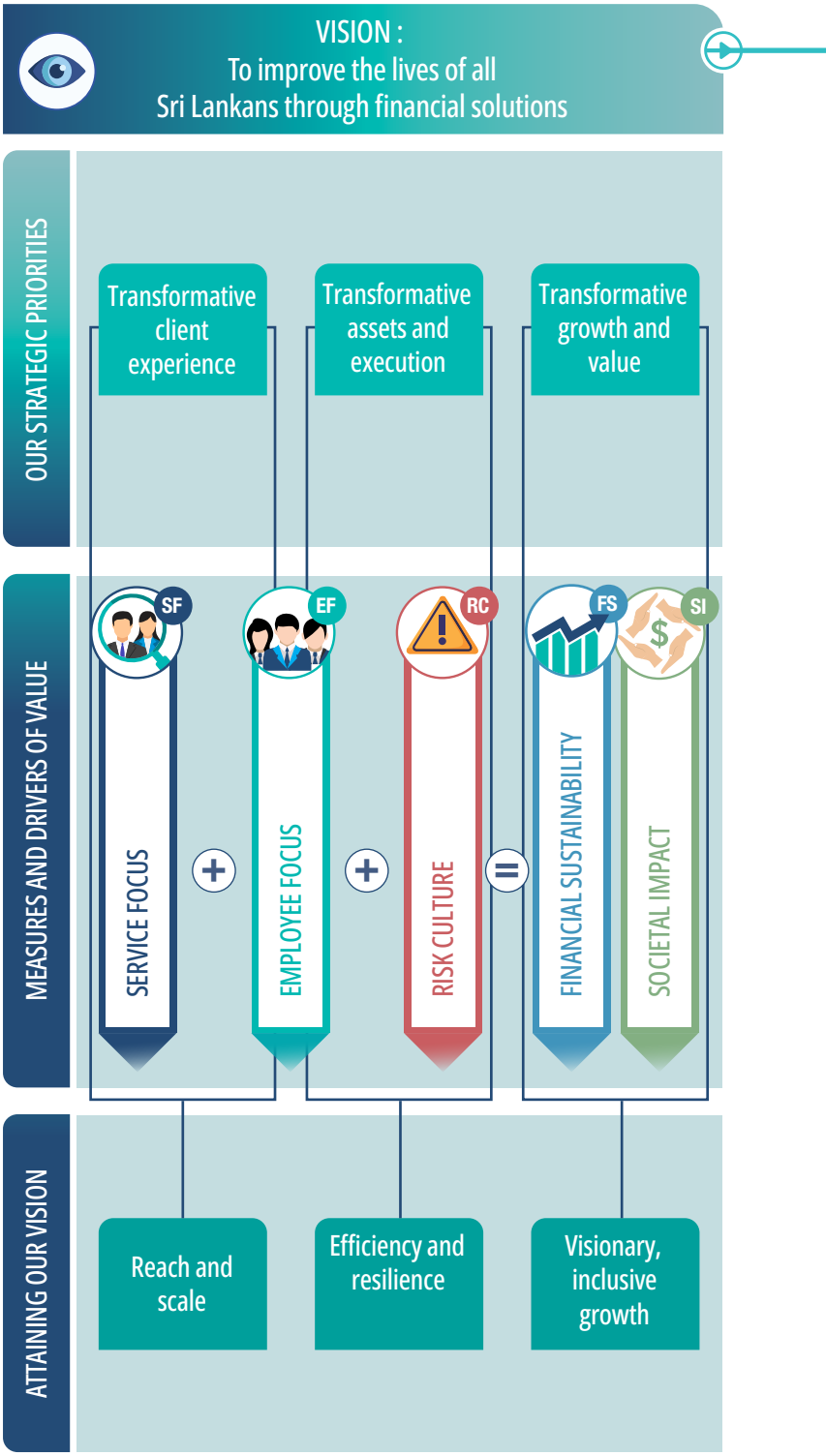
We are accelerating an ambitious strategy to reposition as a platform for far reaching economic prosperity in Sri Lanka.

Read more on pages 70 to 76

Our strategic priorities

Strategic priorities over the medium-term are clarified and reinforced by our vision to drive shared value, anchored by a deeper purpose.

Read more on pages 70 to 73



How we organise our business

Our business model

Our sustainable business strategy is structured around five value drivers. These value drivers feed into our business model. We also report in line with the six capitals of the Integrated Reporting Framework (<IR>) which are embedded in our value drivers.

Read more on pages 66 to 67

Resource allocation

Our resource allocation framework

Resource allocation shifts are evident in better dealing with the volatility, uncertainty, complexity and ambiguity in the environment we operate in at present. A formal decision-making framework is used to allocate resources and apply scenario planning to deliver targeted outcomes.

Read more on page 68

Governing value creation

Accountability to stakeholders

Our culture and leadership underpin the manner in which we do business. A well established governance framework balances short and long-term value creation goals. We promote and are accountable for sustainability and socioeconomic progression of the country.

Read more on pages 60 to 67

Enterprise risk management

Controlled risk taking is supported by robust risk governance. Our risk appetite framework enables a sound balance between growth targets and responsible risk management.

Read more on pages 192 to 201

Driving Value

SF

VALUE FOR OUR CLIENTS

We provide an attractive offering to our clients, led by technological innovation, insight and exemplary service.

+

EF

VALUE FOR OUR PEOPLE

We are shaping a performance oriented team within a nurturing culture.

+

RC

VALUE FOR ALL STAKEHOLDERS

Our tenets underpin a risk culture supported by a robust governance framework. We balance controlled risk taking with our growth objectives.

=

FS

VALUE FOR OUR FINANCIAL CAPITAL PROVIDERS

We allocate resources to optimise returns.

SI

VALUE FOR SOCIETY

Our vision goes beyond financial services. We aim to generate sustainable growth and inclusive value. We are aligned with the United Nations (UN) Sustainable Development Goals (SDGs).

Read more on pages 60 to 65

TRENDS IN OUR OPERATING CONTEXT

The COVID-19 pandemic and its socioeconomic effects, although easing to an extent, failed to underpin a meaningful recovery opportunity given the deepening crisis in Sri Lanka.

A paradigm shift

2021 - 2022

Sri Lanka marked a 3.5% real GDP growth in calendar year 2021 (CY2021), marking a muted recovery from the COVID-19 pandemic, in comparison to its intrinsic growth rate of 5.0%.

Unique socio-political and macroeconomic pressures were prevalent. Declining external reserves hampered economic activities resulting in supply shortages in both food and non-food categories.

Double-digit inflation continued to gain momentum. Early tightening of monetary policy was a precursor to a progressive rise in bond market yields.

At the end of FY2022 signs of social unrest and transitional political risk were apparent.

First Capital opined that Sri Lanka's economic crisis was deepening and that GDP is subject to material change and highly susceptible to recessionary threat in the ensuing year but was cautiously optimistic regarding the potentiality of International Monetary Fund (IMF) support and reforms.

2022 - 2023 and beyond

April 2022 marked Sri Lanka's first sovereign debt default since gaining independence in 1948. The sovereign rating was downgraded to restrictive default status or its equivalent by all rating agencies.

Macroeconomic stresses resulting from a tenuous external financing position, including a severe fuel shortage, scarcity of essentials including food and medicine and disruptions in power supply deepened turmoil.

The continuing steep depreciation of the Rupee, hyperinflation and accelerating interest rates and paucity of liquidity defined the industry environment. A palpable recession saw the real economy contract to a historic low of negative 7.8% YoY.

In September 2022, Sri Lanka reached a staff level agreement on a 48-month Extended Fund Facility (IMF-EFF programme) of USD 3.0 Bn with the IMF and in March 2023 received the initial disbursement of USD 333 Mn. Continual positive engagement with the State heralded an optimism that a credible roadmap to recovery can be executed.

The conditions that Sri Lanka is obliged to meet through increased reform and stewardship result in a vital and momentous transition.

WE HAVE IDENTIFIED PREVALENT EXTERNAL AND INDUSTRY TRENDS THAT STRADDLE THE PESTEL SPECTRUM, EMBEDDED WITH DISTINCT RISKS AND OPPORTUNITIES.

- An economy under multi-factor stress
- Heightened policy and reform
- Accelerated digitalisation
- Multiple undercurrents impacting human capital
- Sustainability

Read more on pages 79 to 86

OUR STAKEHOLDERS AND MATERIAL MATTERS

As a stakeholder-centric institution, meaningfully engaging our stakeholders is pivotal to our vision and strategic delivery of shared value. Our stakeholders are individuals and groups that provide the resources and capital we need and can materially affect or could be materially affected by our core businesses, strategic trajectory and performance. We have identified and prioritise our main stakeholders based on their involvement with and value to and from the business. Focal stakeholder groups are hence determined as: our financial capital providers including both shareholders and debt capital providers, clients, employees, regulators, business rating agencies, analysts, suppliers and service providers and the society at large.

At First Capital meaningful engagement means to:

- Responsively engage stakeholders so as to understand their perspectives and legitimate matters of concern
- Be guided by our underpinning values when engaging stakeholders
- Ensure accessibility
- Provide appropriate solutions, collaboratively

How we engage with our stakeholders

Our approach to stakeholder engagement is primarily decentralised. Relationship managers, client service executives and project or deal teams regularly engage with stakeholders on matters of importance. They report material stakeholder priorities and concerns to respective senior managers.

The senior management is led by the Group's Managing Director while subsidiary Boards and the Group's Board of Directors provide oversight. Specific guidelines and policies for engagements apply to respective groups of stakeholders, some of which are stipulated by regulatory rules and supplemented by our internal corporate philosophy, in particular, with respect to deal making and client-facing services.

We also ensure that stakeholders are engaged by a representative designated for the purpose, with the insight to optimally follow through for a fitting resolution or outcome.

Read more about stakeholder priorities on pages 60 to 65.

Proactively engaging our stakeholders facilitates reshaping and refining of strategy, informs our material matters and helps us find balanced solutions for their concerns.

Board level discussions relating to the following key issues were informed by stakeholder insights:

- Socio-political and macroeconomic crisis, uncertainty and volatility in Sri Lanka and how these impact stakeholders
- Interest rates and inflation and the impact on client resilience and return expectations
- Accommodating our clients flexibly in the face of vulnerabilities and dislocation in markets across asset classes
- Embedding more firmly ESG considerations into group culture by formulating a formal policy that guides the manner in which incorporation of sustainability concerns are to be effected
- The efficiency of our digital core and the need to ensure excellence in service delivery as a focal concern
- Ensuring our teams have appropriate infrastructure and a comfortable environment to work optimally in
- Managing energy poverty in Sri Lanka within the context of business continuity
- Meeting the expectations of our shareholders and delivering improved returns

Read more on our material matters and risk connectivity on pages 58 to 59

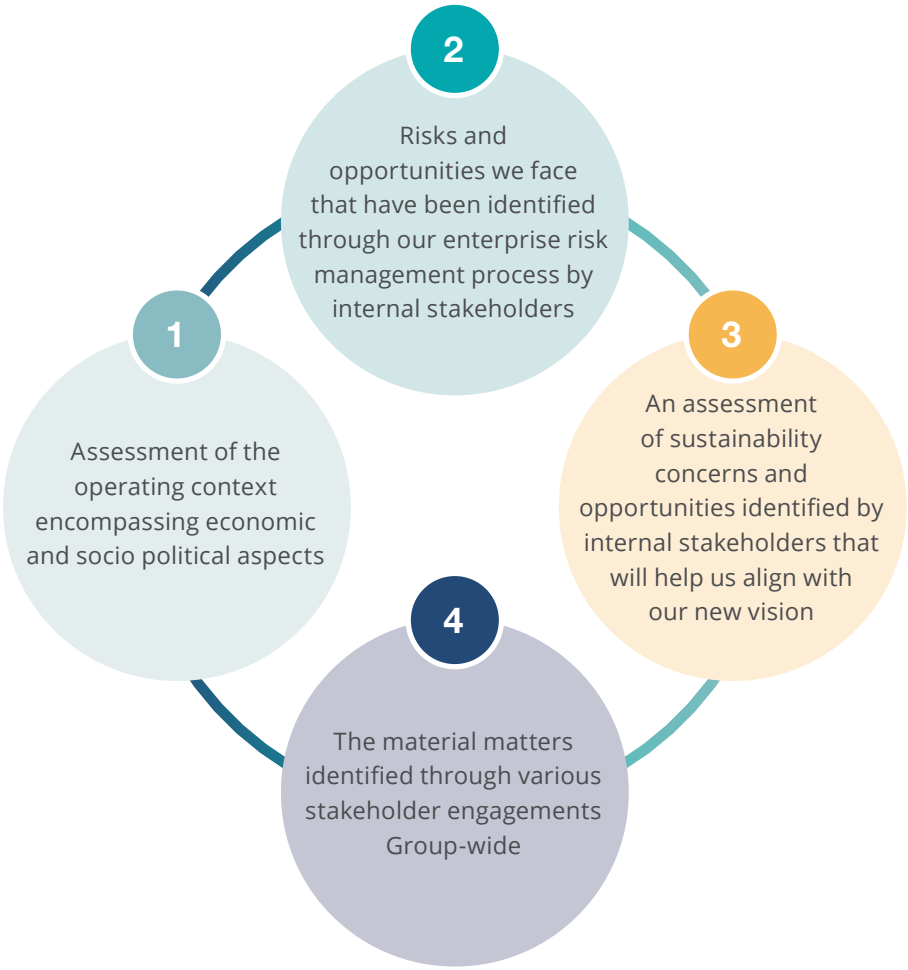
HOW WE DETERMINE OUR MATERIAL MATTERS

We define material matters as issues, opportunities and challenges which have the potential to affect our ability to create and sustain value for our stakeholders in the short, medium and long term.

OUR MATERIALITY DETERMINATION PROCESS

In line with the benchmark of double materiality, we consider the operating context, risks and opportunities arising as well as the issues that are material to our stakeholders and the society. We also use an enterprise risk assessment approach to determine what is crucial for strategy and impact the five value drivers which are pivotal for value creation. As we align with our new vision, this approach to materiality gives us the ability to explore both financial sustainability and societal impact in a more interconnected way.

Our material matters evolve in response to the dynamic changes in the integration of the business with the transition of the economy and within the financial services industry to achieve its purpose and the demands placed by governance, regulatory, technological and risk management aspects.



MATERIALITY UPDATE

This year, we conducted an in-depth materiality update exercise to reassess the relevance of material matters including those of an ESG nature to the Group's key stakeholders. Our aim was to capture the views of a broader internal stakeholder set to reflect any priority shifts that may have taken place entering the post-COVID era, combined with the dramatic changes in the economy and financial markets.

We also reviewed and updated our material matters, ensuring continued relevance to sustainability trends, taking into account updates to international reporting standards and those issued as local benchmarks by CA Sri Lanka and the CSE. The Group strategy and the materiality assessments of our peers in the sector were also considered during this process. A GRI materiality guidance based filtering process was followed to identify 19 material matters, each aligned with First Capital's strategy.

OUR MATERIAL MATTERS

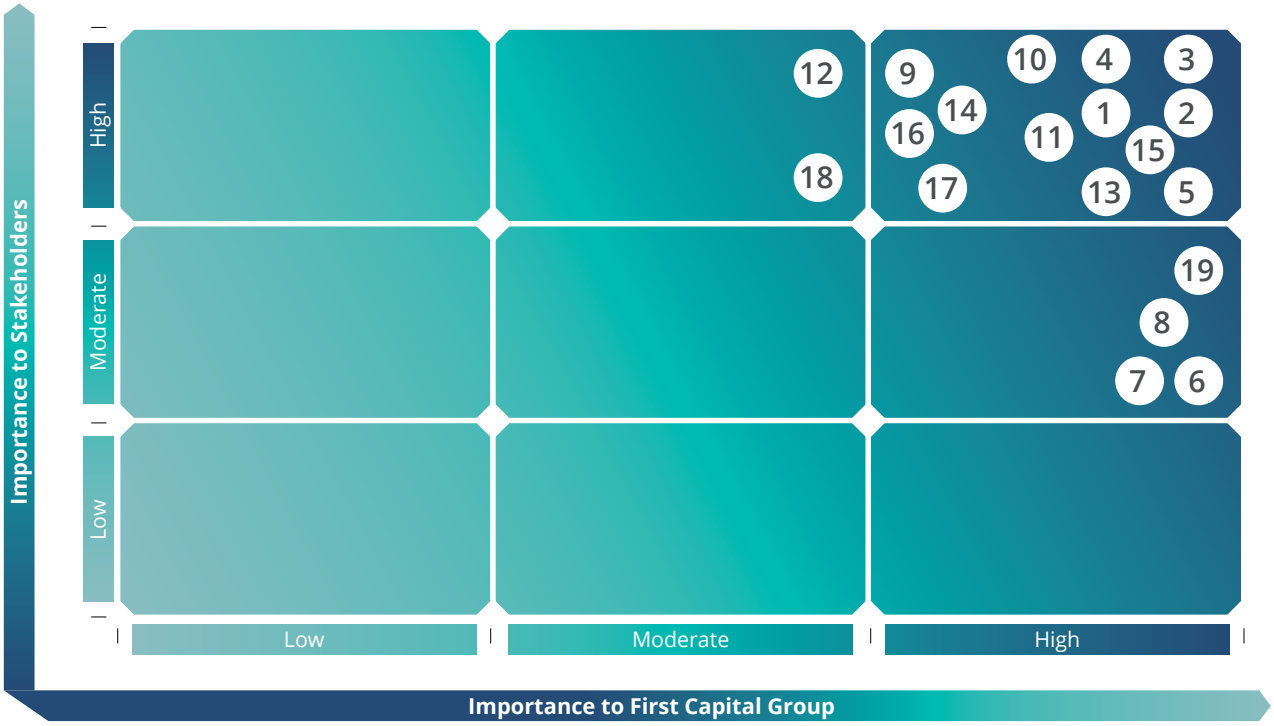
1.	Balanced earnings	SR	
2.	Brand image	SR	
3.	Client centricity	SR	
4.	Client privacy	IS	
5.	Operational efficiency	Ops	
6.	Talent attraction and retention	Bus	
7.	Brain-drain due to migration	Bus	
8.	Employee wellbeing	Bus	
9.	Digital transformation	IS	
10.	Financial inclusion	SR	
11.	Responsible selling	Reg	R
12.	Environmental, social and governance matters	SR	
13.	Managing macroeconomic headwinds	M	LR
14.	Managing socio-political impacts	Bus	Pol
15.	Investment and liquidity management	M	LR
16.	Energy crisis	Bus	
17.	Heightened importance of risk management	Reg	R
18.	Community engagement	R	
19.	Regulatory developments	Reg	Pol

Read more about our enterprise risks, their potential impact and our response on page 192

RISK CONNECTIVITY LEGEND

Business continuity risk	Bus
Information and cyber security risk	IS
Liquidity risk	LR
Market risk	M
Operational risk	Ops
Political and Policy risk	Pol
Regulatory and compliance risk	Reg
Reputational risk	R
Strategic risk	SR

IMPACT BY HEATMAP



STAKEHOLDER PRIORITIES

We have a well-defined process to identify and prioritise our major stakeholders based on the nature of the relationship, the insights we receive and the value to our Group. We engage our stakeholders to understand and respond to their expectations and concerns, in a multitude of ways. The following reported outcomes are only indicative of a point-in-time assessment as the scale and complexity of engagement may evolve over time.

Clients

Value driver and capitals impacted

How we engage

Multiple digital and face-to face engagement methods are used, including monitoring of client complaints, client surveys, audio-video meetings and digital and online communication channels including social media, in-person meetings and client events.

Frequency

Continuous

Key metrics of engagement quality

- Active clients
- Digitally active clients
- Customer relationship management performance metrics
- Cyber incident detection time
- System stability

Priorities and concerns

- Investing in times of uncertainty: investments in a high inflation and high rate environment; and navigating complexity and volatility
- Advice on the core offering and addressing increasingly complex client needs
- A mix of digital and remote services and personal interaction when needed
- High standards in terms of asset safety and segregation
- System stability, data and information security, confidentiality and privacy
- Accessibility, affordability and suitability of products and services
- Risk management, market access and liquidity

Our response

- Expansion and enhancement of digital onboarding and reactivating hitherto dormant client relationships
- Delivering objective advice and bespoke solutions, leveraged by our capabilities and technology
- Developing new products and solutions and forming strategic partnerships in response to clients' evolving needs
- Managing the impact of market dislocation and vulnerabilities
- Providing access to high-yield markets and superior outcomes based on client risk profiles

Related material matters

- Brand Image
- Client centricity
- Client privacy
- Operational efficiency
- Digital transformation
- Responsible selling

Employees

Value driver and capitals impacted

How we engage

We engage our teams through management and divisional meetings, employee surveys, online communication channels, various training events and in-person meetings. We also hold health and well-being events and offerings, employee networking and volunteering opportunities. Our culture supports an interactive, learning environment in which we engage team members for growth and development.

Frequency

Continuous/ periodic

Key metrics of engagement quality

- Enhancement of the score of Great Place to Work®
- Retention measures
- Diversity and inclusion measures
- Gender parity measures
- Training and development measures
- Productivity and workforce return on investment

Priorities and concerns

- Living up to our PERFORMANCE FIRST ideology
- Building a diverse, equitable and inclusive workplace
- Digital and soft skills development
- Group level succession planning
- Enabling internal mobility and providing long-term career prospects
- Work-life balance and counselling needs
- Appropriate grievance mechanisms
- Fair and equitable pay practices
- Flexible/hybrid-work arrangements

Our response

- Establish a diverse and inclusive work environment
- Invested Rs. 3 Mn in training across the Group, with a primary focus on leadership, digital, product and soft skills
- Development of human resources system and IT infrastructure
- Conduct merit based evaluations
- Provide opportunities for airing of grievances or complaints including skip-level meetings
- Invested in the refurbishment of the premises to provide a comfortable and conducive environment for our teams and for the propagation of business
- Continued to engage employees and managers regarding hybrid working options

Related material matters

- Operational efficiency
- Talent attraction and retention
- Brain-drain due to migration
- Employee wellbeing
- Digital transformation

STAKEHOLDER PRIORITIES

Regulators

Including market regulators, the SEC and the CBSL, frontline regulator, the CSE and relevant government departments, primarily, the tax authority – the Inland Revenue Department (IRD)

Value driver and capitals impacted

How we engage

We use a range of regulatory engagements and market intermediary level discussions to interact with our market and frontline regulators of financial markets. We interact with regulators for obtaining licenses and in the process of meeting regulatory compliance requirements. We engage the IRD on tax matters through two way communications as well as annual filings and related interactions.

Frequency

Continuous

Key metrics of engagement quality

- Constructive and positive engagements in meeting regulatory requirements including timely licensing and minimum capital and operational requirements
- Market conduct measures in fulfilling primary dealer obligations
- Direct and indirect tax contributions
- Risk mitigation measures
- Conduct/regulatory training
- ESG scorecard

Priorities and concerns

- Conduct
- Governance, risk governance and other frameworks of control
- Effective delivery of compliance with regulatory change
- Setting benchmarks on sustainability concerns and reporting practices
- Active participation and contribution to industry and regulatory engagements
- Being a responsible taxpayer

Our response

- Engagement on material matters to ensure understanding of expectations and challenges
- Enhancing our compliance and ethics oriented culture; formulation of relevant policy frameworks and enforcement
- Investing in conduct/regulatory training
- Enhancing front to back office internal controls
- Enhanced client due diligence, record keeping, suspicious and unusual transaction reporting and risk management in response to current regulatory requirements

Related material matters

- Regulatory developments
- Environmental, social and governance matters
- Client privacy

Financial capital providers

Value driver and capitals impacted

How we engage

Annual General Meeting, CSE announcements, earnings presentations and investor relations management.

Frequency

Quarterly, annual

We are accessible through an investor relationship manager to engage shareholders on a needs basis.

Key metrics of engagement quality

- Shareholder value created – ROE, earnings growth, net asset value growth
- Total return through share price gains and dividends
- Investor feedback
- Credit rating
- Value paid to providers of debt capital
- AGM voting outcomes

Priorities and concerns

- Delivery of strategic targets
- Ability to protect or grow profits in the current environment
- Structural growth in and return potential of our core businesses
- Cost efficiency
- Stability, capital efficiency and risk management
- Competitiveness of offering
- Access to appropriate skills
- Governance, ethics, market conduct, internal controls
- Implementation of ESG initiatives

Our response

- Regular engagements with rating agencies
- Timely public disclosure of information on the CSE platform and media
- Circulation of shareholder resolutions
- Sound strategy for sustainable and inclusive growth
- Enhanced governance and risk management
- Business operations with capital efficiency

Related material issues

- Balanced earnings
- Brand image
- Environmental, Social and Governance matters
- Managing macro-economic headwinds
- Managing socio-political impacts
- Investments and liquidity management
- Heightened importance of risk management
- Regulatory developments

STAKEHOLDER PRIORITIES

Analysts and rating agencies

Sell-side equity coverage: None

Credit coverage: Issuer and instrument ratings of holding company and subsidiary by Lanka Rating Agency

Value driver and capitals impacted

How we engage

Engagement methods including Research conferences Live stream/ online access of virtual research content, WhatsApp broadcast, publication of annual report and other publications on the media, face to face meetings

Key metrics of engagement quality

- The ability to formulate reports efficiently by the analyst

Priorities and concerns

- Gathering comprehensive and relevant information that enables analysis
- Arriving at a defining representation of stability and credit fundamentals; maintaining or enhancing the rating

Our response

- Provision of comprehensive and relevant information
- Maintaining our capital efficiency and credit fundamentals through risk management and control framework

Related material matters

- Investments and liquidity management
- Heightened importance of risk management

Suppliers and service providers

Value driver and capitals impacted

How we engage

Two way engagements including formal procurement processes and face to face or virtual meetings.

Key metrics of engagement quality

- Successful negotiation of outcomes in engaging suppliers

Priorities and concerns

- Partnership and ascertaining roles and responsibilities of the engagement equitably
- Governance and ethical practices
- Disparities in or how to align working cultures
- Balancing pricing and capabilities

Our response

- Professional negotiation and contractual compliance
- Working together effectively
- Enabling fair and equitable procurement and evaluation

Related material matters

- Environmental, Social and Governance matters
- Community engagement

Business partners

Value driver and capitals impacted

How we engage

Through two way engagement modes including meetings and negotiations. We work together in deal making and transactional engagements.

Key metrics of engagement quality

- Successful outcomes in collaborative deals
- Tangible synergies
- Trust and stability through partnering

Priorities and concerns

- Opportunities for shared value through collaborative deal making
- Processes in which mutually inclusive value can be optimised
- Ascertaining roles and responsibilities and fee sharing bases

Our response

- Building strategic alliances
- Ongoing collaboration in providing services to clients

Related material matters

- Environmental, Social and Governance matters

Communities and the civil society

Corporate Social Investment (CSI) partners, the society at large

CSI partners:
Janashakthi Foundation

Habitat for Humanity Sri Lanka

6 internal CSI focus areas

Value driver and capitals impacted

How we engage

Two-way engagement methods that can include online communication channels and in-person discussions; philanthropic activities, community engagements, dissemination of research and awareness building.

Key metrics of engagement quality

- Constructive engagements
- Media monitoring
- ESG scorecard

Priorities and concerns

- Social and environmental impacts of business activities
- Alignment with a national agenda for pervasive and sustainable value creation
- Sustainable finance
- Financial stability through risk governance
- Governance of inclusive value creation
- Client and corporate philanthropy efforts
- Furthering economic and social inclusion

Our response

- Integrate with financial services industry and the economy through business led and inclusive growth and balanced risk management
- Set in place a well-defined ESG policy and map of our intentions in achieving the new corporate vision in a truly sustainable manner
- Aligned internal CSI areas to the UN SDGs
- Donations and volunteering through strategic community partners
- Improve financial literacy through financial and economic education; participation in forums and roundtables, as well as industry, sector and topic-specific dialogues; multi-channel dissemination
- Various activities that encompass our internal CSI focus areas
- Taking the foundational steps necessary to calculate and report on carbon neutrality

Related material issues

- Environmental, Social and Governance matters
- Community engagement
- Financial inclusion

OUR BUSINESS MODEL

The First Capital business strategy is structured around five value drivers.

These value drivers feed into our business model, which ultimately drives our strategy.

We have brought our reporting in line with the six capitals of the Integrated Reporting Framework (<IR>) and depict how capitals are intricately linked to value.

Our strategic progress is detailed on pages 74 to 76

We provide a synopsis of value driver based achievements and key trade-offs on pages 74 to 76

Our value drivers

The resources and relationships we access and use to support the delivery of our strategic priorities are set out by value driver:

SF — SERVICE FOCUS represents client centricity and service excellence as a driver of value

- Client trends and client needs
- Deal teams and relationship management teams
- Trusted relationships
- Digital core and technology
- Core offering and innovation

Altered capitals

+

EF — EMPLOYEE FOCUS represents our employees and culture as a driver of value

- Work ethic, culture and values
- Core skills and expertise
- Market insight

Altered capitals

+

RC — RISK CULTURE represents our mature risk management governance framework and compliant business conduct as a driver of value

- Controls and monitoring
- Systems and processes
- Risk management and conduct

Altered capitals

=

FS — FINANCIAL SUSTAINABILITY represents our financial resources, strong financial position and established capital allocation framework as a driver of value

- Shareholder's Equity
- Long and short term funding
- Client assets
- Portfolios
- Investments and acquisitions

Altered capitals

SI — SOCIETAL IMPACT represents our purpose beyond simply providing financial services- our focus on creating positive impact in the CSI areas of choice as a value driver

- Sustainability partnerships
- Stakeholder engagement
- Environmental, social and governance concerns

Altered capitals

Our input capitals

The resources and relationships we access and use to support the delivery of our strategic priorities are set out by value driver:

FINANCIAL CAPITAL constitutes of the pool of funds that is available to us in the delivery of services and obtained through financing, such as debt, equity or generated through operations or investments. We are underpinned by an appropriate risk appetite framework, a robust capital structure, and a stable credit rating to help manage change, innovation and growth.

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

HUMAN CAPITAL comprises our strong executive and leadership teams, deeply skilled and experienced people, and high-performance, client centric and ethical culture are rooted in our purpose. We are investing in strategies to equip our people with the mindset and skills needed for the future in support of our strategy.

MANUFACTURED CAPITAL represents our geographic footprint inclusive of our main place of business where the "Customer Relationship Management and Digital" service centre and our branch network complemented by a modernised digital core and systems architecture that allows us to attain or goals of reach, scale and service excellence.

SOCIAL AND RELATIONSHIP CAPITAL comprises key relationships and interactions with institutions and between communities, groups of stakeholders and other networks, and the ability to share information to enhance individual and collective well-being. These resources underpin our ability to deliver our strategy while creating sustainable and inclusive value.

NATURAL CAPITAL includes renewable and non-renewable environmental resources and processes that help us provide our services

Constraints

- Enhancing our digital core to improve the client experience and efficiency requires accelerated investment.
- To attract financial capital, we need to give our shareholders and providers of debt capital an expected rate of return that is appropriate.
- We must also create value for our other stakeholders. This requires efficiency in balancing the income we earn against costs we incur.
- Reaching for retail markets in particular may require diligent capital allocation to remain sustainable.
- We incur additional costs and expend resources to accelerate human skills development as part of our strategy.
- Employing suitable people with hard and soft skills in financial services has become increasingly difficult due to extensive migration and competition to employ the available talent pool.
- We may require simplification of our two-tier operating structure.
- Competition in some core businesses is increasing and with it pressure to preserve the markets we are active in and our market position.
- The evolving regulatory, supervisory and control environment places us under a pressing need to ensure sophisticated requirements are met efficiently and that new perspectives in conduct are recognised and absorbed by our teams.

Our business activities and context

Our vision To improve the lives of all Sri Lankans through financial solutions.

Our Mission Lead the way in innovative solutions to manage risk and create wealth.

Creating and distributing financial value

Interest paid to clients on investments
Rs. 6.4 Bn
FY2022: Rs. 1 Bn

Invested in our people on training
Rs. 4 Mn
FY2022: Rs. 8 Mn

Paid in salaries and benefits
Rs. 858 Mn
FY2022: Rs. 414 Mn

Direct and indirect taxes to governments and regulators
Rs. 1,748 Mn
FY2022: (Rs. 118 Mn)

Invested in our operations, suppliers and third parties
Rs. 219 Mn
FY2022: Rs. 196 Mn

Returns to shareholders (dividend)
Rs. 911 Mn
FY2022: No dividend was declared

Retained for growth of the business
Rs. 1,963 Mn
FY2022: (Rs. 340 Mn)

Investment in societal impact
Rs. 3 Mn
FY2022: Rs. 7.8 Mn

Our value outcomes

The resources and relationships we access and use to support the delivery of our strategic priorities

SF
- Enhanced client centricity
- Expansion and diversification of client base
- Service and market diversification
- Competitive products and services
- Enhanced service delivery
- Brand legitimacy
- Technological transformation

+ **Altered capitals**

EF
- Execution expertise and core skills development
- Employee satisfaction
- Unified corporate culture
- Employee wellness
- Diversity
- Leadership accountability

+ **Altered capitals**

RC
- Regulatory licenses to operate
- Improved operational efficiencies
- Capital strength and liquidity
- Sound credit fundamentals and rating
- Focused risk management and conduct
- System security and stability

= **Altered capitals**

FS
- Profitability and returns
- Shareholder dividends
- Improved fund allocation and management
- Economic value addition
- Economic growth
- Investment in core activities

Altered capitals

SI
- Strengthened as partner for positive societal impact in selected areas
- Supply chain management
- Long-term strategic partnerships for creating societal impact
- Community centricity

Altered capitals

Shared value and trade-offs

SF

Shared value
- Active clients: 10,247
- Digital clients (FCE): 4,114
- Lead conversion: 19%
- Digital solution fulfilment: 40%
- Reduction of legacy systems: 1
- AUM: Rs. 40.5 Bn
- Capital formation: Rs. 7 Bn

+

Key trade-off
- The intense drive for technology led growth requires additional investment although client service excellence is achieved through such innovations and helps us remain relevant
- We need a disciplined cost management and resource allocation approach to reach broader retail markets and/or the offering
- Seeking additional service providers for innovations necessitates the careful management of related dependencies

EF

Shared value
- 106 group employees
- Workforce return on investment (times): 3.9
- Direct income per employee: Rs. 134,714
- Employee turnover: 17%
- Percentage of women employees: 41.5%
- Percentage of women in managerial roles (of total workforce): 23%
- An accredited Great Place to Work®

+

Key trade-off
- Investing in transformation requires us to also manage costs diligently
- In transition, devoting training hours for development, although requisite for the transformation of staff, may temporarily affect staff productivity
- Due to large levels of migration, we face intense competition for the specialised skill sets and capabilities we seek in new recruitments

RC

Shared value
- Capital adequacy ratio: 24%
- Credit rating status: A with Stable Outlook
- Statutory compliance training completion rate: 100%
- Priority incidents (number): 9
- Core applications on cloud/ co-location: 100%
- Reduction of legacy systems: 1

=

Key trade-off
- Higher growth expectations in the interest of stakeholders need to remain within approved risk appetite
- We are dependent on the automation and enhancement of systems and processes for efficient delivery of risk management; in transition, some processes have taken longer to automate than anticipated, resulting in a temporary increase in operational risk
- Reliance on external expertise from third parties may cause business disruption and information risk
- We need to balance client expectations of superior service and return outcomes within an evolving and stringent regulatory, supervisory and control environment

FS

Shared value
- Group trading income growth: 1412% YoY
- ROCE: 26%
- ROE: 46.2%
- ROA: 4.9%
- Cost to income ratio as percentage: 75%
- Recurring income as percentage of direct income (estimated): 45%
- Dividend payout ratio: 39%

Key trade-off
- To ensure we have the capital resources we need, we need to invest in growth, in order to provide an appropriate rate of return to our shareholders and debt funders, while creating value for other stakeholders
- This requires a balance of income growth and costs incurred

SI

Shared value
- Research conferences led attended by >500
- Digital reach of research programmes and streams on social media by views
- Business led spend on communities
- Donations

Key trade-off
- Our vision for shared prosperity requires long-term focus and investment in certain social investment sectors. This may impact short-term profits
- Incorporation of ESG principles necessitate a change in process and concerted efforts, which may in the transition require time, effort and investment, impacting productivity and additional investment
- There are national level challenges in the current socioeconomic and political context, including the slow pace of progression, which may hold us back in the long-term vision for positive impact

ALLOCATING OUR RESOURCES

First Capital's resources – financial capital and others including capabilities and expertise, are allocated through a facilitative framework that drives inclusive growth and value.

OUR RESOURCE ALLOCATION FRAMEWORK

Led through strategy

Resources are allocated towards strategic priorities –exemplary client service, designing and distributing innovative products and services, transforming our people, growing organically and investing for societal impact with our strategy.

Tied to group budget and priorities

Reshaped strategy and priorities are reflected in subsequent budgeting decisions.

Filtering for 'gated' resource allocation decisions

Our decision-making considers rates of return and other factors to sequentially filter opportunities.

Allocation tested against risk appetite

We review and amend our risk appetite under the guidance of the Board. Risk appetite may be set in reference to core businesses, products and service solutions, markets or risk categories.

Measurable progress

We have set targets that are measurable, actionable and aligned with our strategy. These are reported to the Board periodically.

Filters

Strategy and vision

- Does the opportunity catalyse our value drivers?
- Can core business contribute to vision in a scalable way?

Risk Appetite

- Is it within Board approved risk?

Value gates

- Do we create value?
- Is the ROCE and ROE sustainable?
- Are our returns in excess of cost of capital?

Selection

- All filters met Pursue
- Filter(s) not met Exit

Yes

Yes

SCENARIO ANALYSIS: AGILE AND PREDICTIVE IN DYNAMIC ENVIRONMENT

We use scenario planning in our budgeting process as an analytical tool and process that enables us examine and evaluate possible future events or scenarios, and to predict potential outcomes. This is done on both a strategic or purely financial level, informing and directing agile budgeting, forecasting and strategy-testing if important preconditions change. Strategic objectives may be reshaped and realigned to ensure that our strategy remains operative and resource allocation is optimal.

Read more on our financial outcomes under Financial Capital on pages 87 to 97.

Read more on resource trade-offs by value driver as detailed under our Business Model: pages 66 to 67.

A VISION REIMAGINED FOR DEEPER PURPOSE

Past: To be the leading investment bank in Sri Lanka

First Capital
A Janashakthi Group Company

Present: To improve the lives of all Sri Lankans through financial solutions

- Innovative solutions
- Create wealth
- Manage risk

Transform beyond financial services to create inclusive value for all

Create opportunities for shared value in the First Capital macrocosm, aligning with new vision

Optimise inclusive value

SF + EF + RC = FS SI

Leverage group capabilities and insights to bring our vision and strategy to life so we can help our stakeholder communities thrive and Sri Lanka prosper

Beyond financial services, guided by our new vision and driven by underpinning drivers of our mission

As we mark our 40th year in financial services dramatic changes are taking place. Our markets are reshaping in the face a financial crisis and we are in a new dimension where for the first time we are compelled to not only integrate in our own industries but also with a larger vision and reforms taking place in our economy to move forward together as a country into a progressively better future.

We believe in the ability of financial solutions to enrich the society and achieve sustainable value. We are committed to leveraging our Group's strengths to build the First Capital macrocosm, one that integrates well not simply with financial performance optimisation but also into the broader society through unifying the following:

- Incorporating corporate philosophy elements including our vision, mission, values and PERFORMANCE FIRST ideology in long-term strategy
- Reviewing and reshaping strategic growth pillars to enable better integration with sustainability
- Using Risk Culture, not as part of Financial Sustainability but as a separate value driver adding value to all stakeholders by creating stability and ability to price risk and capital
- Enabling growth in our core businesses through our operating model and integrating in our industry through enhanced presence in our markets
- Enabling prosperity in the select communal microcosms we prioritise for sustainability investment

OUR STRATEGY

We have refined and realigned our strategic priorities to deliver medium and long-term ambitions aligning with our new vision. Our strategic targets complement the core offering and business model with a commitment to incorporation its value proposition based on active dialogue with stakeholders on sustainability matters and market needs.

Our vision

To improve the lives of all Sri Lankans through financial solutions

Our strategic priorities

Transformative client experience

Our core business will:

- Grow our footprint and defend our market positions in core businesses
- Capture opportunities to grow our client-base through exemplary services to our clients

We will use robust technology complemented by human interaction to constructively and deeply engage our clients.

We aim to build the infrastructure needed to provide our clients a truly digital and interactive, approach as required to help meet their financial goals.

Transformative assets and execution

Our core expertise, assets, process innovations and partnerships will help:

- Design innovative, objective, profitable and bespoke client solutions
- Optimise delivery and execution
- Drive organic growth
- Provide stability
- Partner to drive value

We will invest in the transformation of our human capital to help engage and serve our stakeholders productively. We will deliver profitable investment and trading solutions and objective and independent advisory solutions independently and collaboratively. We will streamline systems and processes for increased efficiency.

Transformative growth

We will embrace our sustainability focus incorporating ESG perspectives in our business to create sustainable growth and value:

- Delivering financial sustainability
- Creating positive societal impact
- Finely linking resource allocation to value creation

We will drive long-term, environmentally and socially sustainable growth and value.

We will responsibly allocate our resources and strive to deliver positive societal impact.

Our value drivers

Medium-term target summary, FY2027

Our strategic priorities create the framework within which we utilise our resource base for transformative growth.

STRATEGIC PRIORITIES

- Transformative client experience
- Transformative assets and execution
- Transformative growth and value

OUR VALUE DRIVERS

SF + EF + RC = FS SI

OUR TARGETS

- Enhance active digital client base
- To achieve enhanced client engagement scores
- Achieve targeted capture of retail investors
- Achieve targeted income from new customers

- Enhanced skill level in employees
- Increased diversity
- Improved productivity and return per employee
- Enhanced position in the sector as Great Place to Work®

- Focus on efficient use of capital as the operating context changes in the transition of the economy and markets
- Operate within risk appetite
- Target CAR ratio of 20%
- Due compliance in business conduct

- Better cost efficiency at 40%
- New process take up for STP and real time transfer of funds
- System security and stability

- Sustainable minimum ROE of 20% (5-year average)
- Sustainable minimum dividend payout of 30% (5-year average)
- Sustained growth by broadening of fee-based income to 40%
- Sustained momentum in fund based income through growth in trading income reflecting 3yr CAGR of 20%

- Positive impact in chosen CSI areas
- Carbon neutrality by FY2027
- 100% paperless office by FY2027

OUR TARGET OUTCOMES

- Increased reach and capability
- Efficiency and resilience
- Visionary, inclusive growth and value

OUR STRATEGY

Strategic priorities across time horizons

OUR VALUE DRIVERS

HORIZON 1

AT PRESENT

Responding to and recovering from the crisis; Reshaping in the paradigm shift

SHORT TERM FY2024

We are focused on growing our core businesses

- Core businesses will offer sound client propositions and gain scale and reach.
- They will focus on and meet the needs of our clients through exceptional service.
- Protect and enhance our market positioning.
- We will build technology partnerships to catalyse innovation.
- We will enhance our offering to clients – digital solutions as well as transactional and trading.

We have the right infrastructure to provide client centric services.

HORIZON 2

AT PRESENT

Transforming our identity to reach beyond financial services.

MEDIUM TERM FY2025 - FY2027

- We will build a culture of innovation across the Group.

HORIZON 3

LONG TERM BEYOND FY2027

Enriching Sri Lanka's society and economy through financial solutions

Towards transformative growth

We are focused on accelerating critical skills development

- Our teams are increasingly invested in developing new and more relevant skills. They are embracing professionalism and aiming to provide exemplary services.
- We will continue to enhance our status as a Great Place to Work.®

We are committed to good conduct and prudent risk management

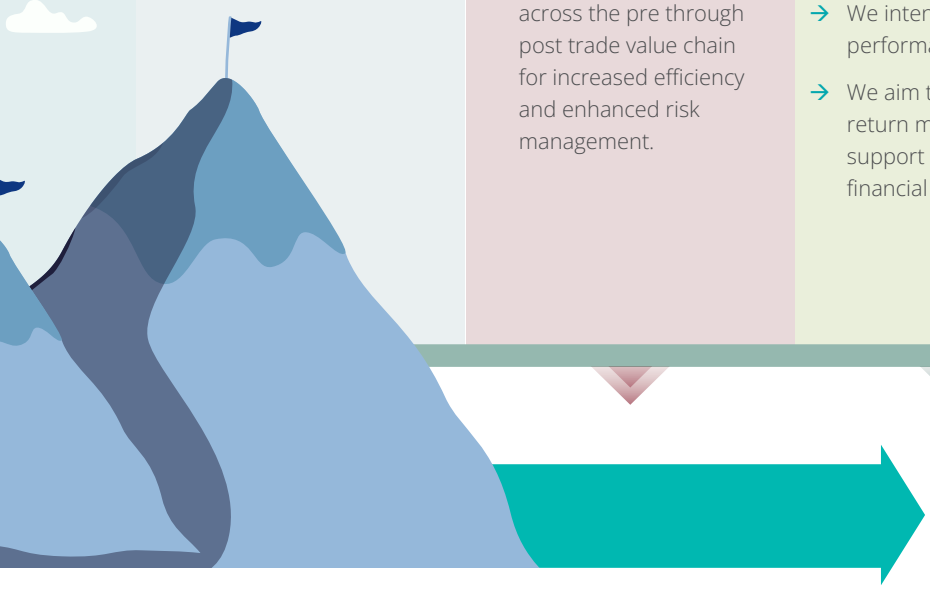
- We embed risk and governance best practices.
- We pivot from liquidity and capital preservation to targeted growth.
- We are invested in compliance training.
- We are enhancing process across the pre through post trade value chain for increased efficiency and enhanced risk management.

We are focused on efficient capital reallocation for growth

- We are focused on a balanced income mix and quality of earnings.
- We intend to maintain our performance momentum.
- We aim to capture high return markets and support our medium term financial targets.

We are committed creating shared value

- We are committed to promoting sustainable and inclusive development. We have formalised our approach to ESG incorporation in our business.
- We will develop and execute a credible roadmap for incorporation of ESG practices and innovations that exploit opportunities for shared value.



Read more about on our strategic progress on pages 74 to 76

HOW WE MEASURE STRATEGY IN ACTION

Our five strategic value drivers are used to focus and measure our strategy in action and the value we aspire to create for all our stakeholders.

We have made some enhancements in the measures from the prior year, to enhance the coverage and depth of the metrics we use to measure our strategic progress against our defined targets for the medium term. FY2023 is the second year of enacting our strategic plan with certain refinements to medium term targets.

✓ Achieved | ✗ Not Achieved

Service Focus	Metric	Progress	FY2023	FY2022	Medium term targets/ benchmarks
Client reach	Active clients (total)	✓	**10,247**	7,807	Active client base increased by 31%
	Digital clients (FCE)	✓	**4,114**	3,449	Digital client base increased by 19%
Client engagement	Average percentage leads converted	✓	**19%**	N/A	Continually improve to internal targets
Digital core strengthening and innovation	Digital solution fulfilment as percentage	✓	**40%**	20%	Continually improve to internal targets
	Reduction in legacy systems (number)	✓	**1**	1	Continually improve to internal targets

Employee Focus	Metric	Progress	FY2023	FY2022	Medium term targets/ benchmarks
Employee development	Learning hours per employee	✗	**25**	28	Continually improve to internal targets
	Training spend per employee (Rs.)	✓	**28,984**	88,838	
	Workforce return on investment (times) or any other productivity metric	✓	**3.9 times**	(2.4 times)	
Employee retention	Employee turnover (%)	✗	**17%**	10%	10%
Inclusion	Percentage of women employees	✗	**42%**	42%	Continually improve internal inclusion targets
	Percentage of women in managerial roles	✗	**23%**	19%	
Unique selling proposition as a superior workplace	Great Place to Work® sub-index scores within the Trust index®	✓	**Out performance of sector by sub-indices of the Trust index®**	Sector sub-index score unavailable at time of publication	Remain ahead of industry benchmarks and improve overall industry ranking in the sector

RC

Risk Culture	Metric	Progress	FY2023	FY2022	Medium term targets/ benchmarks
Risk and capital strength	Credit rating status	✓	Reaffirmed at "A" with Stable Outlook	Reaffirmed at "A" With Stable Outlook	Enhanced the credit rating by two notches.
	Capital adequacy ratio (Tier 1+ Tier 2) for First Capital Treasuries PLC, largest subsidiary of the Group	✓	24%	85%	Target focused growth by meeting internal prudential norms set for CAR buffer 15%.
Conduct enhancement	Compliance training hours per compliance team member	✓	212	276	Ensure compliance to prevailing regulatory norms.
	Statutory compliance training completion rate* *covered persons	✓	100%	100%	
System stability and security	Priority 1 incidents (number)	✗	9	4	Improve system efficiency and meet internal cost reduction targets
	Core applications on cloud/co-location (%)	✓	100%	100%	

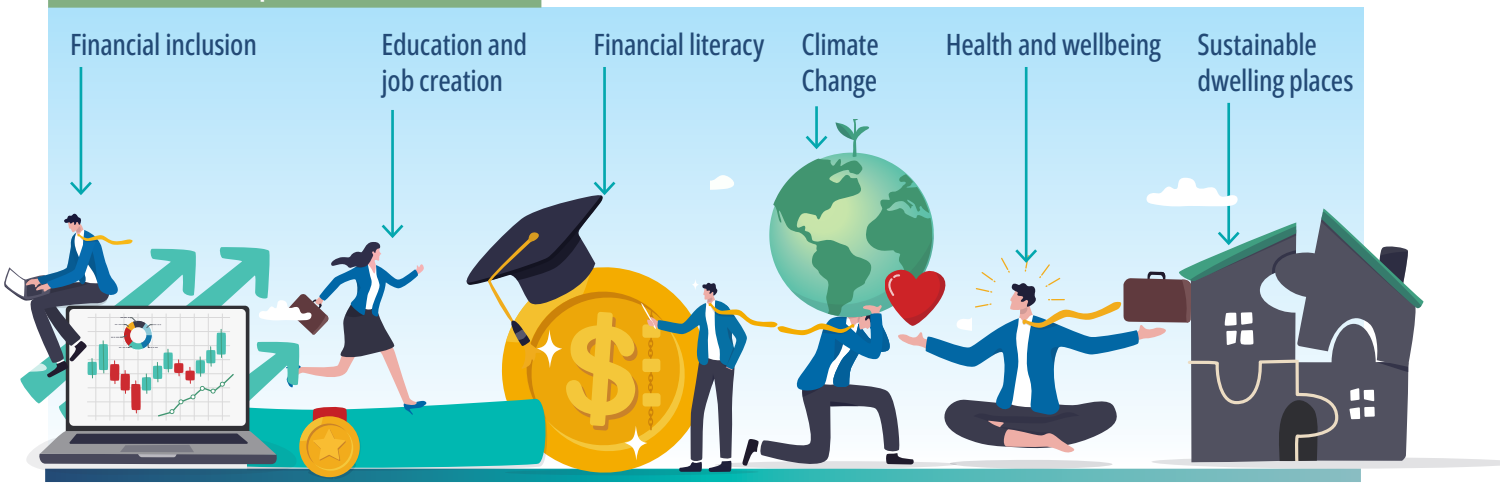
FS

Financial Sustainability	Metric	Progress	FY2023	FY2022	Medium term targets/ benchmarks
Sustained financial outcome	Net Trading income growth	✓	1,413%	-1,085%	20% 3-year CAGR
	ROE	✓	46.2%	-14.1%	20% 5-year average
	Dividend payout ratio	✓	39.0%	No dividend declared	30% 5-year average
Efficiency	Cost to income ratio as percentage	✓	75%	137%	40%

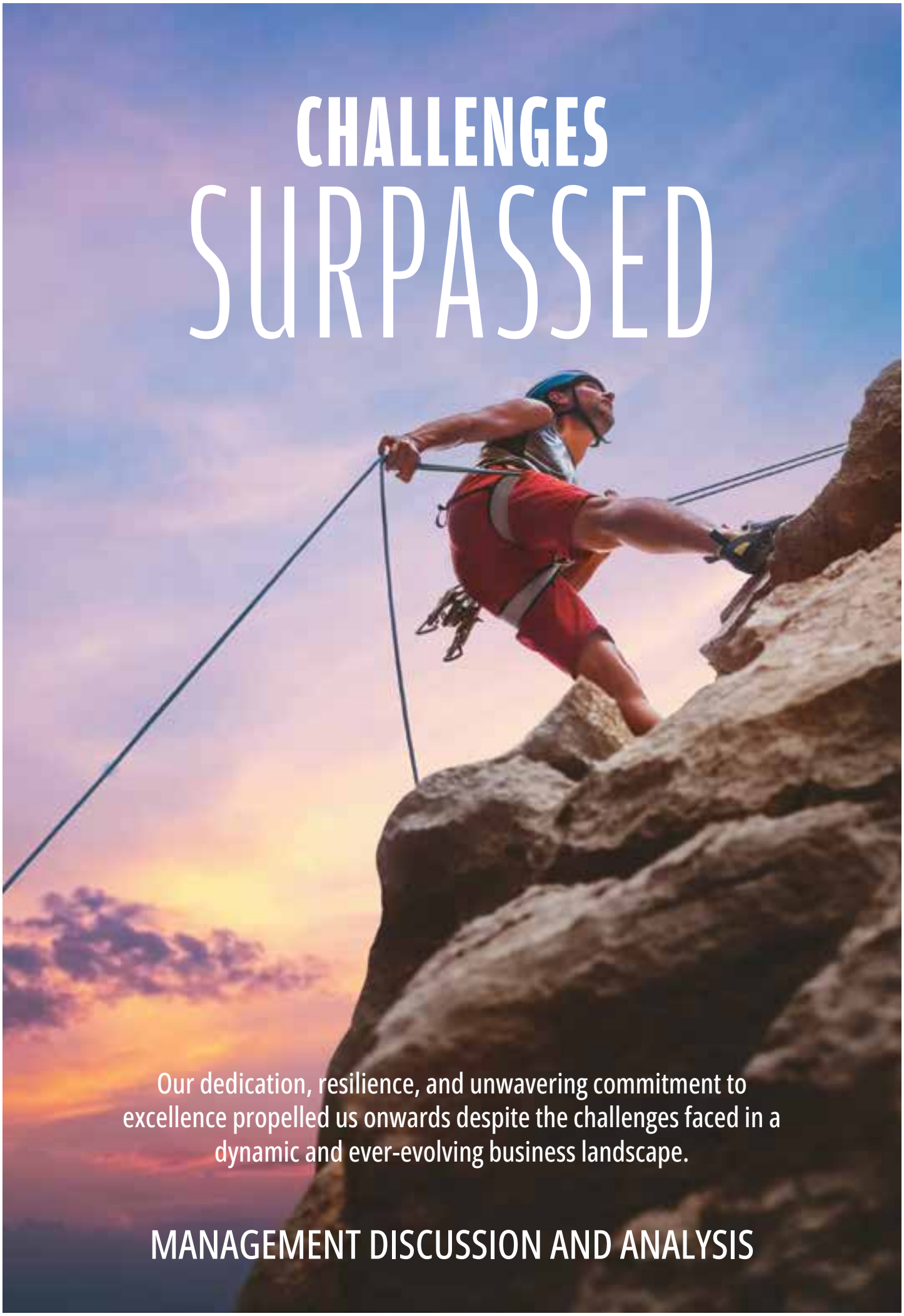
HOW WE MEASURE STRATEGY IN ACTION

Societal Impact	Metric	Progress	FY2023	FY2022	Medium term targets/ benchmarks
Financial literacy endeavours	Research conferences led attended by >200	✓	1	4	Continue to positively impact communities and the environment in line with targeted and approved sustainability goals.
	Digital reach of research programmes and streams on social media by views	✓	300	1,200	
Positive social economic and environmental impact	Donations (excluding business-led community spend) on select focus areas* * See legend 'Our Societal Impact areas in FY2023'	✓	Rs. 3.0 Mn	Rs. 7.8 Mn	
	Climate action goal completion Carbon neutrality by FY2027	Unevaluated	Board-approved roadmap that initiated retooling	N/A	

Our Societal Impact areas in FY2023



Read more under
Social Capital on pages 119 to 125



CHALLENGES SURPASSED

Our dedication, resilience, and unwavering commitment to excellence propelled us onwards despite the challenges faced in a dynamic and ever-evolving business landscape.

MANAGEMENT DISCUSSION AND ANALYSIS

EXECUTIVE SUMMARY

First Capital operates as a financial services provider active in the core businesses of Government Securities, Corporate Finance and Advisory, Asset Management and Stock Brokering.

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

Our core philosophy is underpinned by a vision that lends deep meaning to our long-term strategy and goes beyond the provision of financial services, "to improve the lives of all Sri Lankans through financial solutions". Our corporate ideology is ingrained in the PERFORMANCE FIRST work ethos and our values serve as a cornerstone of conduct.

Our unwavering strategic focus has earned us a reputation as one of the nation's leading integrated financial solutions providers. Since 1982, we have grown our business both organically and through opportunistic acquisitions and celebrate a triumphant evolution, marking our 40th year in business with record financial outcomes.

We plan to maintain our focus on strategy with a continued appreciation of a three-pronged transformation: responding and recovering from the crisis, adding value to our human capital and driving digital innovation and creating opportunities for shared value across key drivers. These are the nexus of growth; the drivers of value underpinning the First Capital business model: Service Focus, Employee Focus, Risk Culture, Financial Sustainability and Societal Impact. By utilising the various input capitals and participating in our business activities and accelerating strategy we create altered capital outputs which enable us to create inclusive value for all stakeholders.

COMPETITION

We operate in a highly competitive environment. We consider both banking and integrated investment banking service providers, the latter providing a combination of fee and fund-based services, as our competitors.

Our competitors are other entities that provide integrated and pure-play investment banking services, portfolio and investment managers, asset managers, commercial and/or consumer lenders, deposit-takers and similar banking products and service providers, lifestyle solutions providers as well as structuring and placement agents of investments in securitisations, structured products, real estate, private equity, funding and other financial solutions.

Our current geographic footprint is mainly local, served by our branches in Negombo, Matara, Kurunegala and Kandy.

We intend to explore strategic and opportunistic international business in keeping with segmental value propositions, particularly in the Stock Brokering business.

In the investment banking sphere, we compete based on a number of factors, including trading strategies in equity and fixed income, advisory deal execution, research, client experience, completeness of service offering, professionalism, brand recognition, market capture, reputation and price.

We have faced, and expect to continue to face, pressure to retain market share by committing capital to markets, transactions, niche clients and services on terms that offer returns that may not be commensurate with risk. We retain market dominance in select markets but may face considerable competition and attrition in certain markets and our position in some markets may be that of a niche-occupier or follower.

First Capital has been recognised locally as a leading investment bank with singular brand strength, and has secured the following external recognition:

- Recognised as the most awarded entitiy in the investment banking sector by LMD (joint winner), in their 'Most Awarded 2022'
- Ranked #1 in the Investment Banking sector in the 'Most Valuable Consumer Brands' list 2023, as valued by Brand Finance, for the second consecutive year.

As an equitable and inclusive employer, First Capital has been accredited as a Great Place to Work®, for the second consecutive year.

TRENDS IN OUR OPERATING CONTEXT

We operate in a constantly and rapidly changing world. In Sri Lanka, the operating landscape and market conditions were defined by ongoing and unprecedented macroeconomic and socio-political vulnerabilities. A paradigm shift is taking place in our economy as it explores a unique opportunity to implement critical reforms through the Extended Fund Facility and macro-economic adjustment programme with the International Monetary Fund (IMF-EFF programme). In the face of far-reaching adverse economic and humanitarian impacts of the crisis, the necessity of deep reform to seek re-entry into global credit markets and equitable and sustainable growth is palpable, magnifying the need for a successful and timely implementation of the IMF-EFF programme.

Trends across the PESTEL spectrum spanning political, economic, social, technological, environmental and legal spheres, impacted us. The risks posed were assessed for the Group and stakeholders and systematically managed. We strategically seized opportunities arising from the context:

1 AN ECONOMY UNDER MULTI-FACTOR STRESS

KEY TRENDS

Pre-existing structural and policy deficiencies, the initiating factors of the crisis, were further exacerbated by external shocks and the economic crisis heightened.

The economy contracted by 7.8% in a historic recession during CY2022 due to multiple factors including acute fuel and power shortages, escalating production costs and significant disruptions in the supply chain which collectively impacted sector activity.

Spillover effects were broad-based across the three sectors - agriculture, industrial and services, which contracted by 4.6%, 16.0% and 2.0%, respectively. In CY2022, the financial and auxiliary financial services sector contracted by 11.0% in comparison to a growth of 7.0% in CY2021.

In April 2022, the CBSL adopted aggressive monetary tightening to rein in inflationary and demand-side pressures while taking steps to stabilise the exchange rate amidst progressively depleted useable reserve levels.

The CBSL suspended the servicing of external debt, mid-month, initiating the solicitation of support from the country's creditors to restructure outstanding debt. The pre-emptive default of debt totalling USD 51.0 Bn was announced, prompting successive downgrading of the sovereign rating by multiple rating agencies to Restricted Default or equivalent.

The external sector was defined by an excessive BOP position, very low foreign reserves and the resultant scarcity of foreign exchange liquidity across the banking sector amidst a concurrent and precipitous depreciation of the exchange rate. With the floating of the Sri Lanka Rupee, the currency depreciated by 41.4% against the United States Dollar by April 2022. Under a managed float within an ongoing foreign exchange management strategy, end of year depreciation was contained at a high level of 44.8%.

In early CY2023, the local currency appreciated, correcting the historic depreciation level to an extent, supported by improved sentiment initiated in September 2022 with the Staff level agreement on the IMF-EFF programme, and progressing to Executive Board level approval in March 2023.

Inflation peaked due to a combination of factors including the depreciation of the currency, supply side disruptions, administrative price adjustments and increasing global commodity prices. The CCPI peaked at 69.8% and the NCPI at 73.7% in September 2022.

The trend turned subsequently in response to monetary policy measures effected by the CBSL and decelerating inflationary pressures.

The CBSL utilised monetary tightening over CY2022, to curb inflationary pressures and policy rates were increased by 950 bps through intermittent adjustments.

A significant adjustment was effected in April 2022 where the SDFR and SLFR were increased by 700 bps.

From fiscal year opening levels of 6.50% and 7.50% the SDFR and SLFR trended to historic highs of 15.50% and 16.50% at the end of FY2023.

In Government debt markets, yields of primary and secondary markets, across instruments and tenors rose significantly.

TRENDS IN OUR OPERATING CONTEXT

1 AN ECONOMY UNDER MULTI-FACTOR STRESS

IMPACT

Opportunities

- The markets that First Capital is active in, reflected mixed performance, with conditions favouring yield search via government debt markets.
- There were selective opportunities where we could lock in attractive yields in government bond market investments and tactical trading opportunities.
- Market conditions allowed us to pivot from liquidity and capital preservation to targeting growth, particularly in net-interest-income driven activities.

Risks

- Core-earnings favoured fund based income as fee-based income declined against the prior year. A moderate level of risk is apparent in recurrent income projections as the fee-based income base weakened.
- Operating costs were impacted by inflationary pressures.
- Liquidity constraints across the system meant effecting liquidity transformation in an accelerated manner. Nonetheless, high level of redemption in the Asset Management business affected repricing strategies adversely due to inherent structural weaknesses of money market funds.
- Recovery in corporate debt markets may be slow in the near-term.

RESPONSE AND LINKAGE TO RISKS

Strategic action

- Strategic focus on drivers of income growth in select businesses such as the Government Securities business.
- Asset allocation strategy guided by consistent liability management and targets on return, liquidity and solvency.
- Reliance on market insight and research to determine trends and impact in times of volatility, uncertainty and ambiguity in our markets and segments.

Links to risk matrix

- Macroeconomic risk
- Strategic risk
- Market risk
- Liquidity risk
- Credit risk
- Business continuity risk

2 HEIGHTENED POLICY AND REGULATORY REFORM IN A TIME OF CIVIL UNREST AND POLITICAL UNCERTAINTY

KEY TRENDS

With the prevailing complexities and vulnerabilities in the economy, livelihoods, disposable incomes, cost of living and the general wellbeing of citizens were impacted adversely. Marked civil unrest prevailed reaching a crescendo in July 2022 giving way to political uncertainty with both the Prime Minister and the President resigning in May and mid-July 2022, respectively. A new President, Prime Minister and Cabinet was appointed in July 2022 amid turbulence.

In CY2022 regulatory and policy focus heightened around fiscal policy and monetary policy with the ongoing economic crisis and reform in mind.

The CBSL exercised a tight monetary regime during CY2022, aligning the policy rates with the pre-requisites of the IMF-EFF programme. Throughout the year exchange rate and liquidity related adjustments were made in support of reform.

To enhance government revenues in keeping with fiscal consolidation strategies the following changes were effected in taxation:

Income tax rate on financial services was increased from 24.0% to 30.0%;

- The value added tax (VAT) rate was increased from 8% to 15%;
- A surcharge tax of 25% was imposed on companies that earned a taxable income over Rs. 2.0 Bn for the tax year 2021.

Key securities market laws introduced in the previous year were enforced, requiring active implementation and refinement of internal processes.

IMPACT

Opportunities

- Ability to utilise digitally driven strategies in times of disruption to provide uninterrupted service.
- Opportunities to review existing internal control, risk governance and operational documentations to ensure compliance.
- Review of segregation, compensating controls and licensing requirements with the introduction of market intermediary rules which include several operational and governance aspects including conflict of interest in multiple businesses.

Risks

- A multitude of developments at the jurisdictional level potentially creates a fragmented policy landscape.
- We may not be able to fully or efficaciously meet evolving regulatory and societal expectations toward financial institutions.
- There is a risk of achieving only substantial or partial compliance in some operational rules, due to inherent governance or management structure of the Group.
- Impediments in execution of strategy due to disruptions and near-term adverse impacts in policy reforms due to the adjustment gap of severe economic imbalances.
- Increased cost of regulatory training.
- Increased cost of compliance.

RESPONSE AND LINKAGE TO RISKS

Strategic action

- Increased reliance on research and business insight to forecast political and policy trends; engaging the Board of Directors for critical discussion and timely action on strategy.
- Gap analysis and implementing new procedures and enhancements to existing documentation to comply with new rules.
- Consideration and initiating of plan to adopt single-tier Group structure.
- Utilising additional compensating controls to fortify segregation, to elicit higher level of compliance with operational rules applicable to core businesses.
- Provided for expanded tax obligations and effected timely payments.

Links to risk matrix

- Political and policy risk
- Strategic risk
- Market risk
- Liquidity risk
- Regulatory and compliance risk
- Reputational risk

TRENDS IN OUR OPERATING CONTEXT

3 ACCELERATED DIGITALISATION

KEY TRENDS

Financial services became rapidly more digital and data-driven than ever before, with clients increasingly demanding seamless digital products and services tailored to their needs, following the COVID-19 pandemic.

Digital communication, with clients and employees alike established new remote ways of working, enabling financial services providers to attract an even wider array of talent than before.

Continuous investment in technology results in automated value-chain processes, improved operational efficiency and freeing up of resources to focus on client needs.

Technology led strategies overcome friction within the existing financial system, broadens access to underserved communities and improves client services.

Decentralised finance applications, including digital onboarding, transacting and cash solutions are now progressively being adopted across the industry.

IMPACT

Opportunities

- Enhanced client reach and better client service as regional and demographic differences in the acceptance and use of digital technologies are seen to be narrowing.
- Ability to roll out digital-as-default solutions, while still allowing for some level of human interaction, which continues to be an element of competitive advantage.
- Targeted partnerships to develop digital solutions.
- Targeted increased data-driven analytics.

Risks

- Increased digital vulnerability. Clients and other stakeholders demanding ethical and responsible data gathering, storage and usage, making the protection of the data a continued priority and focus.
- Risk of cyber-attacks.
- Technological obsolescence.
- Reliance on third party partnerships.

RESPONSE AND LINKAGE TO RISKS

Strategic action

- Phasing out of legacy systems and enhancing core applications.
- Initiating automation/digitalisation across front-to-back office value chain straddling pre through post trade processing.
- Opening virtual branches which retains an element of traditional service provision coupled with the modern.
- Continued focus on strengthening security infrastructure and mitigation of cyber-attacks.

Links to risk matrix

- Information technology and cyber security risk
- Operational risk

4 MULTIPLE UNDERCURRENTS IMPACTING HUMAN CAPITAL

KEY TRENDS

Deteriorating macroeconomic environment, social unrest and the deterioration of disposable income and quality of life in recent years have increased migration to foreign countries for employment purposes.

With increased attrition and brain-drain, the critical mass of employable skilled workers required by the financial services sector has declined significantly and competition in the search for specialised labour has intensified amongst industry players.

The workforce requirements and structural characteristics are evolving in tandem. In the aftermath of the pandemic and beyond, agile working models have proved to be successful in a digitally driven environment.

Digital-led growth requires the workforce to adopt a different set of skills and capabilities.

A workplace culture that is balanced and oriented progressively towards the wellbeing of employees through nurture, engagement, inclusivity, empathy, cohesion has become crucial in the challenging socio-political and economic context.

IMPACT

Opportunities

- Broadening our already flexible working arrangements to renew brand strategy.
- Opportunity to enhance the First Capital employee value proposition.

Risks

- Difficulty in sourcing and recruiting skilled labour.
- Higher attrition impacting diversity, productivity, service quality and other performance measures.
- Impact of the business and social landscape changes affecting employee wellbeing and motivation.

RESPONSE AND LINKAGE TO RISKS

Strategic action

- Facilitated agile working continually throughout the year, both in our corporate head-office and branches, some of which are virtual by design.
- The employee value proposition was strengthened by coupling financial incentives and benefits with other tactical initiatives aimed at enhanced engagement and targeted training.
- Strategic engagement of career related partners and educational institutions to build strong employable-pipeline of young candidates.
- Strengthening succession both through external recruitments and developing internal leadership pipeline.
- Fortified First Capital's employee brand image and proactively sought visibility, particularly through social media.

Links to risk matrix

- Business continuity risk

TRENDS IN OUR OPERATING CONTEXT

5 SUSTAINABILITY

KEY TRENDS

Globally, evolving corporate business models, investors that increasingly factor-in sustainability themes into risk-return expectations, the ongoing shifts in corporate societal value creation towards inclusive prosperity, and more expansive regulative and transparency requirements act as multiple catalysts that drive client demand for sustainable business.

Respondents to the 2022 World Economic Forum Global Risks Perception Survey ranked 'Climate action failure' as the main risk with potentially the most severe impact over the next decade.

Sri Lanka has committed to certain climate goals including:

- Reduction of greenhouse gas emissions by 14.5% for the decade to 2030, including an unconditional reduction of 4%;
- Achieve 70% renewable energy in electricity generation by 2030; and
- Carbon neutrality by 2050 and to not increase the capacity of local coal power plants.

In May 2022, the CBSL launched a green taxonomy in partnership with the International Finance Corporation categorising economic activities that are environmentally sustainable and could aid in providing strategy to integrate sustainability into the country's financial system.

In June 2022, an MoU was signed between the SEC, the CSE and the CFA Society to raise awareness of ESG amongst Sri Lankan investors to enhance investor protection, encourage market participants to incorporate ESG into their investment research and valuation processes to keep abreast with global trends and ensure that the local industry deeply considers prevalent benchmarks.

IMPACT

Opportunities

- Alignment with UN SDGs by prioritising internal corporate social investments into purposeful categories.
- Accelerated glide-path to net-zero by FY2027.
- Institutional retooling of processes including the adoption of 100% paperless solutions for all internal operations by FY2027.
- Incorporating sustainability themes in the advisory and investment management activities.
- Increasing transparency of sustainability reporting.

Risks

- Potential disruptions to operation stemming from climate change or environmental damage.
- Slow incorporation of sustainability themes within the business due to necessity of retooling skills, perspectives and processes.

RESPONSE AND LINKAGE TO RISKS

Strategic action

- Formalisation of the Sustainability Policy and governance structure.
- Foundational action to embed ESG considerations in strategy and decision making.
- Setting in place initial steps and developing action plans for achieving carbon neutrality.
- Expanding sustainability themed disclosures in our integrated report.

Links to risk matrix

- Operational Risk
- Business Continuity Risk

MARKET CONDITIONS

In the markets our core businesses are active in, mixed fortunes prevailed.

EQUITY MARKETS

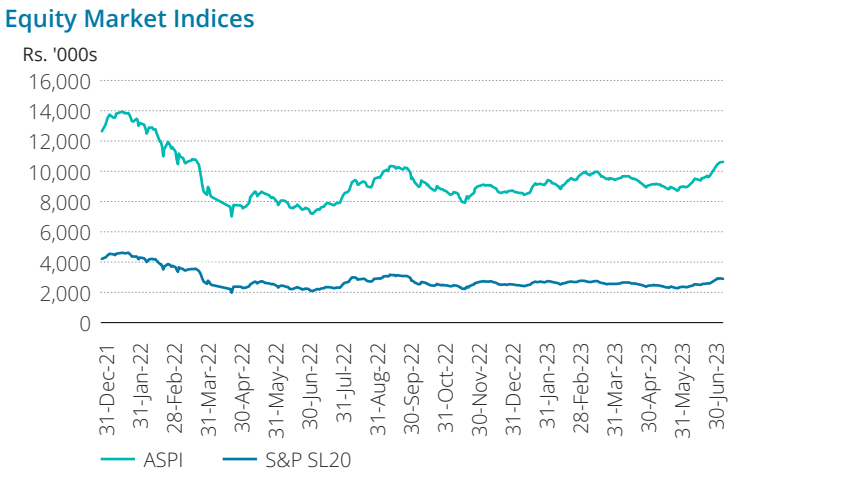
Secondary market performance was lackluster and volatile during CY2022. Significant volatility was observed due to a plethora of factors including the ongoing recession, high inflation, accelerated moves to raise policy rates, an anticipated decline in corporate profits due to high tax adjustments and adverse global economic conditions.

The broad market index - All Share Price Index (ASPI), decelerated by 30.6% YoY in CY2022. The Standard & Poor's Sri Lanka 20 (S&P SL20) index fell 37.7% YoY.

Market capitalisation as a percentage of GDP declined to 15.9% in CY2022, in comparison to 31.2% in CY2021. At Rs. 2,972.3 Mn, average daily turnover in CY2022 reflected a considerable decline relative to Rs. 4,888.2 Mn recorded in the prior year. With enhanced but selective foreign interest, the market recorded net foreign inflows of Rs. 30.6 Bn during CY2022 compared to an outflow of Rs. 52.6 Bn recorded in CY2021.

As at end CY2022, the market's Price to Earnings Ratio (PER) and Price to Book Value (PBV) declined significantly to 4.9x and 0.9x, respectively, compared to a PER of 13.6x and PBV of 1.7x as at end CY2021.

In primary markets, only four new equity offerings were executed in CY2022, raising Rs. 4.8 Bn in comparison to Rs. 12.7 Bn in CY2021 reflecting the 'freeze-up' of equity capital formation.



Source: CSE and First Capital Research

Q1FY2023 ended with the ASPI and S&PSL20 recording year to date gains of 9.6% and 1.8%, respectively. The PER gained ground from December 2022, ending at 14.9x, while the PBV improved to 1.1x reflective of enhanced market valuations.

CORPORATE DEBT MARKET

As with equity funding markets, the melee of non-salutary conditions brought corporate debt market activity to an inflection point with volumes negatively impacted from previous years. The commercial paper (CP) market was relatively inactive during CY2022, with only Rs. 2.0 Bn raised through CPs issued with the support of licensed banks compared to Rs. 5.8 Bn raised in CY2021. CPs were priced varyingly between 11.0% and 36.0% in comparison to the range of 6.0% 12.0% in the previous year.

Primary debt markets saw 10 IPOs of corporate debentures on the CSE issued by four companies, raising Rs. 12.7 Bn, compared to Rs. 84.4 Bn raised in CY2021 through 27 IPOs by 14 companies. Both fixed and floating rate debentures were issued during CY2022. Fixed interest rates ranged from 15.42% to 28.0% relative to the range of 8.0% to 12.0% % in the previous year.

GOVERNMENT DEBT MARKETS

Total assets of non-bank affiliated primary dealer companies (PDs) increased by 67.4% to Rs. 131.7 Bn in CY2022. The total investment portfolio consisting of trading, Available For Sale (AFS) and Held To Maturity (HTM) portfolios amounted to Rs. 126.1 Bn as at end CYF2022 reflecting a 79% growth YoY. Trading and HTM portfolios increased to Rs.100.7 Bn and Rs. 23.8 Bn, respectively, as at end CY2022 reflecting an 83% and 98% growth respectively, against the prior year. The AFS portfolio declined by 53% to Rs. 1.7 Bn as at end CY2022.

PDs reported a significant increase in profitability with collective after tax profit totalling Rs. 1.7 Bn, compared to the loss of Rs. 0.4 Bn reported during CY 2021, reflecting 525% growth YoY. Enhanced profitability was due to substantial interest income from investments in government securities and increased revaluation gains recorded relative to the previous year. Correspondingly ROA and ROE of PDs as at end CY2022 increased to 3.0 % and 11.4% respectively, from (0.7 %) and (2.5%) respectively, in the prior year.

Equity of PDs increased by 68.3 % fortified by retained profits. The Risk Weighted Capital Adequacy Ratio (RWCAR) of PDs showed a significant reduction to 23.2 % as at end CY2022 from 42.8 % reported as at end CY2021, albeit maintained well above the 10.0% minimum requirement.

Primary auctions stood mixed during the year. Out of the total bids accepted at 52 Treasury bill auctions conducted, the effective participation of PDs accounted for 49.5% and at 24 Treasury

TRENDS IN OUR OPERATING CONTEXT

bond auctions conducted, the effective participation of PDs accounted for only 22.4%. Secondary market activity increased by 204.3% YoY to Rs. 15,423.4 Bn in CY2022, out of which repo transactions accounted for 76.4%. During the year, outright purchases increased by 94%, and outright sales increased by 80.7% compared to CY2021.

UNIT TRUST INDUSTRY

The composition of industry funds was equally dominated by Money Market Funds and Income Funds accounting for 22.5% each of the UT industry, while Gilt Edged Funds, Growth Funds and Balanced Funds accounted for 15.0% , 12.5 % and 12.5 % respectively.

The total sector AUM decreased by 23.1% to Rs. 150 Bn as at end CY2022 from Rs. 195 Bn as at end CY2021. The number of units issued decreased to Rs. 6,283 Mn reflecting a 20.0% variance YoY as at end CY2022. The market served 67,912 unitholders as against 59,426 reported as at end CY2021.

The share of investments in government securities by UTs as a percentage of total net assets significantly increased to 56.7% as at end CY2022 from 12.1% in the prior year. Meanwhile, investment in equity as a percentage of net assets decreased to 7.9% as at end CY2022 compared to 9.1% as at end CY2021.

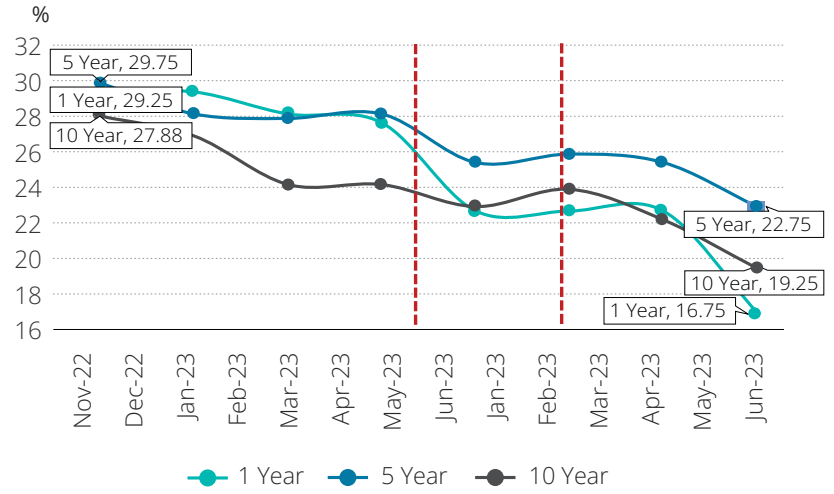
RATE ENVIRONMENT

The CBSL significantly tightened its monetary policy stance during the year in the face of a near-hyperinflationary environment, external sector vulnerabilities amidst unprecedented balance of payment stress and an irregular interest rate structure due to rising risk premia on yields of government securities amidst growing concerns about domestic debt restructuring.

The SDFR and SLFR, the two key policy rates, were raised by 950 bps until end CY2022 with a primary adjustment of 700 bps taking place in April 2022. The SLDR and SLFR ended CY2022 at 14.50% and 15.50% having opened the year at 5.00% and 6.00%, respectively.

Lending and deposit interest rates reflected the rapid pass-through of the monetary policy regime. Conditions were characterised by large liquidity deficits in the banking system and elevated risk premia resulting in a significant broad money supply and credit slowdown, with private sector credit marking a continuous month-on-month contraction since June 2022.

The monthly Average Weighted Prime Lending Rate (AWPR) closely followed gilt yields peaking at 28.25% in November 2022 ending the year marginally lower at 28.19%. Average Weighted Deposit Rate (AWDR) ended the year at 14.06%. The AWPR and AWDR reflected steep inclines from their opening levels of 8.33% and 4.94%, respectively.



Source: CBSL and First Capital Research

The yields on T-Bills in the primary market escalated by around 2230-2500 bps across all tenures during CY2022, as opposed to the 950 bps increase in policy interest rates. Towards the end of CY2022 and in the first quarter of 2023, yields moderated as investor sentiment improved in anticipation of the resolution of the IMF-EFF programme. With the CBSL introducing liquidity enhancing measures such as the restrictions placed on standing facilities and injection of liquidity through long term reverse repo auctions, yields fell further.

In primary markets, 364-day T-Bills ended the year at 29.27% while the 91-day and 182-day T-Bill yields rose to 32.64% and 32.20%, respectively. Yields edged up 2103 bps on the 364-day maturity and in the 91- day and 184-day maturities by 2448 bps and 2387 bps, respectively, relative to the beginning of the year levels.

Primary market T-Bond rates increased significantly from January to mid-November 2022, moderating subsequently. The market appetite favoured long tenors with a high yield. Across tenors (2-year through 10-year) variance as against the beginning of year rate ranged from 2385 bps to 2200 bps. The 2-year and 10-year T-Bond yields ended CY2022 at 33.01% and 30.86%.

Secondary market yields on government securities also recorded substantial increases in line with primary market yields, but eased thereafter mirroring the primary market trend. Secondary T-Bill rates ended CY2022 at 30.75%, 29.50% and 28.39% for 91-day, 182-day and 364-day maturity, respectively. Secondary market bond rates rose 1447-1961 bps across tenors.

FINANCIAL CAPITAL

CONNECTED VALUE DRIVERS

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

First Capital provides a wide range of financial products and services to a select client base principally in Sri Lanka. Our underlying core businesses, or segments are Government Securities, Corporate Finance and Advisory, Asset Management and Stock Brokering. There are therefore, a number of key income drivers for our business which are discussed below.

In FY2023, operating environment was a difficult one, even relative to that of the previous year, in view of inflationary pressures, liquidity constraints in the system, fiscal tightening, high rates and ultimately market volatility, uncertainty and dislocation. These and other trends in our operating context impacted certain of our core businesses negatively while others saw increased earnings potential and opportunities for higher profitability. Overall, we recorded historic highs in Group profitability.

The following analysis and narrative should be read in light of the trends in our operating context and market condition detailed on pages 79 to 86 respectively.

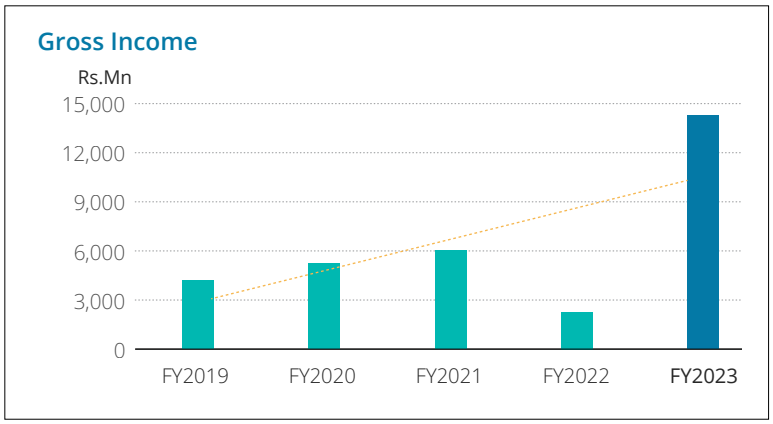
A summary of key financial metrics of the Group for FY2023 and the previous year are shown below:

Selected profitability metrics	FY2023	FY2022
Extract of income statement (Rs. Mn)		
Gross income	14,297	2,273
Net trading income	4,693	310
Other income	17	63
Gain/ (Loss) on fair valuation of financial assets recognised through profit or loss measured at fair value	921	(190)
Profit/(loss) before taxation	3,826	(770)
Taxation	(1,179)	118
Profit/(loss) after taxation	2,647	(652)
Other comprehensive income, net of income tax	71	12
Total comprehensive income/ (loss)	2,718	(640)
Metrics		
Operating profit margin (%)	26.8%	(33.9%)
Net profit margin (%)	18.5%	(28.7%)
Return on Assets (%)	4.9%	(1.7%)
Return on Equity (%)	46.2%	(14.1%)
Return on Capital Employed (%)	25.6%	2.9%

FINANCIAL CAPITAL

GROUP HEADLINE INCOME

Group gross income secured by First Capital during FY2023 reflected historic outperformance, amounting to Rs. 14,297 Mn, relative to the previous year's Rs. 2,273 Mn, reflecting a 529% increase. Group income was almost entirely composed of direct income with other income contributing negligibly at 0.1% . Direct income reflected an increase of 546% from the prior year's figure of Rs. 2,210 Mn.



GROUP DIRECT INCOME

Direct income of the Group consists of both fee-based and fund-based income types earned from core businesses. In FY2023, the fund-based to fee-based income split was 98:2, while in FY2022 the mix was 71:29.

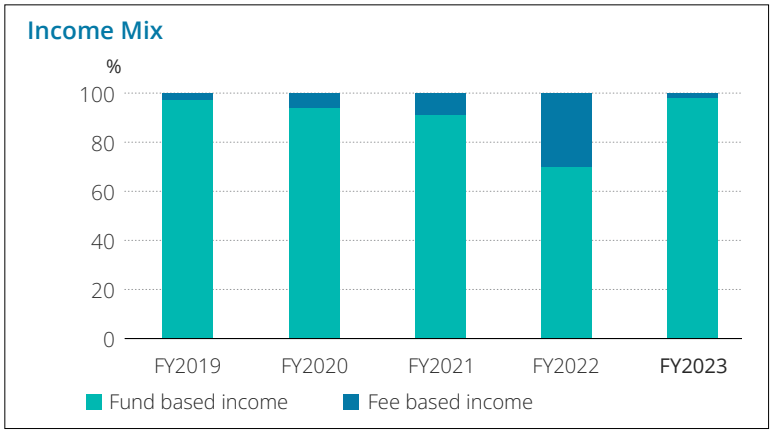
Broadly, our direct income types can be sub-classified as interest income, trading income, investment income- primarily dividends, and fee income inclusive of advisory, brokerage and commissions. Recurring income as a proportion of direct income amounted to 45% in FY2023, depicting our core earnings base as estimated for resource allocation purposes.

Of the recurring income base, a significant component remains fund-based. Fortifying our fee based income through organic growth is a priority and technology led growth to access broad markets is one strategy that we use to elicit expanded capital-light business in the future. Sub components of the fund-based incomes, particularly net interest income acted as an underlying driver of the exponential growth in income. This resulted in a larger contribution to direct income accruing from fund-based income.

The increase in direct income was mainly due to interest income earned on financial assets recognised through profit or loss- measured at fair value financial assets-FVTPL and interest income on financial assets at amortised cost which make up 95% of direct income. Financial assets-FVTPL include T-Bills and T-Bonds, debentures, unit trusts, derivative instruments (with an underlying of government securities) and listed shares.

The high rate environment, broadened interest rate spread and the size of the portfolio were contributing factors to this growth.

Gross income graph repeated below, it should be replaced by 5 year trend graph:



SPREAD AND NET INTEREST MARGIN

This year, the composition favoured interest income as the key growth driver, reflecting a 483% YoY growth to reach Rs. 13,513 Mn. Overall, the net interest margin on average assets increased sharply and the rate spread broadened significantly in line with the risk-premia anomaly against the policy rate, escalating earnings and profitability.

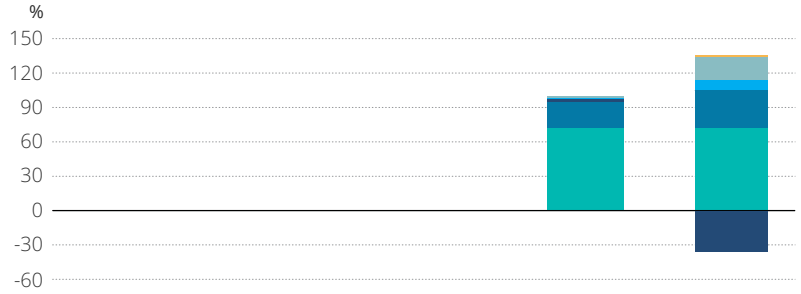
INCOME MIX

Within Group direct income, the fund-based income component amounted to Rs. 13,935 Mn as against Rs.1,576 Mn in the prior year, reflecting a steep increase of 784% YoY. Group fee-based income decreased 46% to Rs. 345 Mn from Rs. 634 Mn in FY2022.

Within the direct income sub components, gain on sale of financial assets were up 147% YoY, reaching Rs. 375 Mn in comparison to the prior year during which large trading losses and declining fair value were evident.

Dividend income from equity investments decreased by 7% to Rs. 47 Mn during the year.

Sub Components of Direct Income and Variation



	FY2023	FY2022
Dividend income	0.3%	2.3%
Brokering income	1.3%	19.9%
Fee and commission income	1.1%	8.9%
Gain/ (loss) on sale of financial assets	2.6%	-36.0%
Interest income on financial assets - amortised cost	23.1%	32.9%
Interest income on financial assets - FVTPL	71.5%	72.0%

DIRECT EXPENSES

Group direct expenses constitutes mainly of interest costs on repurchase agreements (repos) and listed and unlisted corporate debt securities which collectively accounted for 99.6% of the total. Group direct expenses amounted to Rs. 9,587 Mn increasing 405% YoY in the escalated interest rate regime, from the previous year's level of Rs. 1,900 Mn.

Sub-components of Direct Expenses and Variation

	FY2023	FY2022
Other direct expenses	0.2%	1.5%
Interest expenses on listed debentures	3.2%	15.5%
Brokerage cost	0.1%	0.5%
Interest expenses on corporate debt securities	29.5%	29.9%
Interest expenses on repos	67.0%	52.6%

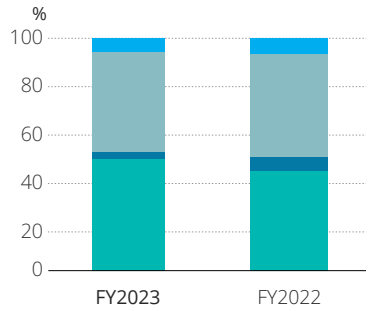
NET TRADING INCOME

The Group recorded net trading income of Rs. 4,693 Mn increased steeply by 1,412% YoY. A proportion of approximately 48% of operating expenses comprise personnel expenses which increased 107% YoY to Rs. 858 Mn. The increase was due to multiple factors; growth in the workforce in line with escalating business volumes; increase in remuneration to remain competitive in a market defined by high-attrition; and variable performance payments made during the year.

Other operating expenses inclusive of value added tax and nation building tax on financial services account for 43% of operating expenses. Other operating expenses grew 85% to Rs. 770 Mn, due to the aforesaid tax payments which constitute a significant portion of 68% of other operating expenses, growing by 112% YoY to Rs. 523 Mn.

The respective operating expense composition of the current year against the previous year is set out below, graphically.

Operating Expense Composition and Variation

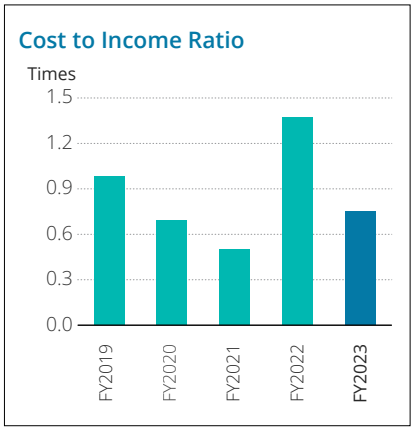


- Provision for impairment of financial assets at amorised cost
- Other operating expenses
- Premises,equipment and establishment expenses
- Personnel expenses

FINANCIAL CAPITAL

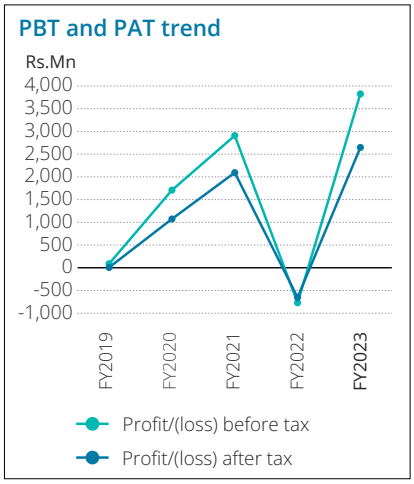
COST TO INCOME RATIO

Our efficiency ratio improved, ending closer to medium targets at 0.75 due to enhanced earnings in comparison to the prior year. The five year trend of the efficiency ratio is depicted below.



PROFIT /(LOSS) BEFORE TAXATION

Group profit before taxation for the year stood at a historic Rs. 3,826 Mn as against the loss before taxation of Rs. 770 Mn in FY2022, reflecting a 597% growth YoY. The five year trend is depicted below.



PROFIT /(LOSS) AFTER TAXATION

The Group reported a net profit after tax of Rs. 2,647 Mn up 506% YoY. In the prior year a loss after tax of Rs. 652 Mn was recorded.

TOTAL COMPREHENSIVE INCOME

The Group recorded total comprehensive income of Rs. 2,719 Mn for the year, up 525% YoY, from the total comprehensive loss of Rs. 640 Mn in FY2022.

SEGMENTAL OPERATING FOOTPRINT

Government Securities

First Capital's Government Securities business gained momentum by capitalising on prevailing market conditions and retained its market dominance as a standalone primary dealer. Despite the high rate environment and constrained liquidity in the market, we utilised active trading strategies. In line with our view on salutary market conditions and moderating yields in the period ahead, the duration strategy shifted to longer tenors, leaning the trading portfolio mix heavily towards T-Bonds.

Increased net interest margins and broadening spreads resulting from the prevailing trend of irregular risk-premia where market yields moved disproportionately higher against policy rates complemented segmental income and profits.

Operating in a setting where the State was increasingly dependent on domestic financing, we surpassed performance obligations against stipulated minimum thresholds. In FY2023, T-Bill primary market bid participation rate was 16.6% against the regulatory requirement of 10.0% and the market success rate, 10.2%.

In FY2023, T-Bond primary market bid participation rate was 16.8% against the regulatory minimum of 10.0% while the effective participation was 128.4% against the regulatory requirement of 50.0% of average issuance per primary dealer. Successful bids totalled Rs. 429.8 Bn in the T-Bill auctions (FY2022: Rs.148.2 Bn) and Rs. 128.2 Bn in the T-Bond auctions (FY2022: Rs. 33.8 Bn).

First Capital's secondary market turnover in government securities was 11.8 times the average stock in FY2023 reflecting active secondary market trading.

Corporate Finance and Advisory

Corporate Finance and Advisory saw difficult conditions continue in both the capital raising and advisory areas. The confluence of escalating rates, volatility, inflation and constrained systemic and market conditions meant that public debt and equity markets came to a virtual standstill with volumes drastically reduced. Private markets failed to pick up this gap in entirety and price discovery became increasingly challenging without visibility of pricing in largely inactive public markets.

Corporate Finance and Advisory saw a moderate increase in corporate debt deal volumes from a low-base in the previous year in a subdued environment. In FY2023, we originated Rs. 7 Bn in private corporate debt markets, marking a an increase of 34% in deal flow from the previous year's volumes which stood at Rs. 5.2 Bn. Our market share of both listed debt and private placements eroded significantly.

While we continued engaging our clients in regard to a potential thaw in primary markets set off by the tapering off of rates, enhanced sentiment and anticipated progressive recovery of the economy, our advisory deal pipeline remains niche-focused and is not reliably quantifiable as at the reporting date.

Our functionally segregated dealing securities division is consolidated within this segment, and reported substantial trading gains offsetting the muted advisory fee income.

Asset Management

Acute market stress saw money market funds (MMFs) remain vulnerable to liquidity risk on asset and liability sides across the industry. Due to MMFs being private money-like assets with features similar to those of bank deposits, they are vulnerable to runs arising from liquidity transformation and sudden changes in investor perception of a funds' ability to serve as near-cash.

In our Asset Management business, we witnessed increased redemptions in our MMF. Investors looked to reinvest in higher yielding gilts and gilt funds, albeit within an environment of liquidity paucity in the system.

As a policy, we do not charge liquidity fees or delay or suspend redemptions. As such, we met heavy levels of redemption at request, utilising liquid assets in this time of market stress. Although we experienced repricing pressures, by effecting redemptions without delaying till the maturity of assets, we equitably met unit holder requirements, thus creating certainty and trust in the MMF mechanism.

The First Capital Money Market Fund lost ground in terms of industry ranking but was amongst the top 5 highest performers in its peer group of seventeen open-ended MMFs.

As at end FY2023, Asset Management recorded a total AUM comprising unit trust funds and portfolio management assets of Rs. 40.5 Bn reflecting a YoY decline of 1.7%. Unit trust AUM at fiscal year-end amounted to Rs. 7.2 Bn falling 57.4.% YoY. Discretionary and non-discretionary AUM stood at Rs. 33.3 Bn increasing by 37.0% YoY.

Unit Trust Net outflow in FY2023 stood at Rs. 9.7 Bn as against Rs. 5.9 Bn in the prior year, due to further capital flight to high yielding government securities markets.

Stock Brokering

The operating context was non-conducive during the current fiscal year in comparison to FY2022 when the Stock Brokering business saw marked performance improvements in salutary equity market conditions thus fortifying Group fee-based income base. Nonetheless, the business remained focused on providing clients with high quality service and utilised both a direct and agency approach to gain geographic reach and cost efficiency. In terms of market position, the business retained its turnover based industry rank.

SEGMENTAL PERFORMANCE

Our core businesses or segments are intended to form an integrated platform of investment and advisory solutions. The operating context allowed for tactical profitability strategies in net interest based and trading activities. Fee-based activities although contributing positively to direct income were impacted by non-salutary market conditions and vulnerabilities.

The Government Securities business contributed significantly to this year's income and profitability outcomes, securing a net trading income of Rs. 3,665 Mn reflecting 948% YoY growth relative to the net trading losses of Rs. 432 Mn made last year. Operating profit of Government Securities increased by 522% to Rs. 3,753 Mn. Segmental net profit increased 542% YoY to Rs. 2,886 Mn as against a net loss after tax of Rs. 652 Mn.

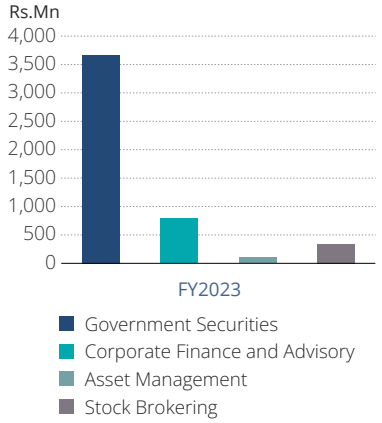
Corporate Finance and Advisory segment's net trading income grew 581% to Rs. 791 Mn, driven by trading income of a segregated portfolio which is consolidated within the segment together with advisory fee income. Corporate Finance and Advisory segment accounted for Rs. 141 Mn in segmental operating profit, up 163%% YoY and Rs. 40 Mn in net profit after tax, up 116.% YoY.

Asset Management recorded Rs. 102 Mn segmental net trading income reflecting a 33% YoY decline as against the previous year's figure of Rs. 152 Mn. Segmental operating loss stood at Rs. 2.7 Mn, down 102% YoY. Segmental bottom-line declined by 100% to end at a net loss of Rs. 0.4 Mn.

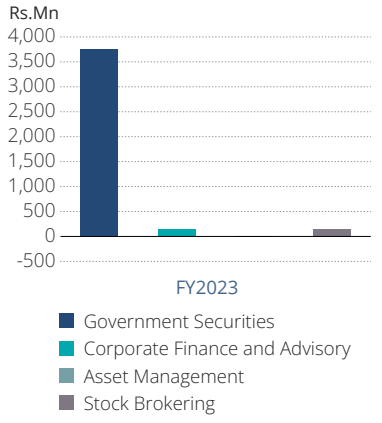
Stock Brokering recorded a segmental net trading income of Rs. 345 Mn, reflecting a 27% decline against the previous year. Operating profit of the Stock Brokering business amounted to Rs. 155 Mn decreasing 50%, while net profits for the year fell 53% YoY to Rs. 109 Mn.

Segmental contribution to total segmental performance (unadjusted for eliminations/ unallocated) of the current and previous financial year are shown below, graphically.

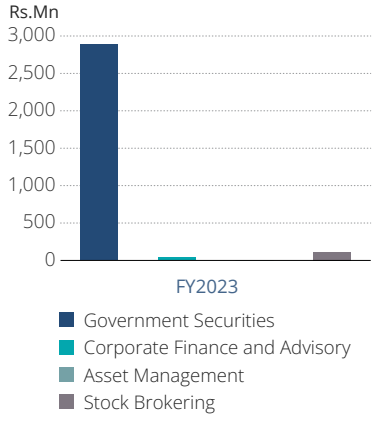
Segmental Net Trading Income, FY2023



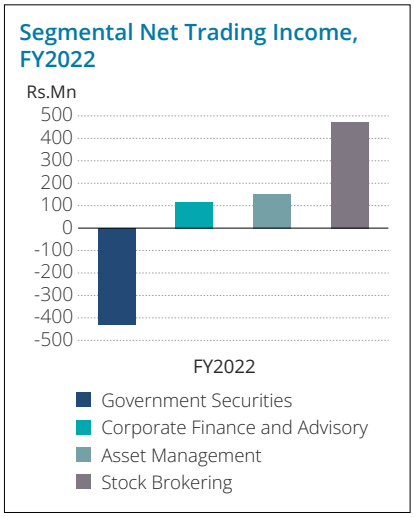
Segmental Operating Profit, FY2023

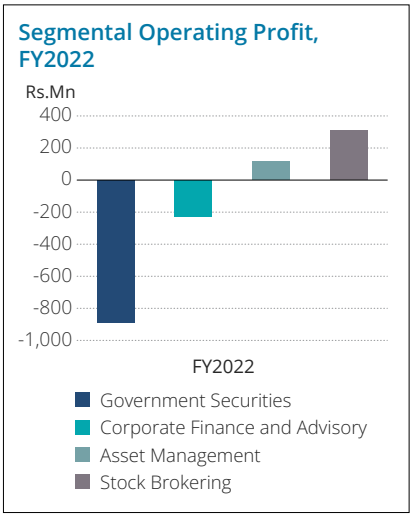


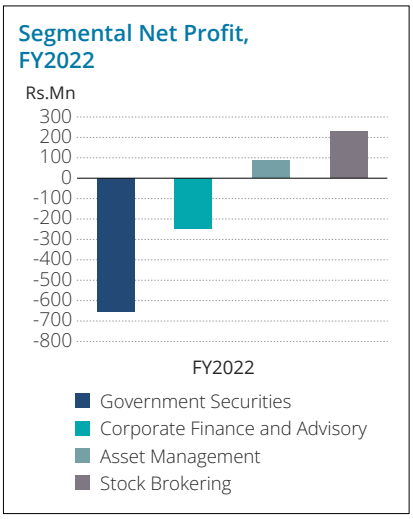
Segmental Net Profit, FY2023



FINANCIAL CAPITAL







PROFITABILITY AND SHARE RELATED MEASURES

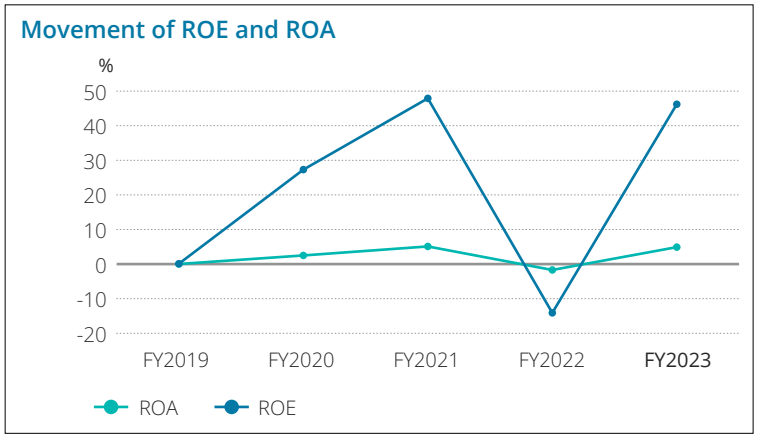
Selected profitability metrics	FY2023	FY2022
Earnings/(loss) per share (Rs.)	5.78	(1.50)**
Dividend per share (Rs.)	2.25	-
Return on assets (%)	4.9%	(1.7%)
Return on equity (%)	46.2%	(14.1%)
Market price per share (Rs.)	31.80*	31.00
Price returns (%)	2.6%	(43.1%)
Net assets per share (Rs.)	15.05	10.00**
Price to book multiple (times)	2.11	0.77
Price earnings multiple (times)	5.50	N/A

* Adjusted post-subdivision

** The effect on subdivision of shares is retrospectively adjusted.

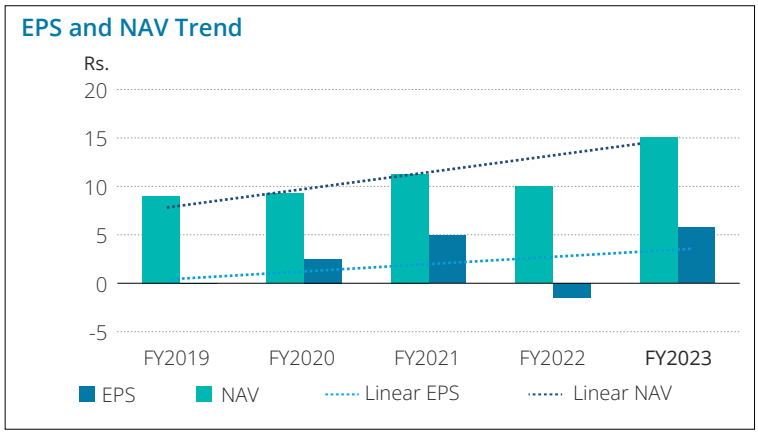
RETURN ON EQUITY (ROE) AND RETURN ON ASSETS (ROA)

The Group ROE and ROA improved considerably reflective of the high net profit earned during the year. The ROE was 46.2% and the ROA stood at 4.9% (FY2022: (14.1%) and (1.7%) respectively).



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

The EPS stood at Rs. 5.78 and the net asset value at Rs. 15.05



* The effect on subdivision of shares is retrospectively adjusted.

DIVIDEND PER SHARE (DPS)

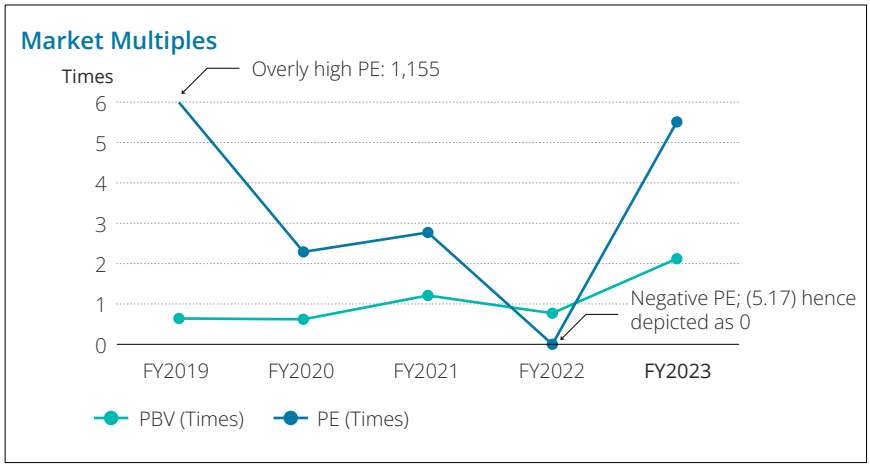
On the back of strong performance and robust capital levels maintained, we resumed dividend payments. In the current year, a DPS of Rs. 2.25 was declared reflecting a payout ratio of 39%.

SHARE PRICE, MULTIPLES AND BETA

The ticker CFVF.N0000 reflected a gain of 2.6% over the year. The year-end PE multiple of 5.50x stood at a premium to market PE of 4.9x. Due to the negative EPS, the prior year market multiple was not considered meaningful.

The year-end PBV stood at 2.1x, reflecting a significant premium to the market PBV which had deteriorated to 0.9x. During the previous year, the share was traded at a price to book multiple of 0.77x.

The share reflected a Beta of 1.91 against the ASPI as at 31 March 2023 and 1.68 against the S&P SL20. The measure reflects higher relative volatility against both the broad market index and the S&P SL20.



FINANCIAL POSITION

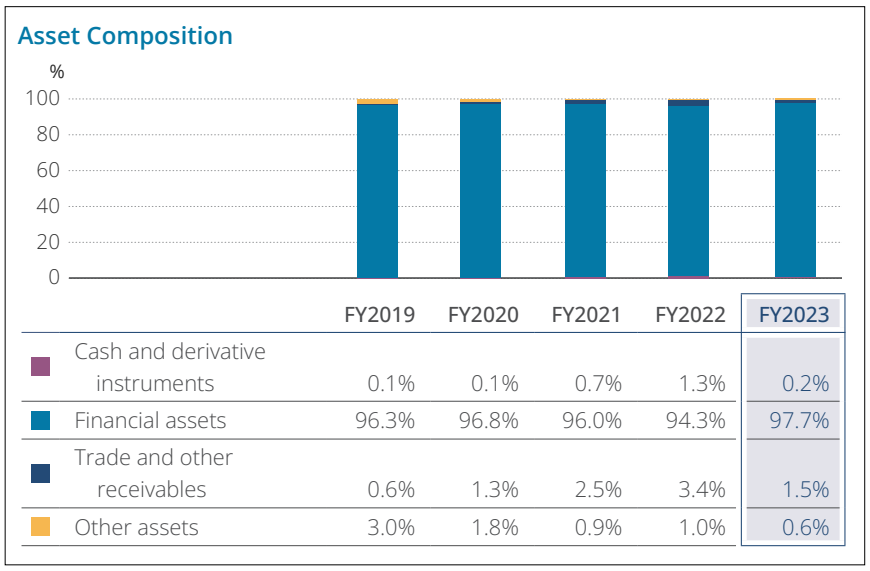
A summary depiction of the comparative financial position at year-end is provided below:

Extract of statement of financial position (Rs. Mn)	As at 31 March 2023	As at 31 March 2022
Total assets	66,626	41,514
Total liabilities	59,945	37,049
Total equity	6,681	4,465
Total equity and liabilities	66,626	41,514

TOTAL ASSETS

The total asset base of the Group amounted to Rs. 66,626 Mn at the end of FY2023, reflecting an increase of 60% YoY. The growth can be attributed largely to the financial assets-FVTPL and financial assets at amortised cost which account for 98% of total assets.

The increase in financial asset portfolio size was tactical – in periods of rising interest rates, regular coupon payments and reinvestment in new higher-yielding bonds help cushion the impact of declining prices for existing government securities and can boost total return over time. Gains in fair value in financial assets, also worked to increase asset base, and can be attributed to tapering off of yields towards fiscal year end.

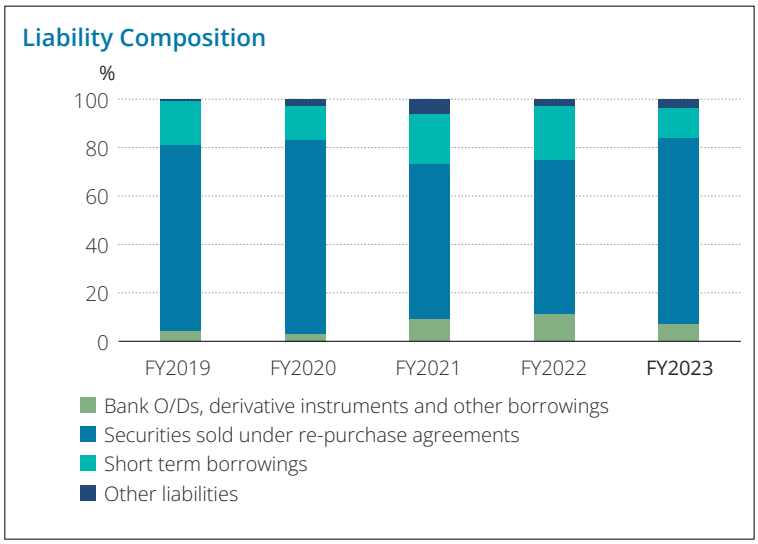


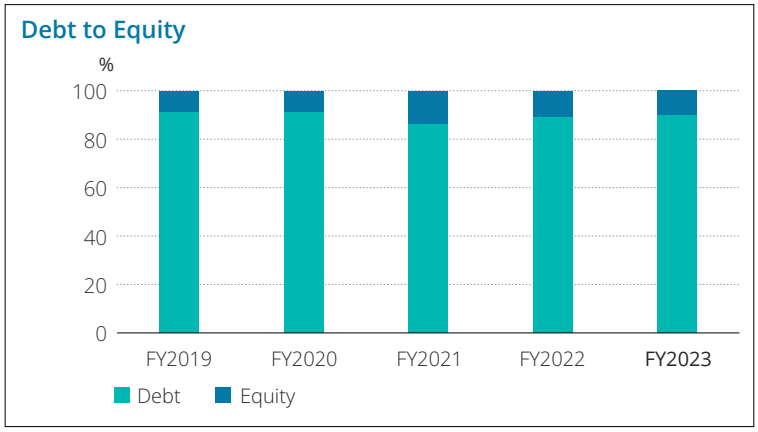
FINANCIAL CAPITAL

GROUP LIABILITIES

The Group's total liabilities increased to Rs. 59,945 Mn, growing 62% YoY. A proportion of 77% of Group liabilities are accounted for by securities sold under re-purchase agreements, and the increase in the total liabilities is attributed to the 95% growth in repo liabilities as against the prior year.

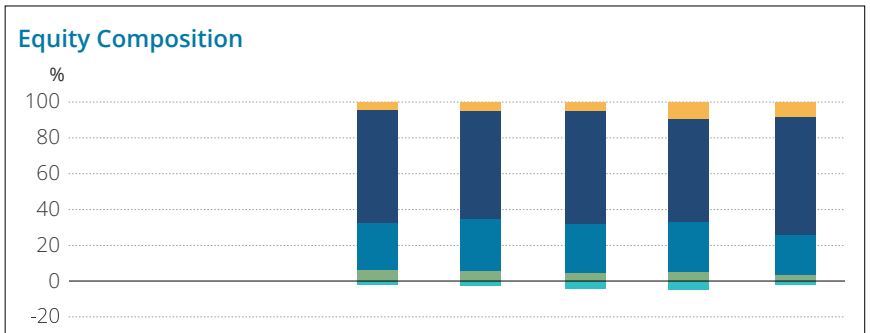
Bank Overdraft, Short-term borrowings, Long term borrowings and debenture based borrowings together accounted for 19% of total liabilities at year-end.





EQUITY

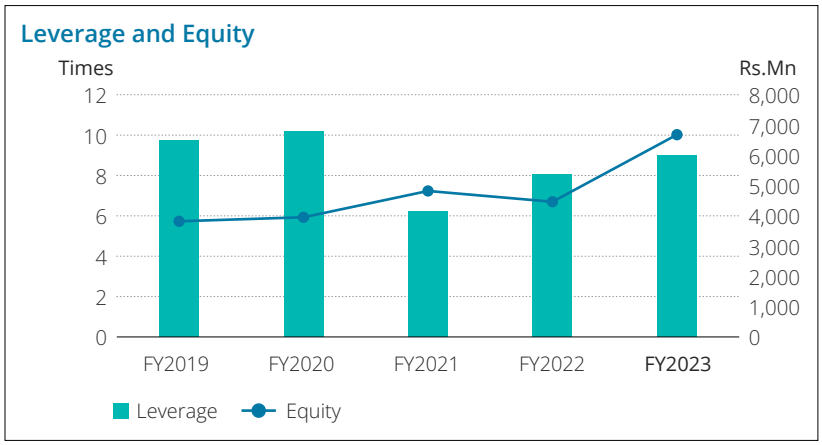
Our total equity base amounted to Rs. 6,681 Mn reflecting an increase of 50%. Total equity attributable to shareholders of the parent increased to Rs. 6,095 Mn reflecting a 50% YoY increase due to the significant increase in retained earnings with the performance momentum gained in current financial year. The non-controlling interest at the current financial year end was valued at Rs. 586 Mn, increasing 41 % on the prior year's value of Rs. 415 Mn.



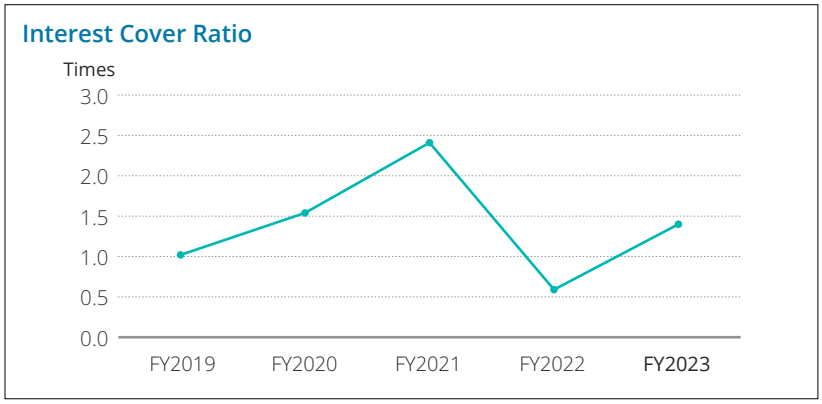
	FY2019	FY2020	FY2021	FY2022	FY2023
Stated capital	6.0%	5.8%	4.7%	5.1%	3.4%
Risk reserve	26.7%	28.7%	27.1%	27.8%	22.4%
Retained earnings	65.6%	64.0%	69.0%	64.5%	68.7%
Fair valuation reserve	-3.0%	-3.7%	-6.1%	-6.7%	-3.2%
Non-controlling interests	4.7%	5.3%	5.2%	9.3%	8.8%

LEVERAGE

The Group leverage increased to 8.6x by the end of FY2023 vis-à-vis 8.1x in the previous year. The leverage profile is a significant component that is considered under the credit rating assessment. Debt to equity mix continued to favour debt 90:10 reflecting marginal change in mix from the prior year. The Group debt to equity mix is primarily driven by that of the Government Securities business which maintains high proportion of repo borrowings and short-term debt to fund its portfolios.



We continue to maintain a robust capital position and are mindful of the impact of higher leverage on the volatility of our earnings as a result of additional interest expenses incurred. Interest cover at 1.4 times in FY2023 denotes improved financial durability due to the disproportional growth in earnings before interest and taxation in against interest expenses.



CAPITAL ADEQUACY (CAR)

We remain well capitalised, with the CAR of the Government Securities business maintained at approximately 24% in FY2023, indicating a comfortable 10% buffer against the stipulated regulatory minimum. In FY2022, we had maintained a high CAR of 85%, at the upper end to help navigate the uncertain, volatile and at times ambiguous market environment. First Capital demonstrated resilience during the year. We have reinforced our stakeholders' trust and confidence by gaining performance momentum in the current year and have shifted once again to targeted growth pivoting from the liquidity and capital preservation strategy of the previous year.

The capital adequacy ratio of the Government Securities business is expected to be maintained at around 20%, which is double of the statutory minimum. Our key capital and funding initiatives for FY2024 include the following: We continued to broaden and diversify our funding and capital raising through various sources, investors and markets including a variety of fixed and floating rate instruments.

More on how the Group manages capital can be found in Note 50 of the financial statements on pages 295 to 296.

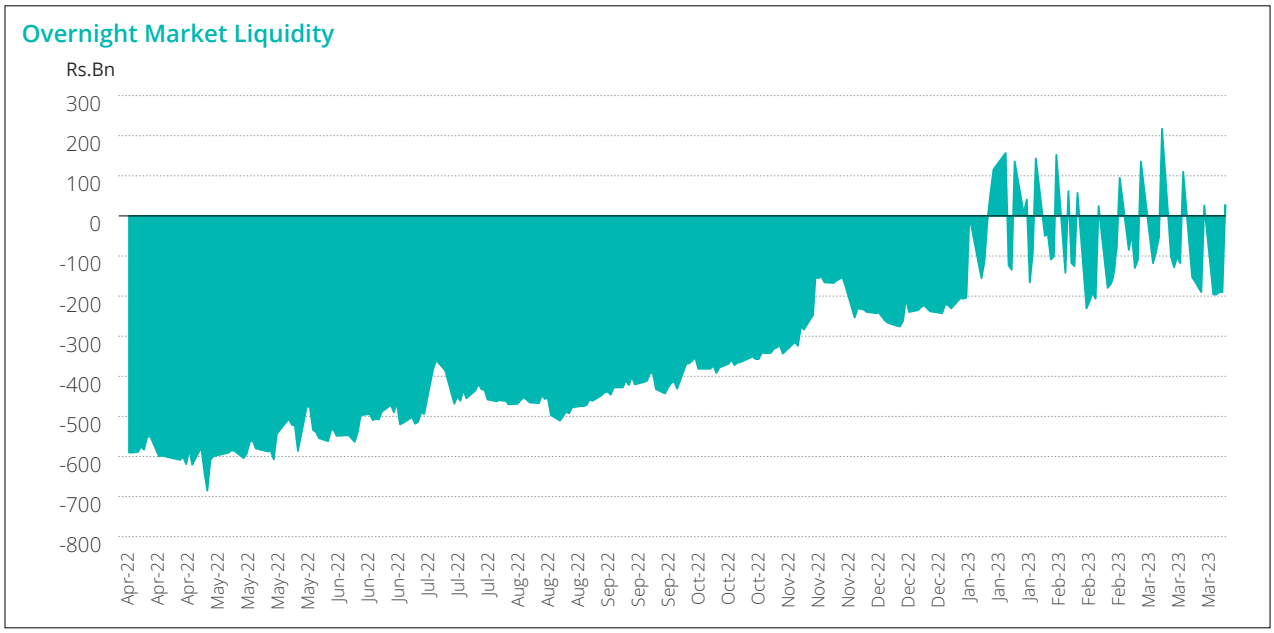
FUNDING AND LIQUIDITY PROFILE

As we are subject to liquidity risk, 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.

Liquidity is managed proactively across the Group in order to ensure sufficient liquidity to meet financial obligations and to conduct business even under stressed situations.

We conduct frequent reviews of balance sheet management strategies which include the funding needs of the Group, the diversification of sources, liquidity risk levels, market competitiveness and economic outlook.

FINANCIAL CAPITAL



Cash and cash equivalents at year end constituted of Rs. 110 Mn (FY2022: Rs. 527 Mn) in cash at hand, and Rs. 448 Mn in overdrafts (FY2022: Rs. 1,246 Mn).

The Investment, Asset and Liability Committee (IALCO) reviews the liquidity position of the group on a fortnightly basis, and sets maturity mismatch concentration limits in order to manage liquidity risk effectively.

The IALCO identifies credible options to recover from events impacting the Group's financial strength, liquidity position and operational capability. We hence have a systematic approach to address potential capital, liquidity or funding disruptions affecting the financial solvency of the Group.

PORTFOLIOS AND 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 IALCO with internally established limits.

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

Asset portfolios Market Value as at end (Rs. Mn)	FY2023	FY2022
Derivative assets	51	5
Government securities	51,395	27,474
Debentures	1,092	1,426
Quoted shares	632	735
Unit trusts	607	432
Total	53,777	30,072

The Group engages in fee-based services such as structuring, placements, advisory services, and Trustee services, which are indirectly impacted by fluctuations in interest rates and liquidity in the system. Non-traded interest rate risk is mitigated through a combination of business strategies and market risk mitigation activities.

IALCO establishes portfolio and sensitivity limits in order to manage the positions which the Risk and Compliance division monitors on a daily basis. Any exceptions are duly escalated to the IALCO for corrective measures. Stress tests are run regularly to monitor potential effects of extreme, but nevertheless plausible, events on our portfolios, under which key market risk parameters are assumed to deteriorate substantially.

Read more on stress testing on page 192 under the Enterprise Risk Management Report. More on how the Group manages other financial risks can be found in Note 45 of the financial statements on pages 269 to 279.

Extract of cash flow statement (Rs. Mn)	FY2023	FY2022
Operating profit/ (loss) before changes in operating assets and liabilities	2,901	(192)
Cash generated /(used) in operations	291	20
Net cash flows generated from/(used in) operating activities	(449)	(718)
Net cash flows generated from/ (used) in investing activities	30	316
Net cash flows generated from/ (used) in financing activities	800	(556)
Net cash inflow/(outflow) for the year	381	(958)
Cash and cash equivalents at the beginning of the year	(719)	239
Cash and cash equivalents at the end of the year	(338)	(719)

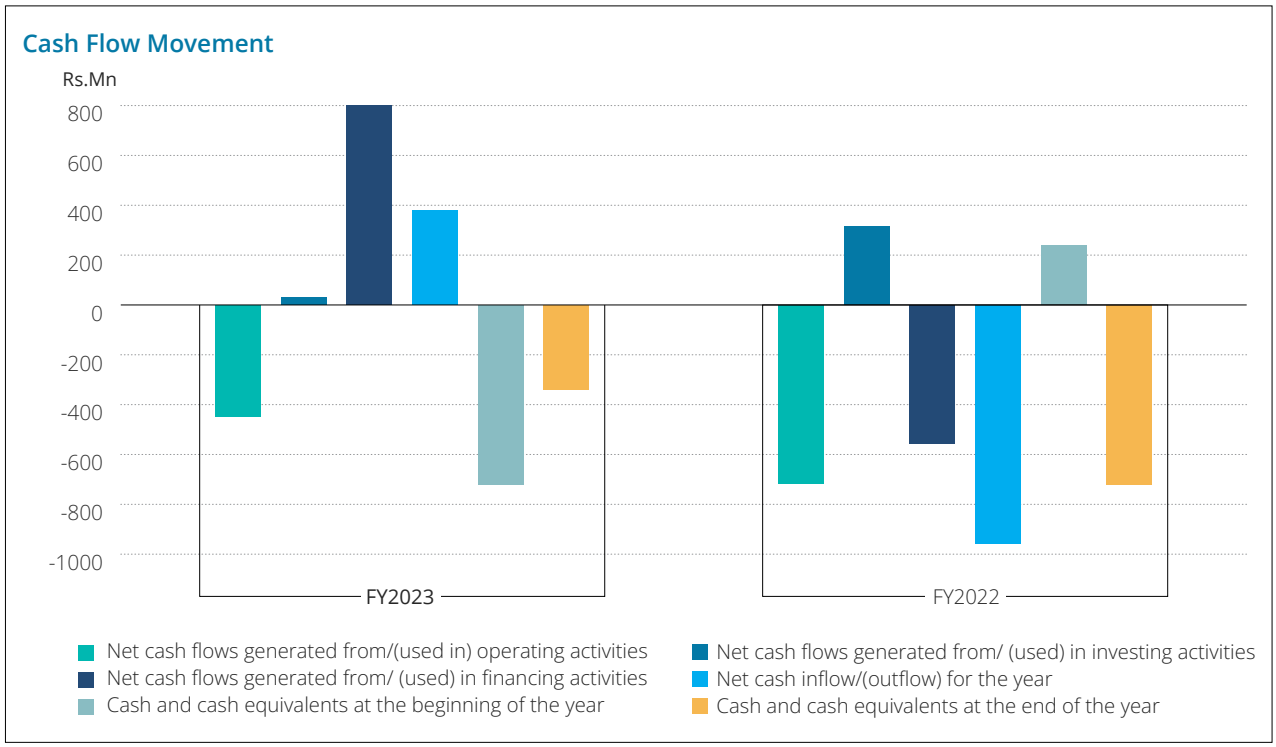
Operating profit before changes in operating assets and liabilities in FY2023 was significant at Rs. 2,901 Mn, driven by sizeable interest receipts and gains realised of over Rs. 13,991 Mn and collectively offset in part by Rs. 11,108 Mn in interest payments and other direct cost and payments to employees and suppliers. During the year, investment in financial assets – FVTPL of Rs. 22,633 Mn was partially off-set by increased borrowing against repos of, Rs. 22,251 Mn, primarily determining the direction of the cash generated in operations for the year. Cash generated from operations during FY2023 was Rs. 291 Mn in comparison to Rs. 20 Mn in FY2022.

Adjusted for taxes and gratuity paid, net cash flows used in operating activities amounted to Rs. 449 Mn in comparison to Rs. 718 Mn in FY2022. During the year, a cash flow of Rs. 30 Mn was generated from investing activities, in comparison to Rs. 316 Mn in the previous year, declining primarily due to lower net disposal proceeds from subsequent sales of shares in First Capital Treasuries. In FY2022, the divestment of the equity stake in First Capital Treasuries PLC through an initial public offer resulted in a Rs. 282 Mn inflow.

A cash flow of Rs. 800 Mn was generated through financing activities in comparison to Rs. 556 Mn used in financing activities in the previous year. The inflow recorded in the current year was a result of proceeds received from long term bank facility of Rs. 1.0 Bn. The previous year's outflow was mainly due to dividend payments of Rs. 506 Mn.

The resultant net cash flow for the year was Rs. 381 Mn, compared to a net cash outflow of Rs. 957 Mn recorded in FY2022. The cash and cash equivalents ended in a negative position of Rs. 338 Mn due to the negative opening balance Rs. 719 Mn carrying forward from FY2022.

The latter was a result of utilising bank overdrafts to maintain liquid assets at the upper ranges of targets to navigate market conditions. By drawing on liquidity facilities in advance of potential liquidity crunches, we mitigated potential risks effectively.



MANUFACTURED CAPITAL

CONNECTED VALUE DRIVERS

Manufactured capital refers to material goods and infrastructure owned, leased or controlled by an entity, that contributes to service provision but may not become embodied in the output.

During FY2023, First Capital has utilised to good effect the two key value creating capabilities of this resource, by the:

- efficient use of manufactured capital stock to enable responsiveness to market and societal needs;
- synergistic collaboration of manufactured capital with technology to reduce resource use and help elicit human skill and creativity, thus enhancing both efficiency and sustainable development.

OUR PREMISES AND INFRASTRUCTURE

As a financial services provider, First Capital's manufactured capital encompasses the business premises and core infrastructure. The registered office located at 02, Deal Place, Colombo 00300 and the branch network form our geographic footprint in Sri Lanka. The equipment and technological infrastructure utilised by our people to provide services to clients are also considered as manufactured capital.

SUSTAINABLE DEVELOPMENT INITIATIVES

This year, we facilitated sustainable development by investing in the refurbishment and reconfiguring of the Colombo business space to accommodate a more modern, spacious and agile working environment with dedicated collaborative settings and social spaces for staff.

This was an opportunity to refresh the design as a contemporary workspace which meets the strategic goal of providing service excellence to clients, whilst boosting morale and laying a foundation for productivity of our corporate and Customer Relationship Management and Digital teams housed within.

Property, plant and equipment at year end

Rs. 43.9 Mn
14.5% YoY

FY2022 : Rs. 38.3 Mn

Expenditure on premises, equipment and establishment

Rs. 26.7 Mn
32.3% YoY

FY2022 : Rs. 20.2 Mn

BRANCH NETWORK

Our regional footprint is achieved through branches in Kurunegala, Kandy, Matara and Negombo. We enable regional clients to establish face-to-face or virtual contact.

Although the socioeconomic and political conditions prevailing during the year hindered uninterrupted service provision, the Kandy, Matara and Kurunegala branches were active throughout most of the year on designated working days. Staff members of the Negombo branch utilised remote working to serve clients virtually in this setting.

BRANCH STRATEGY

In line with First Capital's digital drive, branch strategy has become increasingly more technology led, whilst retaining some elements of traditional interaction. The following are key tactical elements effective during the year:

- Branches are overseen by the Group Chief Operating Officer with performance monitored against budgeted targets on a monthly basis
- Restructuring has resulted in staff composition in the Kandy, Kurunegala and Matara branches favouring the agency model, as opposed to a permanent staff model
- Digital onboarding through DigiFirst has for the most part replaced traditional onboarding procedures across branches
- Negombo branch was converted into a virtual branch during the year
- Recruitment was initiated for the two new virtual branches proposed to be established in Jaffna and Rathnapura

INTELLECTUAL CAPITAL

CONNECTED VALUE DRIVERS

Intellectual capital encompasses knowledge-based intangibles and institutional capital. These vary from tacit knowledge, skills, systems, procedures and protocols to other structural capital inclusive of corporate and conduct culture-elements. In addition, intellectual capital includes intangibles associated with the brand and reputation we have developed.

BRAND POSITIONING IN TIMES OF UNCERTAINTY

The business landscape in Sri Lanka entered a period of both significant risks and opportunities as it transited from pandemic recovery to the prevailing financial and economic crisis. Recessions represent valuable opportunities for brands that are positioned to capitalise on them. By understanding our client's changing needs and fulfilling them in unique ways, in FY2023 we focused on realigning our brand strategy to be situated for growth and to exploit extant and emerging opportunities.

We considered the long-term return on investment and our competitiveness for when the tide of the recession recedes, embracing the following strategies to position First Capital's brand:

We are of the view that increasing marketing efforts during uncertainty helps to position the Company advantageously for the future and magnetises the brand in the open space left behind by competitors who may have halted their efforts.

- Increased marketing spend to gain a larger share of voice over competitors particularly to assert our ability to create and preserve wealth through financial solutions in an environment where clients sought to invest in escalating inflation and low disposable income. We invested Rs. 41 Mn during the year on sales promotion activities, 50% more than what was incurred in the prior year.
- We carried out strategic cost cutting with some savings reinvested in the areas of greater long-term value. We did not reduce investment across the board, and instead reinvested in technology, innovation, talent, process modernisation and client service excellence.
- We considered the underlying socioeconomic context to reassess the brand positioning to understand whether we were optimally positioned for the challenges ahead. Our retail drive and awareness raising of appropriate investment solutions took into consideration client behaviour shifts affecting the industry.
- We intensified our marketing drives in the retail segment. It is a largely unconsidered market segment in our country as a whole. The offering has been repositioned accordingly with Government Securities and Asset Management in particular being the favoured products that are comparatively more appropriate for the segment, based on their risk and complexity alignment.
- Alongside, we increased our social media activity for improved visibility. We sponsored many communal events that provided us business-led value whilst providing the society inclusive value.

See Social Capital report on page 119 to 125 for further details on socially relevant initiatives that drove brand visibility.

INTELLECTUAL CAPITAL

First Capital
A Janashakthi Group Company

Brand value*
Rs .562 Mn

Brand strength rating*
AA

Google Reviews 4.4

First Capital Google review rating
4.4/5**

YouTube

Subscribers:
896**

Collective followers:
12,100**

https://www.firstcapital.lk

Visits:
13,750**

* As rated and valued by Brand Finance

** Data for FY2022, unavailable due to progressive soft-launch and FY2023 is considered the first full year in effect

BRAND LEGITIMACY

Together with our strategic thrust to improve reach and scale, we leverage our team capabilities to offer relevant financial solutions through an increasingly digital platform. Our embedded risk and governance frameworks and deep institutional knowledge support First Capital's brand strength. In FY2023, these multiple factors collaboratively garnered unparalleled brand legitimacy and external recognition from LMD and Brand Finance for the second consecutive year.

In FY2023 First Capital retained its position as the most valuable consumer brand in the investment banking sector in the top 100 Most Valuable Consumer Brand list of Brand Finance. As valued by Brand Finance, First Capital's brand value stood at Rs. 562 Mn with a strength rating of AA.

Reflecting the principles of our workplace as one with a positive and nurturing culture, First Capital was recognised as a Great Place to Work® for the second consecutive year.

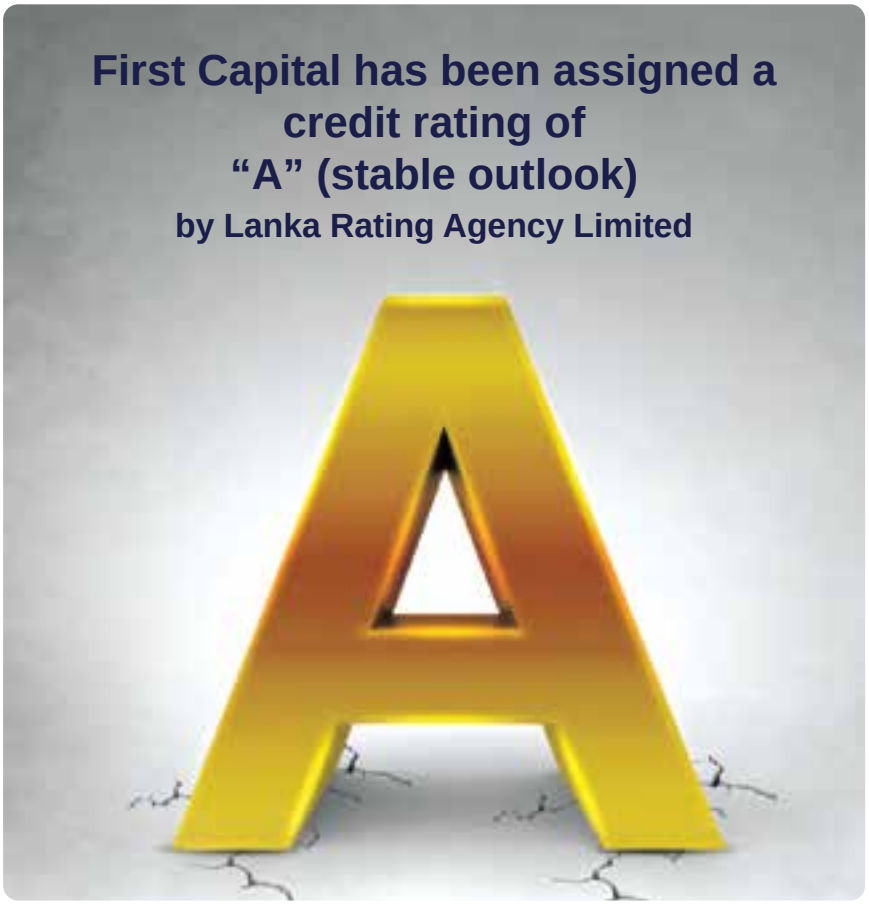
See 106 to 118 under Human Capital for details on the review and feedback metrics on staff engagement in evaluating the workplace.

Great Place To Work. Certified
MAR 2023-MAR 2024
LKA

CREDIT RATING

Credit ratings pave the way for the Group to participate in financial markets, facilitating funding and open access to credit markets and demonstrates our commitment to credit and risk management standards. These ratings are based on the Group's financial performance, asset quality, capitalisation and other fundamentals as supported by a stable strategy and adequate liquidity profile. Issuer and instruments ratings of the Group are summarised below:

	Value	Short-term	Medium-term	Long-term	Outlook
First Capital Holdings					
Issuer rating	N/A			A	Stable
Instrument rating:					
Rated, senior, unsecured, redeemable debentures	Rs. 2.0 Bn			A	Stable
Commercial papers	Rs. 2.5 Bn	A1			Stable
First Capital Treasuries					
Issuer rating	N/A			A	Stable
Instrument rating:					
Instrument rating:Listed, rated, subordinated, unsecured, redeemable debentures	Rs. 750.0 Mn			A-	Stable



GUARDING AGAINST VALUE EROSION

Our deal team has specific transactional, operational and transferable skills that enable First Capital's distinctive service delivery.

The centralised operating model engenders intra-group collaboration through shared services including legal, finance, risk management, human resources, information technology and marketing, establishing Group level knowledge sharing, efficiency and leadership capability. The skills and experience of collective teams are a competitive advantage for First Capital and facilitate strategic execution.

In ensuring that strategies for sustainable growth and value are executed efficiently, five management committees are in place to fortify management action. The focal areas of oversight are digitalisation, partnerships, branding, standards and awards, and incentives and branch strategy.

Well defined governance and risk governance structures are embedded across the group, supporting our ability to create and preserve value, while guarding against value erosion.

Cross functional management committees and designated staff periodically report progress and measures on strategic initiatives to the Board. In FY2023, a newly established function also oversees the thrust for incorporating sustainability perspectives in the business. Ultimate responsibility in governing value creation lies with the Board.

INTELLECTUAL CAPITAL

SYSTEMS AND PROCESSES

First Capital's current strategy focuses on driving transformation in our assets to unlock potential opportunities and capitalise on strengths. Digitalisation plays a key role in this transformation, by strengthening IT assets to gain agility and to innovate. Workflow and processes are continually evaluated and streamlined for efficiency gains and cost reductions under this strategy.

Our policies, systems, and procedures are subject to regular review to determine their adequacy and effectiveness within the context of the current operating environment and relevance to core business requirements.

Our medium term goal is to enable real-time transacting across the spectrum of First Capital's investment solutions.

SYSTEMS AND EFFICIENCY

Priority incidents (number)

FY2023 : 9
FY2022 : 4

Core applications on cloud/ colocation

FY2023 : 100%
FY2022 : 100%

Digital solution fulfilment

FY2023 : 40%
FY2022 : 20%

Reduction of legacy systems (number)

FY2023 : 1
FY2022 : 1

TECHNOLOGICAL INITIATIVES UNDERTAKEN

Progress made in transforming IT assets during FY2023 and targeted short to medium term initiatives are set out below. These completed and targeted initiatives relate to the pre-through post trade value chain:

FRONT OFFICE

- Non-face-to-face client onboarding was fully automated by implementing an e-KYC platform while adhering to all requirements based on Directions issued by the Financial Intelligence Unit (FIU) of CBSL and the Central Depository System (CDS);
- Verification of client identification through the Department of Registration of Persons was automated and integrated; enhancements were made to the risk-profiling process by enabling automation to minimise human errors.

MIDDLE OFFICE

Regulatory compliance

- The compliance monitoring process against the Collective Investment Scheme Code which regulates the Asset Management business, was fully automated;
- Regulatory reporting (threshold and suspicious transactions) related to Financial Transactions Reporting Act process was moved to go-AML reporting platform introduced by the FIU after successful system modification.

Reconciliation, trade matching and affirmation

- Transaction monitoring and client screening processes will be fully automated by procuring a comprehensive anti-money laundering system;
- Compliance monitoring and risk reporting processes will be fully automated through the core-application system with the completion of system revamping;
- Transforming middle office processes in line with the level of external STP in the local industry setting.

BACK OFFICE

Clearing and settlement

- Legacy processes are to be updated using new applications to enhance the clearing and settlement process further.

Key: Completed | Short to medium term strategies

INSTITUTIONAL RISK CULTURE AND PROTOCOLS

As a financial services provider, our prudent risk culture, governance processes and relationships with regulatory stakeholders are indispensable to the framework of success. During the year, we interacted closely with the three main regulators of our Group entities, the CSE, the SEC and the CBSL, on matters relating to licensing, in meeting conduct and compliance requirements and have actively participated in industry engagements. In addition, we engage with certain Government entities in the course of operations, primarily the Inland Revenue Department (IRD), in view of our tax payer responsibilities.

These Government and regulatory bodies expect compliance with all legal and regulatory requirements, including those relating to conduct and operational protocols as a fiduciary and in the case of the IRD, as a responsible corporate citizen.

MANAGING RISK AND CONDUCT

Risk

First Capital's robust risk management system is governed by mandated Board committees with appropriate expertise. We take measured risks within the risk appetite set at Group level by the Board. Risk limits at legal entity and other levels of the Group are regularly reviewed and monitored by the Risk and Compliance division with responsibility of risk passing down,under the three-lines of defence model, to the individual risk owner. The framework of risk management and governance is reported comprehensively under the Enterprise Risk Management Report.

See pages 192 to 201

During FY2023, in addition to transformational changes through our technology drive detailed in preceding sections, the following risk management initiatives were carried out to fortify effectiveness of our conduct and risk management:

- Policies and procedures related to subsidiaries were reviewed in light of pervasive regulatory change introduced in the prior year; regulatory gaps were ascertained and rectified;
- After a comprehensive analysis of potential risks due to man made disasters and their impacts to the business operation, measures were taken to ensure normal course of business;
- The risk management framework was updated with the recent changes to the ISO 31000:2018-Risk Management Framework, to strengthen the governance and reporting structure.

Conduct

We manage conduct risk in accordance with our regulatory and compliance risk management framework, which defines the Group's conduct risk appetite and informs the approach to managing misconduct. The Risk and Compliance division monitors and reports on compliance to the Board Audit Committee and the Board periodically. Where deficiencies are identified, immediate remedial action is taken.

With ethicality, honesty and transparency being cornerstone corporate values defining our conduct, we maintain high levels of compliance with the laws, regulations, and guidelines stipulated by our regulators.

The Group is committed to instilling and maintaining a culture of professionalism where the utmost ethical standards prevail. Directors, employees, and all covered persons (or 'associated persons' to whom local market intermediary rules apply) must fall in line with conduct requirements and protocols of the Group.

Market intermediary businesses active in corporate securities markets including Corporate Finance and Advisory, Asset Management and Stock Brokering are required to adhere to the SEC's rules and regulations applicable to business conduct and operational requirements.

The Government Securities business is regulated by the CBSL, and as a market intermediary in government securities markets face a comprehensive conduct requirement framework.

These rules frame conduct risk mitigation requirements from the perspective of fiduciary duty. In turn these foundations are captured in First Capital's policies and procedures.

Our core businesses are licensed by the SEC and the CBSL and continue to meet annual licensing renewal requirements which include broad requirements including conduct risk mitigation and governance. Representatives are duly registered with the SEC prior to them dealing with clients. Along side, directors and key management personnel must clear the fitness and proprietary requirements stipulated by regulators on an annual basis.

Employees must certify upon being recruited that they have reviewed, understood and will comply with Group policies and procedures. Conduct training fortifies the awareness of our employees with respect to legal and regulatory requirements and the relevant policies and procedures.

Responsible selling culture and protocols

We are bound by a suite of policies, procedures and protocols applicable across the Group, to be followed in meeting the requirements on responsible marketing and distribution activities imposed by the CBSL and SEC.

Due to a lack of literacy on financial instruments, investors in Sri Lanka in general, particularly the retail segment, may not have a full understanding of the attributes of the instrument, risk and return profile, valuation and related market and operational practices. Prior to offering the investment option, our teams educate the clients on the nature of the products and associated risks.

INTELLECTUAL CAPITAL

Relevant agreements are executed with clients before starting the business relationship giving the client the ability to understand and formalise terms and conditions related to the relationship and the product offering. Further, once an investment/ transaction is executed, confirmation of the same is delivered to the clients that includes all the specific terms and conditions related to that specific investment/transaction.

A client -centric complaint-handling procedure is in place to deal with any complaints related to business relationships.

The CBSL's Customer charter for the primary dealer industry in Sri Lanka represents a standard and a guide for high ethical principles and professional business dealing practices. This has been embedded in our Government Securities business's risk culture through our institutional processes and knowledge instilled in our teams through conduct training.

In SEC regulated businesses, the market intermediary rules specify advertising practices. Our policies in responsible selling and marketing necessarily prohibit fraudulent, deceptive, or manipulative action.

Protocols for marketing material:

- Refraining from using prohibited references and superlative language to describe products and services, as stipulated by the regulator(s);
- Refraining from material omission, untrue statement of a material fact, or making statements that can be construed as false or misleading;
- Excluding testimonials and endorsements;
- Advertising solely products and services that fall within the scope of each core business's license;

All marketing material is reviewed and approved by the Compliance Officer under our policy guidance prior to regulatory submission and distribution.

In addition to client mandate agreements for our products and services, and mandatory regulatory disclosures, we provide clients with comprehensive, customised policies and service brochures or like-documents.

In the Corporate Finance and Advisory and Stock Brokering businesses, proprietary sell-side research, pitchbooks and deal related material provided to clients follow industry best practice.

Regulatory requirements stipulate certain content as mandatory for investment policies and service brochures issues by the Asset Management business. Our proprietary documentation hence include inter-alia:

- Transparency of procedures relating to performance and potential conflicts of interest;
- Engagement to establish and monitor investment criteria;
- Accuracy and completeness of information; and
- Identification and disclosure of key risks.

Disclosures on non-compliant conduct

Description	Incidents (Number)	Covered persons in non-compliance (Number and percentage)	Penalty/fine imposed (Rs.)	Remedial action
Disclosures under GRI 417				
Non-compliance concerning: → product and service information and labelling → marketing communication	There were no non-compliances in these areas during FY2023			N/A

Description	Incidents (Number)	Covered persons investigated (Number and percentage)	Penalty/fine imposed (Rs.)	Remedial action
Disclosures under SASB Standards				
Non-compliance by the Government securities business : Sections 5.4 on the substitution of eligible securities under the Repurchase and Reverse Repurchase Transactions of Dealer Direct Participants in Scripless Treasury Bonds and Treasury Bills Directions No.1 of 2019	1	N/A	773.80	Review control gap and implement enhancements to resolve inefficient internal controls relating to collateral management.
Investigation in view of deal capture omission of one equity trade with no monetary loss to client.	1	1 covered person Equivalent to 4.5% of the total covered persons of the Stock Brokering business	Investigation was closed with no fine imposed by the frontline regulator, the CSE.	Securing of post-trade controls to ensure seamless deal capture.

Information and cyber security

To safeguard our client data, we ensure compliance with standard client privacy and data protection protocols, market regulations set out by the SEC and the CBSL and accepted best practices in the local remit.

We follow leading security practices during product development lifecycles, which includes a full security assessment alongside penetration testing.

The Group IT policy manual includes policies covering the protection of both business and personal information, as well as the use of IT systems and applications by our employees. This is reviewed annually or and periodically based on dynamic changes to the internal and external technical/ operational landscape.

All service level agreements with the system providers are duly signed and maintained.

In FY2023, there were no substantiated complaints concerning breaches of customer privacy and losses of customer data, given our comprehensive infrastructure and related security practices.

As cyber security is a material issue in our industry, we pay special attention to this area in order to mitigate devastating impacts on the privacy and integrity of our data, system efficiency and business continuity. Cyber security risk management requires a two-pronged approach combining technological features and periodic awareness raising through in-person sessions and email-communications. During the year one in-person session and timely email-communications were utilised for awareness raising.

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

In FY2023, First Capital invested in a Web Access Protection (WAP) firewall to mitigate potential external threats with the implementation of the e-KYC system. We have not recorded any significant cyber-attacks on our systems during the year.

Business Continuity

Due to the nature of the industry and dependency on systems, greater emphasis is placed on the need for security and reliability, together with infrastructure and prudent management of the information that is in our possession. Disruption of IT systems can have pervasive implications on the Group's business activities including cash and security settlement management, information sharing, administration and communication, ultimately impacting results.

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

DR tests are carried out bi-annually to ensure the readiness of people, processes and equipment in the event of a disaster. A full disaster recovery drill was conducted successfully in December 2022, with post-test reviews reported to the Board and submitted to the CBSL.

A comprehensively documented Business Continuity Plan is in place, validated by external consultants. Our staff, including specific teams are fully trained in its operation in the event of a disaster. The Business Continuity Management Team and the Crisis Management Team appointed as a part of the Business Continuity Plan, effectively manage potential risks that could adversely impact the normal course of business. Prompt action taken by these teams helped the Group in managing the contingencies beyond the COVID-19 pandemic recovery phase.

The Group conducted all business functions with no disruption to client engagement during the year under consideration. Impacts related to the energy crisis and social unrest that prevailed during the year were closely monitored and relevant actions taken to maintain uninterrupted services.

Agile work arrangements and Encrypted communication

Our digital solutions were critical to business continuity during periods of uncertainty and disrupted normalcy in the year, with the prevailing macroeconomic instability, socio-political tensions and fuel crisis. We were strengthened by our work culture that embraces agile modalities of work to seamlessly provide services. We facilitated uninterrupted access to our systems.

Our corporate virtual private network (VPN) provides a secure end-to-end encrypted connection to cloud resources on our network. During the current financial year too, we continued to provided two-factor authentication on the corporate VPN.

The VPN provided us the capability of facilitating secure agile work arrangements by mitigating data security risk.

Electronic records and document management system (EDRMS)

First Capital utilises EDRMS technologies to provide document management and records management through an integrated system. The EDRMS continues to facilitate the policies we have in place for management, retention and destruction of documentation in accordance with regulatory requirements and best practices.

HUMAN CAPITAL

CONNECTED VALUE DRIVERS

Human capital embeds multiple aspects: employees and their competencies, experience and motivations to innovate; how teams align with and support the institution's governance framework, risk management approach and ethical values; and the strategic execution of initiatives that create value for employees.

Our business relies on employees who are able to deliver on strategic objectives by upholding our corporate philosophy inclusive of corporate vision, values and our PERFORMANCE FIRST ideology.

We strive to create an environment that brings out the best in our people – where they feel deeply connected to our purpose, are able to pursue and fulfil their aspirations and are empowered to transform the experience of our clients.

EMPLOYMENT CHALLENGES IN OUR OPERATING ENVIRONMENT

Due to the economic and financial crisis and resultant challenges that erupted In CY2022, outbound labour for foreign employment purposes approximately tripled in comparison to the prior year.

Escalating prices peaked during the year and real wages eroded significantly, impacting private and public sector real income and wellbeing. Real wage decline in public sector against the prior year was 20.6% whilst in the private sector real wages declined by 22.7% against the previous year.

Persistent disruptions due to acute fuel shortages, power outages and shortages of inputs due to import restrictions saw low productivity and value addition affect the whole economy which fell into a recession with real GDP contracting by 7.8%

OUTBOUND LABOUR MIGRATION FOR EMPLOYMENT PURPOSES

CY2022 : **311,056**

CY2021 : 122,264

UNEMPLOYMENT

CY2022 : **4.7%**

CY2021 : 5.1%

LABOUR FORCE PARTICIPATION RATE DECLINE

CY2022 : **49.8%**

CY2021 : 49.9%

Some of the challenges during this turbulent period within the Sri Lankan economy and society include specific employee-related matters:

- continuously attracting scarce skills, remaining relevant when competing for and signing on sought after talent in an environment of escalating migration levels
- external financial stresses on employees in the increasingly challenging economic environment
- providing and maturing leadership and management skills
- adaptability to changing circumstances in the work environment due to energy paucity and other supply side constraints in inputs

As an employer, we improve Sri Lankan employment situation by:

- creating job opportunities through partnerships with professional associations like CIMA and the CFA Institute
- focusing our recruitment drive on young people who need to gain work experience and build skills
- offering job security to a younger demographic
- providing learning and development for employees
- offering career opportunities and reward strategies that are aligned to what employees value

ALIGNMENT WITH SUSTAINABILITY PRIORITIES AND STRATEGIC ACTION

We approach strategy in a multi-pronged manner, and measure the progress we have achieved within these priority areas which are pivotal in eliciting, growing and preserving value.

HUMAN CAPITAL

→ Employee engagement and satisfaction

As a Great Place to Work® our anchor measure of employee engagement and satisfaction is the score we receive in the annual accreditation process and provides and independent indicator of how likely employees are to consider and recommend First Capital as an exemplary place of work. We endeavour to improve our ranking in the financial services sector by considering the survey feedback of our people's perspectives across the Group.

→ Employee development

We measure the investment we make in our people by tracking the average number of hours and the spend per employees invested in honing skills that will ensure that our teams remain future-fit, capable of both the hard and soft skills called for in delivering services.

→ Employee retention

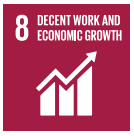
We measure employee retention and turnover, the latter being the percentage of employees who left us during the year. We focus on the reasons for exit and how we can improve our retention strategies.

→ Diversity and inclusion

We measure several diversity factors including ethnicity, geographic dispersion of workforce and gender in understanding how balanced our representation is. Gender parity measures are focused on the representation of women in management and in the Group-workforce.

→ Workforce productivity

We measure the workforce return on investment, direct income impact per employee and other productivity measures.

Impact area	Priorities	Impact
Disclosures under GRI 417		
	Integrate with Sri Lanka's inclusive growth agenda as a nationally focused employer: → creating financial service related career opportunities for potential employees island-wide → Through First Capital's internal strategy engender development and productivity of human capital, engagement and satisfaction, employee equity and gender equity, thus integrating with national growth	→ We are an accredited Great Place to Work® → Total workforce of 106 employees → Retention rate: 83% → Active island-wide recruitment drive to fortify pipeline while providing regional opportunities for employment → Employee training and development spend: Rs. 3.1 Mn → Workforce return on investment (times) : 3.9
		→ Females in workforce: 41.5% → Female recruitment: 50% of total recruited → As a fair and equitable employer, ensure gender pay parity through remuneration and reward process; all workforce undergo merit-based performance evaluation → Women in management (as % of total workforce): 22.7%

CULTURE AND OPERATING MODEL

First Capital has a singular culture that is led by an ideology of productivity, client-centricity, purpose and nurturing within the workplace. We believe in our people's willingness and potential to make a meaningful contribution to our corporate vision and strategy. At the heart of our culture are passionate people who deliver consistently on our clients' needs and honour the guiding principles that form the foundation of our corporate philosophy.

We consider Service Focus and Employee Focus, the drivers of value in our business model, as anchors of our culture. These are dynamic but remain dependent on one another and indispensable for strategic value creation. We believe that our leaders, the Board of Directors set the tone at the top and the senior management and all employees collectively act as curators of our culture. When nurtured, this work environment will establish a compelling competitive advantage. Our brand positioning is well reflected through the Life at First Capital employer branding campaign both on social media and in-house.

Under First Capital's centralised shared services approach, the Human Resources (HR) operating model includes:

- Strategic consultancy to senior management through our Group HR business partners;
- HR generalist (employee and candidate services) and administration through our HR shared services; and
- HR functional expertise.

EMPLOYEE VALUE PROPOSITION

Given the cultural framework rooted in client-centricity and the belief that people are the creators of momentum and catalysts of our entrepreneurial spirit, we want employees to gain value from their employment. Our employee value proposition (EVP) is a reflection of this perspective, providing a mix of benefits and work practices reflected in our formal policy framework and procedures. Our future focus is to embed the EVP further and to ensure that culture, technology and space creates optimal employee engagement and experiences.

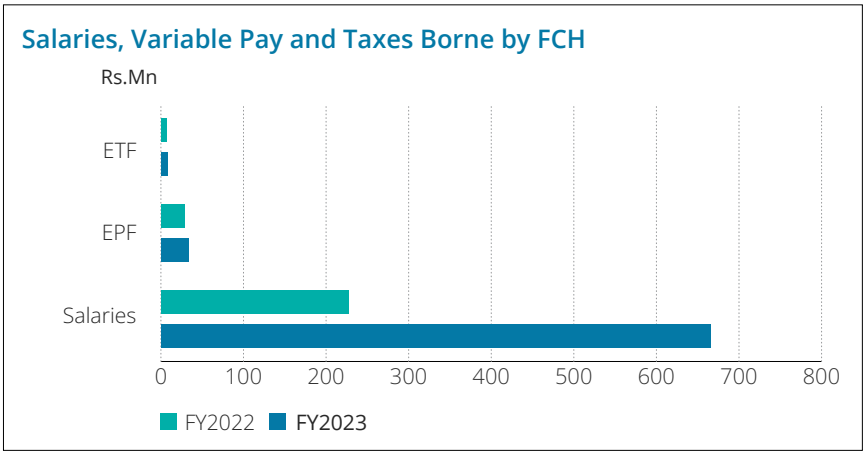
We offer employees remuneration and benefits that are competitive relative to the industry and comply with all applicable statutory labour laws:

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

For the fiscal year, we have created value for employees amounting to Rs. 665 Mn (FY2022: Rs. 227 Mn) in salaries and bonuses. Our EPF and ETF contribution as employer amounted to Rs. 42 Mn (FY2022: Rs. 35 Mn).

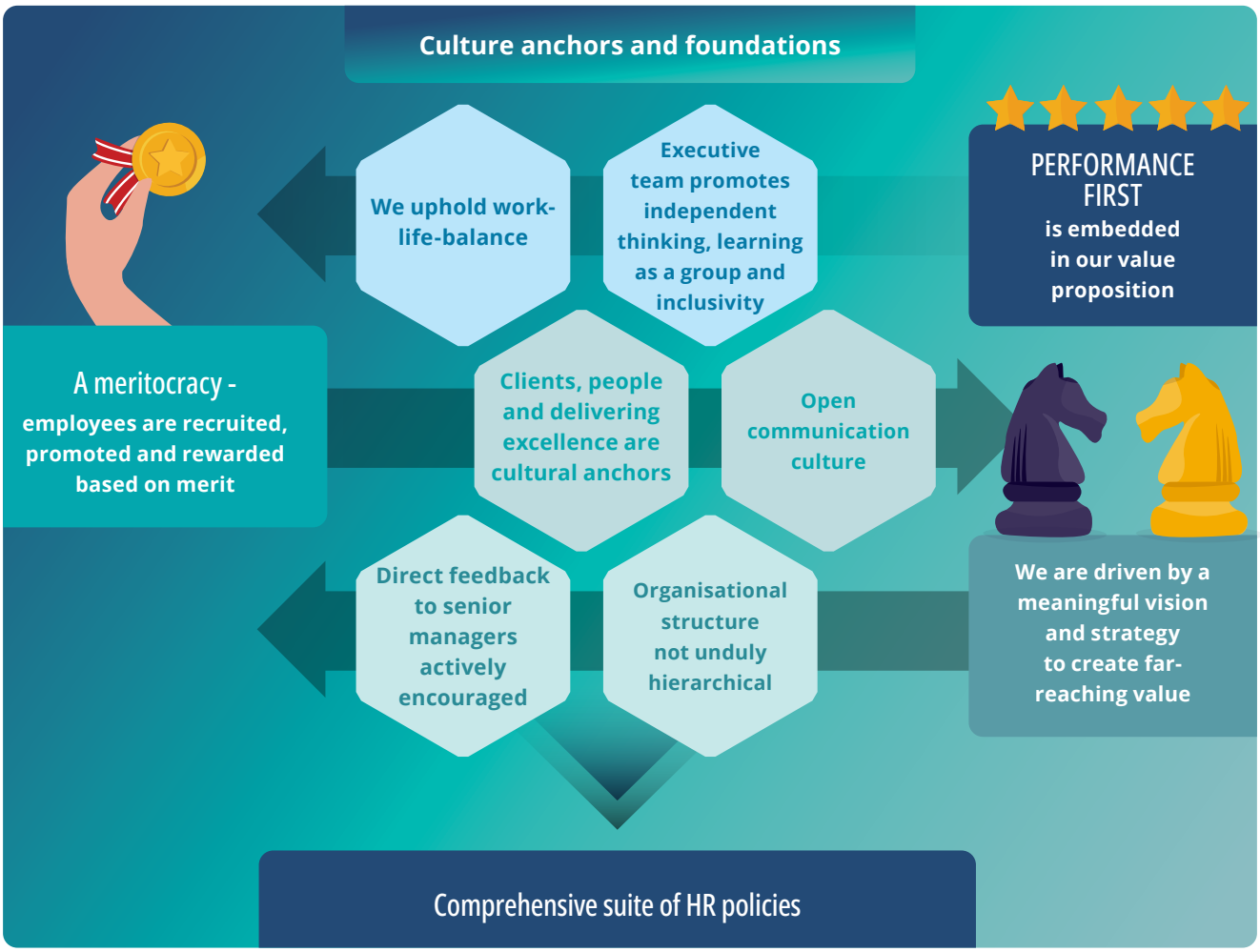
We made off-cycle salary adjustments and pay-out to First Capital staff during a year of record financial performance. We resumed performance linked variable pay during the year in view of strong operational performance incurring a total of Rs. 397 Mn in bonuses.

HUMAN CAPITAL



During FY2023, we extended medical insurance top up plans for all staff. We paid Rs. 1.3 Mn in medical claims during the year (FY2022 Rs. 2.3 Mn). No occupational injuries were recorded during the year (FY2022:None) reflecting our safe place of work.

Medical claims related data	FY2023	FY2022
Total value of medical claims (Rs.)	1,362,839	2,336,887
Total # of medical claims	14	21
# Staff covered by health plan	106	90
Occupational injuries	0	0



A GREAT PLACE TO WORK®

First Capital was recognised as a Great Place to Work® for the second consecutive year. We performed highly satisfactorily under **Credibility, Respect, Fairness, Pride and Camaraderie** in the context of workplace dynamics and reflected robust positioning in the sector.

We continue to engage our staff further through a variety of initiatives that are discussed herein, in order to better understand the underlying factors of the evaluation outcome to attain our medium term strategic goal of securing a top 10 ranking in the sector as a Great Place to Work®.

Great Place To Work® Trust Index© Employee Survey- sub indices	How we scored
Credibility	84%
Respect	79%
Fairness	81%
Pride	83%
Camaraderie	82%

DIVERSITY AND INCLUSIVITY

We operate in a diverse and dynamic country that is currently experiencing a paradigm shift in the socioeconomic and political sense, with pervasive consequences. First Capital endeavours to frame an inclusive environment which is conducive for a diverse group of employees.

Diversity and inclusion gain traction with the tone at the top being set by our leaders. We invest in our leaders through targeted awareness initiatives which are the foundation blocks for the necessary transformation.

We facilitate engagement activities within our modern and accepting cultural framework, emphasising the benefits of diversity among the Group's employees.

As a meritocracy this is supported by maintaining a fair and equitable work environment.

In our momentous 40th year in business, we have witnessed the outcomes of diversity and inclusion - high levels of employee collaboration, upholding the PERFORMANCE FIRST ideology to gain enhanced professionalism in delivery, retention, engagement and morale.

STAYING CONNECTED

We gathered our teams together for corporate events, learning initiatives and to mark some triumphant occasions during the year including the First to Forty celebration.

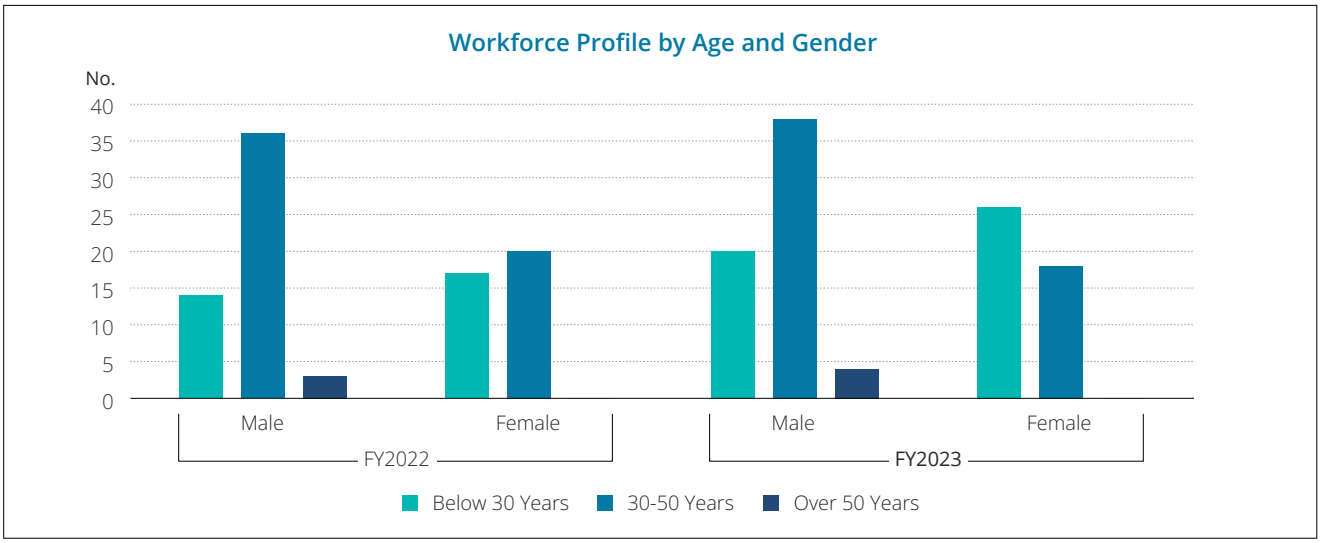
We marked our gender diversity advocacy through Women's Day Celebration events and publications on equity for women in the workplace. Our cohesive and inclusive team also celebrated and appreciated their peers on International Men's Day.

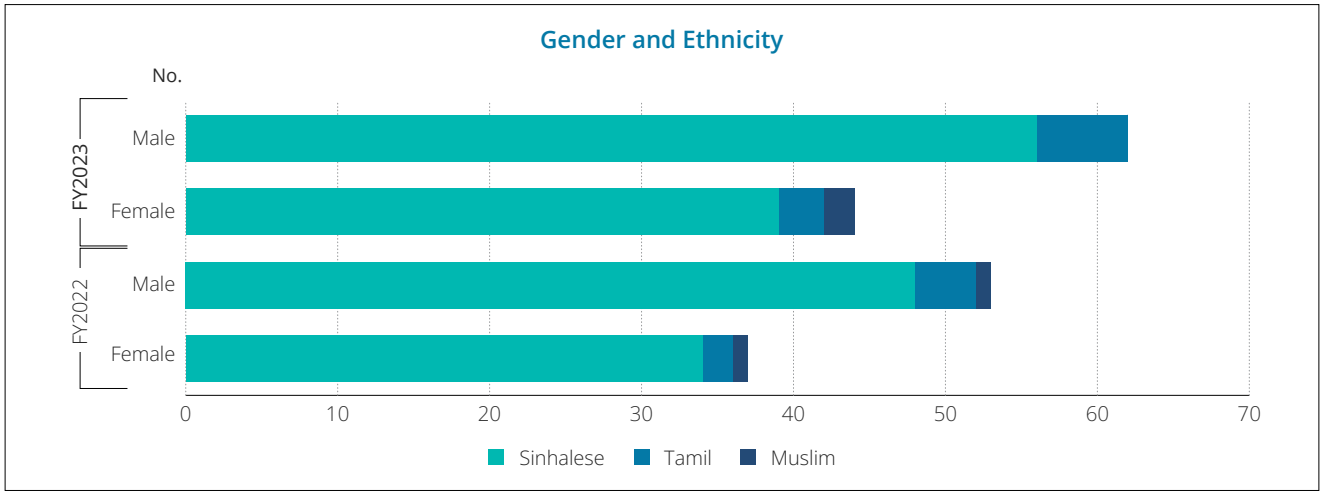
We stayed connected across the Group through an array of both virtual and interactive activities during the year with events relating to culture, sports, philanthropic, employee upliftment and health and safety in the mix.

HUMAN CAPITAL

WORKFORCE PROFILE AND DIVERSITY

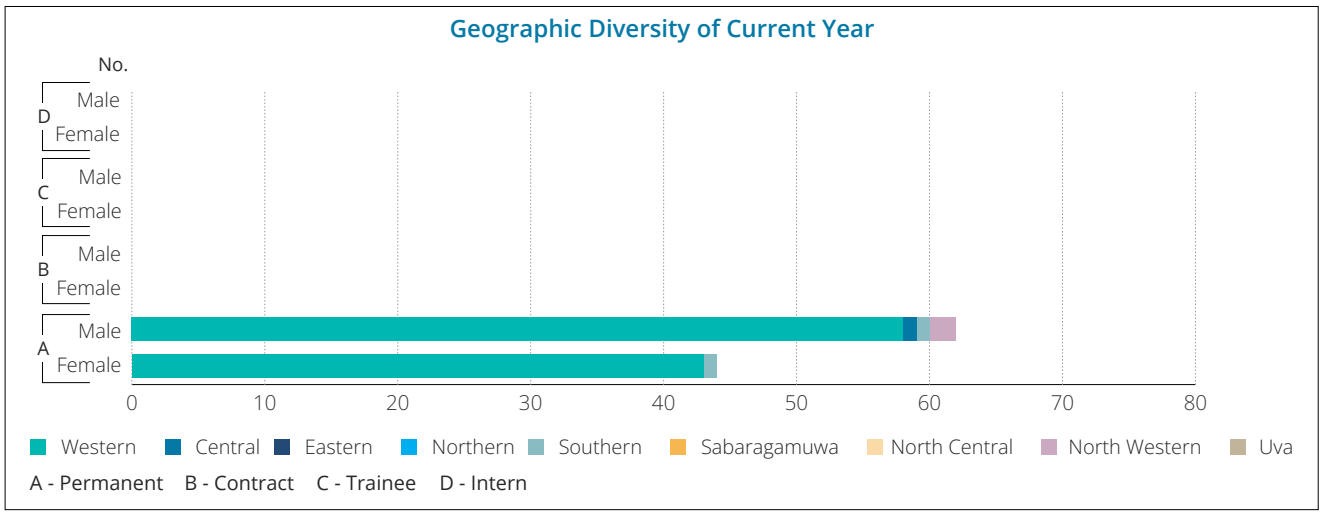
The workforce profile is a snapshot of our employees across occupational levels, gender and equity groups as internally determined complemented by those disclosures prescribed by the CSE and the CA Sri Lanka on ESG matters and Gender Parity.





Male and female occupational levels, FY2023	Below 30 years		30-50 Years		Over 50 years	
	Male	Female	Male	Female	Male	Female
Senior managers/ leadership	-	-	7	1	2	-
Middle managers	-	-	15	5	1	-
Line managers	1	1	6	3	-	-
Executives	19	25	9	9	1	-
Non executives	-	-	1	-	-	-
Contract/ Interns	-	-	-	-	-	-
Total	20	26	38	18	4	-

By nationality	FY2023		FY2022	
	Male	Female	Male	Female
Sri Lankan	62	44	53	37
Foreign	-	-	-	-

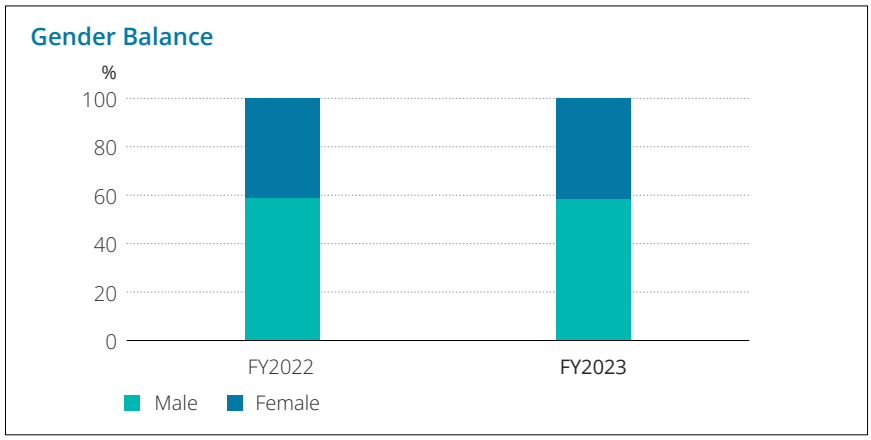


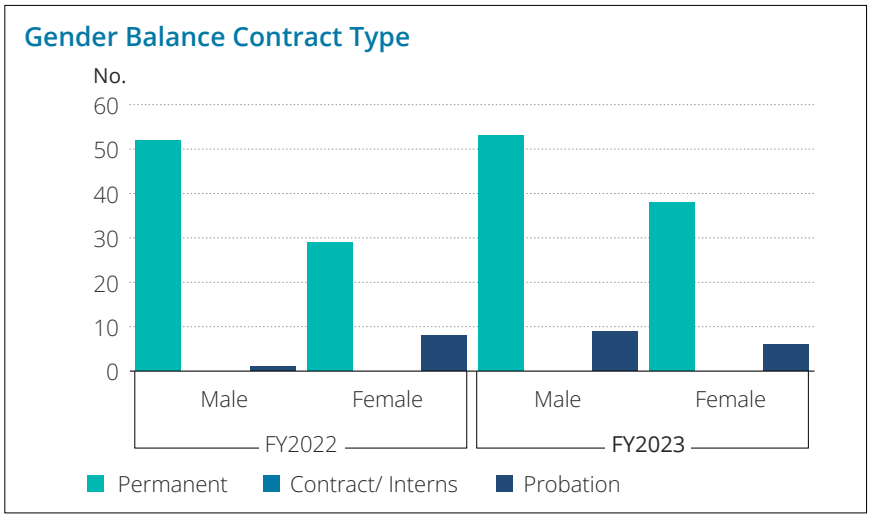
Whilst diversity at mid management level is relatively well balanced, in the senior management level it still remains challenging. Further improvement across the hierarchy is a priority. These challenges are exacerbated by aspects particular to these positions and the current operating trends in the market causing scarcity of specialist skills and high mobility in established senior positions from which we can source potentials from. We address these challenges through a variety of people initiatives highlighted in the sections below.

With accelerated interest in our Sustainability Policy on concerns regarding incorporation of impact priorities we are now identifying the drivers for diversity and inclusivity and are delineating plans to manage our diversity pipeline from the pre-employment phase. Drivers include First Capital's island-wide recruitment campaigns targeting resources from other parts of the country and targeted partnered-educational initiatives that can help strengthen the emergent pipeline. In improving regional diversity we intend to target recruitments from Jaffna, Rathnapura, Kalutara and Gampaha in line with our diversity strategy.

GENDER BALANCE

The percentage of females represented in the workforce remains largely stable at 41.5%, leaving room for improvement. Achieving an optimal gender balance will be a gradual but a focused process as we are still constrained by limited labour flow. However, with the aforementioned strategic initiatives underway to build the recruitment pipeline we anticipate that the foundation can be set to improve equity targets.



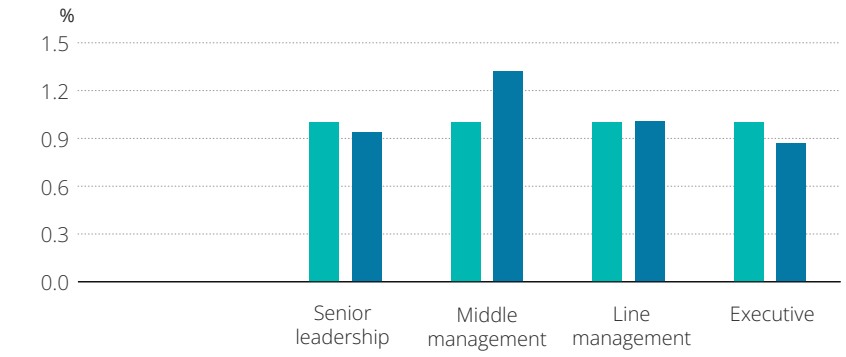


In our new recruitments, we hired 50.0% of females (FY2022: 58.0%). However, during the year, female exits accounted for 55.6% (FY2022: 66.0%) of total exits.

HUMAN CAPITAL

GENDER PAY PARITY

In line with our sustainability vision, we are committed to fair and equitable remuneration. We have an annual process of remuneration review while discretionary variable pay setting is fully in line with merit based performance. All employees undergo performance evaluation, thus eliminating gender pay gaps for comparable roles. The pay gap at recruitment is accounted for through experience, skills and other traits relevant to hiring.

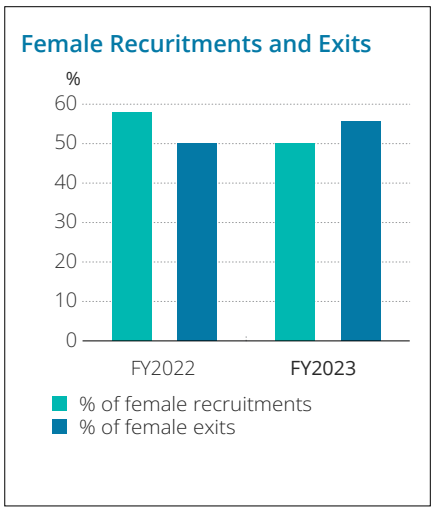


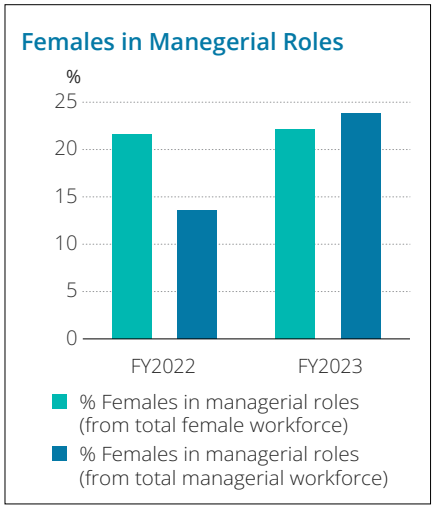
	Senior leadership	Middle management	Line management	Executive
Male	1.00	1.00	1.00	1.00
Female	0.94	1.32	1.01	0.87

WOMEN IN MANAGEMENT

During the fiscal year, women in management accounted for 23.8% of the total managerial workforce (FY2022:19.0%). Of the total of 44 females, ten or 22.7% are managerial roles. In the prior year out of 44 female employees, eight or 21.6% held managerial roles.

We provide both maternity and paternity leave to all eligible employees. Our policies surpass the statutory minimum requirement as employees can request for two additional months of leave on a half pay basis while paternity benefits are provided for 14 days.





Number of female employees	FY2023	FY2022
Entitled to leave during the year	44	37
Employees who took maternity leave	1	2
Returned during the year	1	2
Employed for the last 12 months after return from maternity leave	0	0
Return ratio (%)	100%	100%
Retention ratio (%)	0%	0%

"Why is the work-life balance so often targeted at women? The idea of shared responsibilities in the home must be promoted among both men and women"

Read the article by Ms. Manjula Mathews, (Deputy Chairperson of First Capital) on LMD Essence 2023

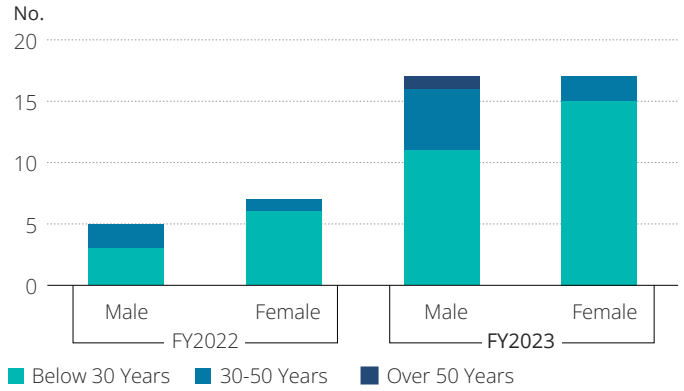
https://firstcapital.lk/2023/04/24/interview-with-manjula-mathews-lmd-essence-2023/

TALENT ACQUISITION AND RETENTION

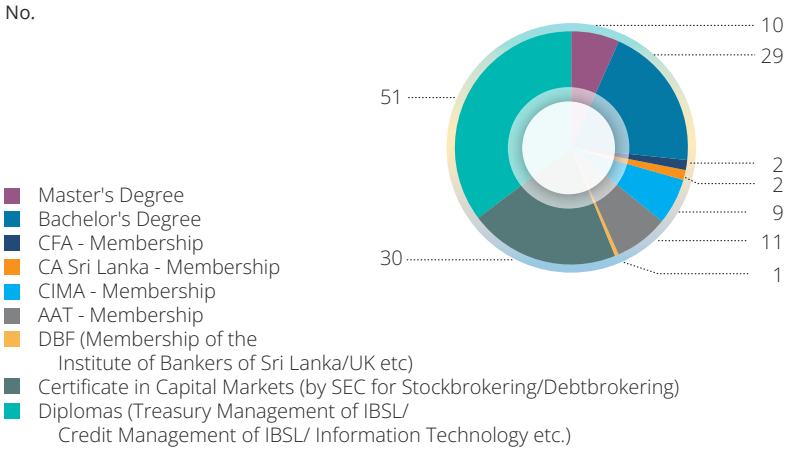
To remain competitive, we adapt our sourcing and acquisition approach to the required skills segments in the market to reach and engage compatible, sought-after candidates. Talent acquisition and retention has been difficult in part due to the prevailing trend of high migration. First Capital faces retention challenges due to the employee skill, value and diversity profile we seek, and high mobility of suitable candidates in the market in combination with intense competition amongst financial services institutions.

The prevailing economic and market conditions notwithstanding, First Capital proceeded to appoint 34 new external employees in vacant or new job opportunities. New recruitments were solely from the Western Province and reflect a balance of 50:50 between male and female.

Recruitments by Age



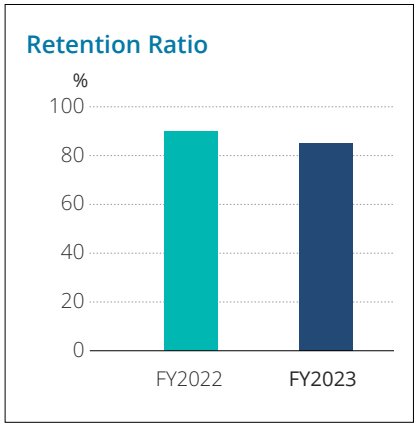
Employees - Qualification wise



We continue addressing retention challenges by offering internal development and career path opportunities. As part of our retention and succession planning we identify and develop suitable and motivated employees who are able to be considered for future senior leadership positions in core businesses.

During the year, we further supported this strategy by working to develop mid-tier staff and held training initiatives for leadership and mentoring skills development. In FY2023, internal promotions amounted to 12.

HUMAN CAPITAL



We are focusing on succession planning with renewed vigour under the new corporate strategy. Succession candidates are identified and assessed in terms of potential and experience, technical and leadership skills.

We have created structured opportunities for exposure and integration. Specific senior positions in core businesses have been earmarked for potential internal appointments. For senior roles in some core businesses we intensified the drive for external recruitment in order to hire experienced leaders. The Government Securities business recruited externally for its CEO position fortifying Group organisational structure.

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

PERCENTAGE OF STAFF PERFORMANCE APPRAISED BASED ON ELIGIBILITY CRITERIA

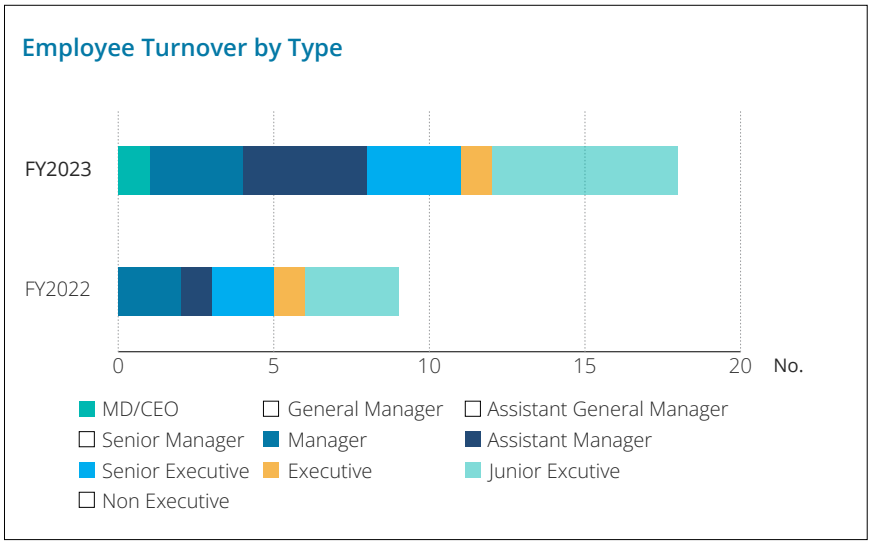
100.0%

(FY2022:100.0%)

STAFF TURNOVER AND RETENTION RATE

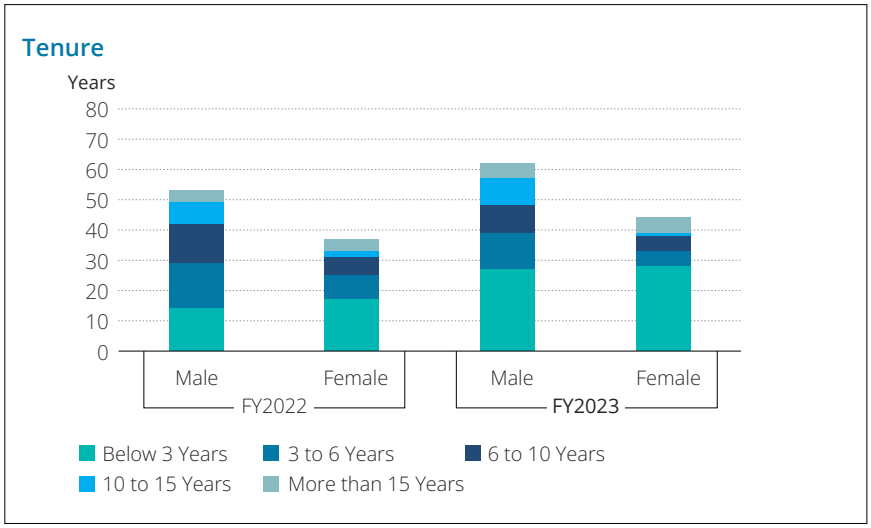
Our retention rate fell with increased attrition to 83.3%. Staff turnover was hence higher than due to the prevailing labour market trend. Staff turnover *was 17.0% (FY2022: 10.0%).

* Turnover figures stated are calculated as total separations for the calendar year divided by the total number of employees at the end of the calendar year. Turnover is inclusive of involuntary attrition.



TENURE

Our employee tenure profile reflects a growing business. Although tenures have been increasing, we see high mobility in the short term horizon across genders.



TALENT DEVELOPMENT

Our talent development strategy is team effort involving HR, line management and employees aided by internal and external learning resources.

The design and delivery of formal learning programmes involves senior management to ensure that programmes meet business objectives and client needs. Digital learning strategy and internal-team-led initiatives also support the learning framework.

Through our learning initiatives we ensure that specific service objectives and fundamentals in terms of products, services, technical skills, soft skills, leadership and regulatory training requirements are met.

Training expenditure

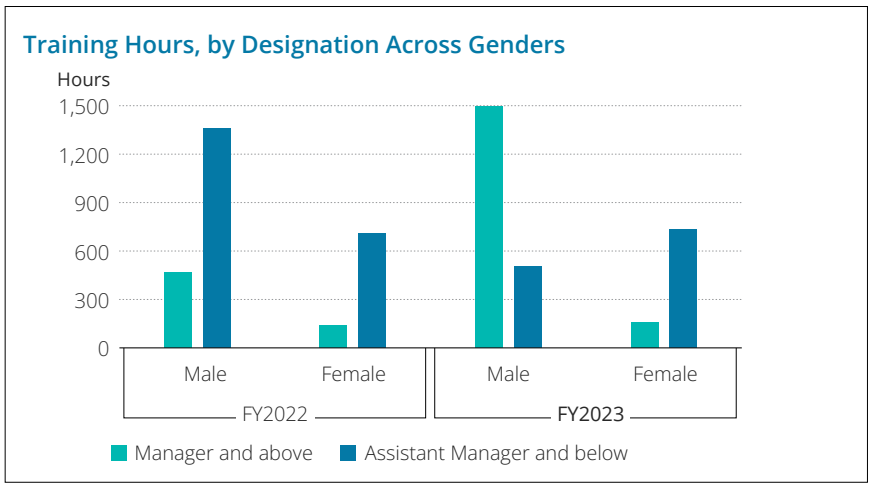
FY2023 : **Rs. 3.1 Mn**

FY2022 : Rs. 8.0 Mn

Training and development cost per employee

FY2023 : **Rs. 28,984.07**

FY2022 : Rs. 88,838.16



LEARNING INITIATIVES DURING THE YEAR INCLUDED:

- Innovative, ongoing leadership development opportunities including the Management Development Programme; and developing leaders to enable team cohesion through 'Coaching Awareness' training. The latter comprised a focused management development programme interspersing individual coaching and mentoring;
- Initiatives to enhance achieving business goals, improve employee engagement levels and continue shaping the organisational culture. These included the third consecutive training session with Luminary Training on personal effectiveness and productivity, Lean Six Sigma Awareness, JXG Speechcraft initiative and workshop on 'Developing an A.I. Strategy for your Company';
- Enhanced risk and conduct awareness through regulatory training , imperative for the mitigation of conduct risk and alignment with compliance requirements;
- Enhanced our digital learning through online resources and other learning technologies;
- Cemented our formal education offerings through the active maintenance of existing learnership and educational assistance policies and benefits.

HUMAN CAPITAL

PRODUCTIVITY

We see a high improvement in view of our workforce return which was 3.9 times net profit in FY2023(FY2022:(2.4) times). With the enhanced financial performance all per employee financial and value outcomes have increased.

Employee Productivity	FY2023	FY2022
Workforce return on investment (times)	3.9	(2.4)
Direct income per employee (Rs.)	134,714.42	23,598.52
Total assets per employee (Rs.)	628,548.95	461,273.66
Profit before tax per employee (Rs.)	36,092.23	(8,561.60)
Profit after tax per employee (Rs.)	24,974.19	(7,247.47)

SYSTEMS AND EFFICIENCY

Our Group approach and technology enables the smooth facilitation of HR management activities. We rolled out an end-to-end solution including performance management and integration with other key functional areas such as recruitment and learning management as part of our strategic initiatives. Further improvements and embedding practices were initiated and will be completed in FY2024.

SOCIAL AND RELATIONSHIP CAPITAL

CONNECTED VALUE DRIVERS

Social capital comprises the institutions and relationships within and between communities, groups of stakeholders and other networks, and the ability of this interconnected nexus to share information to enhance individual and collective well-being.

First Capital has enduring relationships with our clients, business partners, other stakeholders and the community at large. Our long-term vision is one that acknowledges the deeper role that financial service providers play in society. Rather than simply business-led value, ours is a vision that advocates the creation and exploration of opportunities to share value.

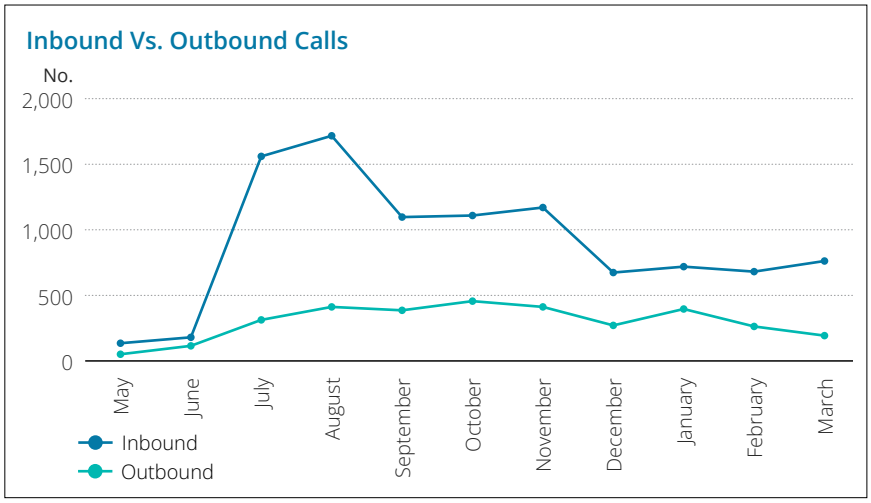
During the year, we have expanded our interactions with communities in innovative ways and have implemented solutions to address economic and social challenges in our markets. Our work has enabled the creation of avenues of prosperity and fulfilment, enabling economic advancement and wellbeing of all stakeholders, thus earning legitimacy in the broader society.

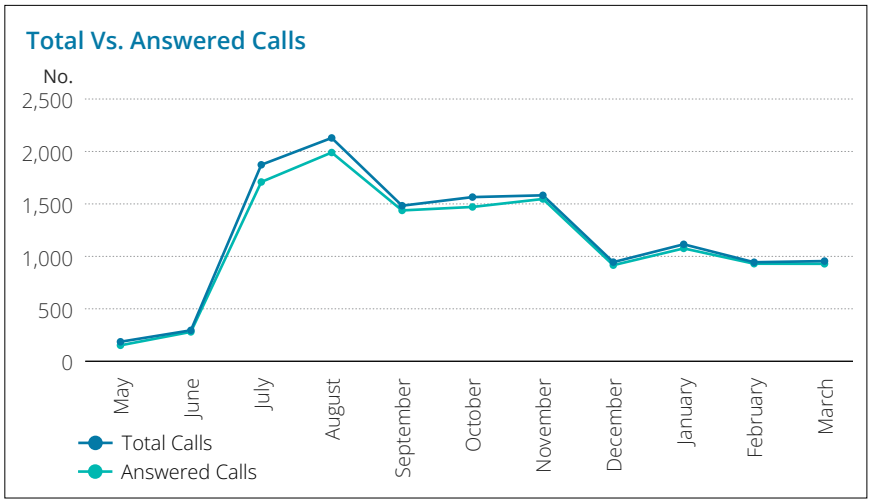
We collaborate with primarily Janashakthi Foundation and other principle led social investment partners in creating positive societal impact. First Capital's corporate social investments are prioritised across several areas that appeal institutionally and in the national context. Through the majority of these focal areas that have been earmarked, First Capital aligns with the UN SDGs as elaborated upon.

CLIENT RELATIONSHIPS

DigiFirst, our online portal helped digitally onboard across our Government Securities, Stock Brokering and Asset Management businesses.

Having launched the "Customer Relationship Management and Digital' division which provides integral client life cycle management services, in FY2022, we saw a steady progression in its activities. Data gathered shows client reach is nascent but with potential for growth.





SOCIAL AND RELATIONSHIP CAPITAL

SELECTED CLIENT SERVICE KPIS

Answered vs. Abandoned call rates*

94% : 6%

FY2022 : Unavailable

Average vs Longest queue waiting time**

0.05 minutes : 3.59 minutes

FY2022 : Unavailable

* No comparative prior year data; reflects 11 month-performance in FY2023 since effective launch in May 2023

** No comparative prior year data; reflects average as at 31 March 2023

Introduced a fully integrated e-onboarding/ ekyc platform

Total active clientbase

10,247

Total digitally onboarded

898

during FY 2022/23

POSITIVE SOCIETAL IMPACT

Our strategy embeds the creation of inclusive value for society. Corporate social investments and philanthropic activities over the year span significant opportunities of shared value creation across First Capital's communities. During this transformative time for our country and its markets, we adhere to the strategic and sustainability requirements and targets as set out in our medium-term strategy and sustainability policy. Our perspective is to actively grow and integrate within the financial sector in a way that engenders sectoral growth and competitivity, in turn contributing to the establishment of an equitable and prosperous society in Sri Lanka.

FINANCIAL INCLUSION

By leveraging our digital assets, we aim to connect First Capital's core business expertise with a broader market comprising retail investors providing alternatives to lower-yielding bank savings products and access to diverse investment services. We intend to enable this segment to initially enter the world of investment by providing convenient and cost-effective onboarding to unit trust investments and gilts, which we believe align more closely with retail investor risk appetite. These investment solutions help people save and plan for the future, deal with unexpected emergencies and ultimately achieve wellbeing. These benefits, in turn, support economic development and reduce inequality.

We also engage enterprises and entrepreneurs in regional Sri Lanka through the participation in communal events. We share information on our advisory services and investment solutions, to explore opportunities for financial wellbeing. Our offering targets growing and preserving wealth as well as the provision sound execution of transactions and independent, unbiased advice. Collectively, our activities in financial inclusion aim to support economic development and reduce inequality.

SOCIETAL IMPACT AREA

Financial inclusion

8 DECENT WORK AND ECONOMIC GROWTH

10 REDUCED INEQUALITIES

PRIORITY

- Island-wide access to contemporary financial solutions for individuals and enterprises

IMPACT

- Enabled people digitally access diverse and appropriate financial solutions
- Total active clients by the end of - FY 2023
  - First Capital Treasuries PLC - 2,069
  - First Capital Limited - 547
  - First Capital Holdings PLC - 74
  - First Capital Asset Management Limited
    - Unit Trust - 2,285
    - Wealth Management - 38
  - First Capital Equities (Pvt) Limited - 5,234
- Regional awareness sessions were conducted by branch offices in collaboration with the CSE. Events targeted business-oriented audiences in Galle, Kandy, Kurunegala and Jaffna
- Branches engaged the Cooperatives of the Uva Province exploring the potentiality of contributing to the Cooperative's role in empowerment and reinvestment in its communities
- We participated in the Jaffna International trade fair and two other enterprise focused events in Jaffna and Negombo, to engage businesses exploring tactical growth opportunities and investment options

SOCIAL AND RELATIONSHIP CAPITAL

FINANCIAL LITERACY

We are committed to playing an active role in addressing the acute financial literacy and numeracy challenges in Sri Lanka, aligning well with our goal of enabling people improve their financial lives. We engage diverse communities including our clients, individual and institutional and target beneficiary groups to deliver innovative financial education solutions. Our intention is to provide people with information, tools and strategies to become financially capable and to enable them to make decisions that will improve their financial wellbeing. Our education initiatives targeting financial and corporate sector communities are intended to enhance analytical capabilities and provide insights and knowledge.

First Capital's Research division has an expansive fundamental research coverage which creates business led value and societal impact. First Capital research covers market, macroeconomic, emergent issues, sectoral and securities, and is disseminated free-of-charge through digital, audio-visual, print media and live engagements. We achieve brand recognition whilst mutually benefiting our communities by sharing our insights and expertise through conferences and events. We disseminate statistics and other resources on a daily basis through the corporate web page, which was modernised and optimised in terms of user features and content during the year.

SOCIETAL IMPACT AREA

Financial literacy

PRIORITY

- Comprehensive financial education across diverse communities

IMPACT

- We reached thousands of Sri Lankans through our TV, print and social media education programmes; First Capital discussed pressing concerns regarding the operating and market context, emerging issues that impact investors and provided information on our offering and research to an expansive local audience
- Our webinars including the Sri Lankan Resurgence – Mid Year Review Webinar presented by First Capital Research and Investor Relations were well attended
- We participated in several university events including the Economic Forum of Kelaniya University as panelist
- Expanded active presence on all social media platforms through a phased launch: collective subscribers and followers on social media: 12,996
- Visits to our new website crossed 13,750 for the year

EDUCATION AND JOB CREATION

We invest in student, youth and young-adult education and form partnerships to support career opportunities and related training. Our youth investments during the year also focused on social inclusion and empowerment of marginalised children.

SOCIETAL IMPACT AREA

Education and job creation

4 QUALITY EDUCATION

8 DECENT WORK AND ECONOMIC GROWTH

PRIORITY

- Support access to quality education, training and career development to enable growth opportunities

IMPACT

We supported access to education and career development opportunities in diverse communities

- Participated in career day event organised by AIESEC in University of Colombo and the Wayamba University Banking Diploma Inauguration Day as Guest Speaker
- As Silver Sponsor of the CFA society sponsored well attended business education events
- Sponsored the CSE's virtual forum 'GEARING UP DURING CHALLENGING TIMES'

Invested in career development of communities

- Was accredited by Chartered Institute of Management Accountants as a CIMA Training Partner for recruiting CIMA members and students, to facilitate career opportunities and development of relevant on-the-job training

Community activities in education

- Schools and university related educational purposes
- Youth welfare with a significant social impact focus being the wellbeing and education prospects of children with incarcerated parents, to aid social inclusion
- Cultural and fine-arts related school events

SOCIAL AND RELATIONSHIP CAPITAL

HEALTH AND WELLBEING

First Capital invests in and advocates for health and wellbeing of its employees and communities. In addition to our philanthropic efforts in contributing to the health sector we consider sport as an enabler of wellbeing, positive interaction and inclusion and invest actively in this area.

SOCIETAL IMPACT AREA

Health and wellbeing

3 GOOD HEALTH AND WELL-BEING

PRIORITY

- Invest in the health, safety and wellbeing of our communities

IMPACT

Supported access to healthcare through social investment

- Assist citizens in receiving surgical interventions for chronic health conditions
- Provision of medical supplies and equipment for medical charities
- Provided advocacy for sports
- Advocated schools' and communal sports during the year through sponsorship and in-kind-contributions

* Related employee wellbeing impacts are discussed in detail under Human Capital. See pages 106 to 118

SUSTAINABLE HOUSING

As part of our social investments First Capital targets providing access to sustainable housing that is safe and affordable within the context of the large urban and regional population that has no access to formal settlements or adequate housing. We partner with Habitat for Humanity Sri Lanka, a non-profit organisation which facilitates access to affordable, inclusive and green housing solutions, to attain this priority.

SOCIETAL IMPACT AREA

Sustainable housing

11 SUSTAINABLE CITIES AND COMMUNITIES

PRIORITY

- Facilitate through partnering, the provision of safe, affordable housing, and sustainable and resilient building methods

IMPACT

Facilitated safe, affordable and sustainable housing construction

- Under the first phase of the sustainable housing project initiated last year, we completed work on a total of four sustainable residential units in Galle during the year; two additional units pledged to be completed (FY2022: Two sustainable housing units completed with two more, pledged to be completed)

DONATIONS

First Capital donated Rs. 3.0 Mn in the past financial year for charitable activities. (FY2022: Rs. 7.8 Mn).

SPONSORSHIPS

During the year, First Capital again acted in the capacity of Silver Sponsor of the Chartered Financial Analysts (CFA) Society Sri Lanka. We elicit an advantage as a Silver Sponsor through brand visibility from business-oriented learning events sponsored. Attendees benefit from these events as they provide opportunities for professional networking and learning led by respected industry experts.

In addition we sponsored many cultural events for both schools and communities during the year. Amongst communal cultural events, we acted as the principal sponsor of the Symphonic Orchestra of Colombo's events.

SUPPLY CHAIN AND SUPPLIERS

First Capital interacts with its supply chain which comprises companies located in Sri Lanka and abroad that provide products and/or services across the Group that support the Company's:

- mission critical and core businesses through IT software related services, hardware, specialised consulting services and print and media services;
- non-critical and general business services as well as its general infrastructure, including building maintenance services, security services, cleaning services, interior office furnishings and supplies.

During the year, the Company's total supplier expenditure amounted to Rs. 218 Mn (FY 2022 : Rs. 200 Mn), with 14% being spent on international suppliers (FY2022: 9%) . We spent 86% on local suppliers (FY2022: 91.0%).

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

NATURAL CAPITAL

CONNECTED VALUE DRIVERS

Natural capital refers to the renewable and non-renewable environmental resources and processes that helps providing services.

First Capital operates in a transitioning financial services industry where climate-related and environmental factors are becoming more salient. The severe energy crisis that plagued the current financial year and energy poverty that is deep rooted due to structural deficiencies in Sri Lanka, highlight the need for accelerated climate action.

CLIMATE CHANGE –RISKS AND OPPORTUNITIES

Climate change is a material trend with complex impacts in different geographies and different sectors across the globe with obvious ramifications on businesses and communities. Broadly, at institutional level climate change may result in physical risks, arising from the worsening of catastrophic events such as storms, floods, heat waves; and transition risks, arising from the economic developments generated by the transition to a greener economy, with lower or virtually zero levels of emissions.

Initial assessment at First Capital of the risks we face in this context:

Physical Risks	Transition Risk
Direct physical risks to First Capital's physical infrastructure may impede operations; The physical risks caused by climate change may worsen living conditions of the population; Catastrophic events may deteriorate macroeconomic as well as socio-political stability of exposed communities. These have cascade effects on the financial system and on the overall economy.	Certainty and speed of change in national or international public policies, that may affect financial service-sub sectors could impact the manner in which we incorporate ESG concerns in business; and are regulated in this area; We may be provided guidance on how such sustainability matters can and should be incorporated in business and come under increased scrutiny by regulators; The extent and efficiency of implementation of decarbonisation strategies, if lower than stipulated by regulatory may expose us to conduct and reputational risks.

Opportunities arising from climate change are diverse for our industry including:

Managing climate-related financial risks	Enterprise climate goals
→ Innovative products and services through our core businesses and research → Estimating our climate risk vulnerability and setting in place appropriate risk management action where required	→ Effect an orderly transition to a low-carbon economy through institutional zero-carbon strategy → Reducing climate impact from our operations and supply chain → Increased utilisation of renewable energy

CLIMATE GOALS AND PROPOSED ACTION

Guided by the sustainability policy that was approved by the Board this year, we took the preliminary steps needed to support Sri Lanka's transition to a lower carbon economy. We have initiated the ideation and planning required to begin carbon footprint accounting, and intend to change our thinking, processes and capabilities to match the requirement.

We initiated the process of obtaining Carbon emission certification. In the context of meaningful climate goals, we are of the view that in addition to a managed trajectory towards carbon neutrality, improving access to reliable and sustainable energy sources, is critical for economic growth and poverty alleviation.

DIGITAL LED-IMPACTS

With the current drive for digitalisation of the investment banking value chain, we have increasingly utilised the DigiFirst online platform in client onboarding across three market facing core businesses. We benefit from the elimination of paper-consuming manual onboarding processes helping reduce resource usage. Our Board room solution is paperless and we intend to adopt 100% paperless solutions for internal processes by 2027. Digitalisation or partial automation of the pre through post-trade value chain of all our core businesses, can be expected to result in significant cost savings and resource efficiency, while mitigating environmental impact.

During the year, First Capital continued to utilise seamless and secure agile work arrangements, effectively navigating impediments including the energy crisis. Digital-led work arrangements have supported lower dependency on commuting, fuel consumption and emissions from travel. Our medium-term strategy targets virtual branch implementation which is likely to result in salutary impacts on energy and resource consumption through the branch network.

SOCIETAL IMPACT AREA

7 AFFORDABLE AND CLEAN ENERGY

13 CLIMATE ACTION

PRIORITY

To help lower the national carbon footprint using the benchmarks advocated for businesses:

- Enterprise carbon neutrality by FY2027
- Establish climate resiliency policies and practices internally including a 100% paperless system for internal operations
- Promote company-wide climate conscious behaviour and accountability;
- Improve access to reliable and sustainable energy sources

IMPACT

- Supported small-scale renewable energy project by investing Rs. 12 Mn (FY2022: Pledged Rs. 12 Mn)
- Active digital led strategies in agile work arrangements and digitalisation of processes
- Though we normalised our operations in FY2023 after the pandemic, the electricity consumption increased only by 7%. We consumed 105,918 units of electricity in FY2023 at Head office and Kurunegala Branch (FY2022 : 99,406 Units)

ENVIRONMENTAL, SOCIAL AND GOVERNANCE DISCLOSURES AND INDICATORS

First Capital's Board and Management recognise the importance of sound environmental, social and governance (ESG) practices as part of our responsibility to our stakeholders, the society and the environment in which we operate. First Capital's vision embodies a sustainability driven purpose: to improve the lives of all Sri Lankans through financial solutions. In FY2023, our Board adopted a policy on sustainability to institutionalise our approach to incorporating ESG in our business activities and the applicable governance framework.

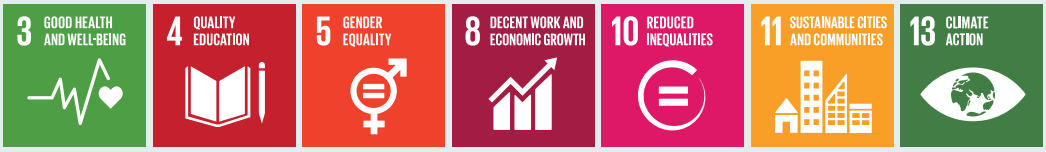
THE ESG APPROACH

First Capital's ESG approach is structured around four broad areas considered to be material to our business, which in-turn link to our value drivers and are thus embedded in corporate strategy:

Constructive dialogue with stakeholders is critical for building enduring relationships, understanding external operating trends and dynamics, building trust, enhancing value and performance and evolving our ESG approach. We regularly engage a diverse spectrum of stakeholders including our clients, employees, shareholders and providers of debt funding, regulators, rating agencies and analysts, service providers and the wider community.

We believe that the United Nations Sustainable Development Goals (UN SDGs) provides a solid framework for us to assess, align and prioritise our activities. We partner with our select philanthropy partners and stakeholders to support delivery of the SDGs and build a more resilient and inclusive economy.

In our first year of adoption of the Sustainability Policy we have aligned with the following core UN SDGs:



ESG GOVERNANCE

The Board is responsible for approving First Capital's ESG framework including major ESG related policies. The Sustainability Policy of First Capital delineates the manner in which sustainability is incorporated into all business decisions, functions, and processes contributing to sustainable development.

In accordance with the Sustainability Policy, designated staff led by the Chief Research and Strategy Officer assists the Board in adopting and measuring targeted achievements. The Responsibility for implementation of the ESG framework and related Board approved policies resides with the Management.

The Board oversees the evaluation of the operating context and extant risks and opportunities as conducted by the Management. Material issues that are impactful to the Company and the stakeholders are considered critically by the Board together with Management responses.

- Sustainability objectives are integrated into the Board approved corporate strategy.
- The strategic plan is then transformed into the annual operating plan embedding granular action to be taken by core businesses and support services .

- An officer reporting directly to the Chief Research and Strategy Officer has been -appointed to ensure the coordination of sustainability initiatives.
- Oversight of road-mapping and achieving of sustainability targets vests with the Chief Research and Strategy Officer.

- Heads of core businesses and support services are responsible for the execution of these targets.
- The Chief Research and Strategy Officer reports on progress to the Board of Directors at quarterly review meetings.

As this is the first year of adoption of the Sustainability Policy, the targets and KPIs of respective initiatives will be imposed and revised time to time based on the sustainability direction of the Company.

Independent external assurance will be obtained annually on the Company's adherence to sustainability reporting criteria.

SELECTED DISCLOSURES AND SCORECARD

Disclosures herein align with First Capital's focal areas which are reviewed annually and are selected as most relevant to First Capital based on benchmarking, business insights and stakeholder analysis.

For the first time, this year, First Capital also reports under select Sustainability Accounting Standards Board (SASB) standards and accounting metrics.

ESG SCORECARD

Environmental indicators

Operational footprint

Emissions	FY2023	FY2022
	Status of adoption of climate goals: We have initiated a roadmap for carbon neutrality setting out potential reduction targets and the timeframes we aim to achieve those in. We have identified actions (projects and activities) that we will undertake and invest in, to reduce our carbon footprint. The roadmap has been approved by the Board. We will begin disclosing concrete and specific annual progress toward meeting carbon emissions reductions, going forward.	N/A

ENVIRONMENTAL, SOCIAL AND GOVERNANCE DISCLOSURES AND INDICATORS

Climate risk mitigation

Investments in green infrastructure	FY2023	FY2022
Investment in renewable energy		
CSI spend/pledge on green energy infrastructure (Rs.)	12.1 Mn	12.0 Mn* *Pledged
Green housing		
CSI spend/ pledge on sustainable housing, (Rs.)	3.0 Mn	7.2 Mn

Social Indicators

Human capital

Human capital indicators	FY2023	FY2022
Total employees (Group)	106	90
Permanent	91	81
Non- permanent	15	9
Turnover rate (Group) (%)	19.0%	10.0%
Employee age (Group)		
Below 30 years	46	31
30-50 Years	56	56
Over 50 years	4	3
Occupational levels of permanent staff (Group)		
Senior leadership	10	10
Middle managers	21	17
Line managers	11	15
Executives	63	46
Non-executives	1	2
Contract/ Interns	-	-

Gender parity

Employee gender (permanent employees) (Group)	FY2023	FY2022
Male	62	53
Female	44	37
Female employees as % of total workforce (%)	41.5%	41.1%
Female employees at managerial Level	10	8
Females in managerial roles (from total female workforce) (%)	22.7%	21.6%
Females in managerial roles (from total managerial workforce) (%)	23.8%	19.0%
Female recruitments as percentage of total (%)	50.0%	58.0%
Female exits as percentage of total (%)	55.6%	66.0%

Gender parity

Gender pay parity by occupation level	Male	Female	Difference
Senior leadership (Excluding Managing Director and CEO level where there is no female representation)	1.00	0.94	0.06
Middle management	1.00	1.32	(0.32)
Line management	1.00	1.01	(0.01)
Executives	1.00	0.87	0.13

Maternity leave and retention (Group)	FY2023	FY2022
Females entitled to leave during the year	44	37
Employees who took maternity leave	1	2
Returned during the year	1	2
Retention of women at work 12 months after Maternity leave	0	0
Return ratio (%)	100%	100%
Retention Ratio (%)	0%	0%

Occupation levels by gender (Permanent employees) (Group)	FY2023		FY2022	
	Male	Female	Male	Female
Senior leadership	9	1	9	1
Middle managers	16	5	10	7
Line managers	7	4	10	5
Executives	29	34	23	23
Non-executives	1	-	1	1

Training hours by gender (Group)	FY2023		FY2022	
	Male	Female	Male	Female
Manager and above	505	156	745	339
Assistant Manager and below	1,497	734	889	532

Employee equity by ethnicity and gender (Group)	FY2023		FY2022	
	Male	Female	Male	Female
Sinhalese	56	39	48	34
Tamil	6	3	4	2
Muslim	-	2	1	1
Total	62	44	53	37

ENVIRONMENTAL, SOCIAL AND GOVERNANCE DISCLOSURES AND INDICATORS

Training and development

Training and development	FY2023	FY2022
Total Training Cost (Rs.)	3.1 Mn	8.0 Mn
Average training and development cost per employee (Rs.)	28,984.1	88,838.2
Workforce return on investment, times	3.9	(2.4)

Corporate social investment

	FY2023	FY2022
Donations (Rs.)	3 Mn	7.8 Mn

Financial inclusion

	FY2023	FY2022
Active clients	10,247	N/A*
Digitally onboarded clients during FY2023	898	N/A*

* Full year data unavailable due to system migration to digital; base year considered to be FY2023.

Financial literacy

	FY2023	FY2022
Social media reach (YouTube and Facebook subscribers)	12,996	N/A*
Visits to corporate website	13,750	N/A*

* Full year data unavailable due to phased launch; base year considered to be FY2023.

Supplier development (Local)

	FY2023	FY2022
Total local procurement spend (Rs.)	188 Mn	181 Mn
Proportion of local procurement spend from total (%)	86%	91%

Governance indicators

Board of Directors (Board information as at 31st March)

Composition	FY2023	FY2022
Number of board members	7	8
Independent non-executive directors (%)	57%	63%
Independent non-executive directors (Number)	4	5
Executive directors (%)	14%	25%
Executive directors (Number)	1	2
Non-independent non-executive directors (%)	29%	13%
Non-independent non-executive directors (Number)	2	1

Committees

% of independent members	FY2023	FY2022
Board Audit Committee	67%	67%
Enterprise Risk Management Committee	50%	50%
Related Party Transactions Review Committee	67%	67%
Investment Asset and Liability Committee	50%	50%
Nomination Committee	67%	67%
Remuneration Committee	67%	100%

Committee Chair Gender	FY2023		FY2022	
	Male	Female	Male	Female
Board Audit Committee		☑		☑
Enterprise Risk Management Committee	☑		☑	
Related Party Transactions Review Committee		☑		☑
Investment Asset and Liability Committee	☑		☑	
Nomination Committee	☑		☑	
Remuneration Committee	☑		☑	

OUTLOOK

GLOBAL OUTLOOK

Global economic growth is clouded by intensifying financial risk amid elevated interest rates worldwide, and is projected to decelerate from 3.1% in CY2022 to 2.1% in CY2023. In emerging markets and developing economies (EMDEs) excluding China, growth is expected to slow down to 2.9% in CY2023 from 4.1% in CY2022, reflecting broad-based downgrades in forecasts.

Current forecasts indicate that the coinciding shocks of the Russian invasion of Ukraine, the pandemic and tight global financial conditions would impede EMDEs into the foreseeable future. Interest rate escalation in the U.S. is expected to have successive adverse financial impact in EMDEs, including a higher probability of financial crisis due to greater economic vulnerabilities.

Frontier economies with less developed financial markets and more limited access to international credit markets are likely to see comparatively higher increases in financing costs than other EMDEs as sovereign risk spreads rise. Several low-income countries already lean towards debt distress due to existing fiscal weaknesses. Urgent policy action is called upon to prevent financial contagion and reduce emergent domestic vulnerabilities.

Regional growth expectations stand mixed in CY2023. In advanced economies, growth is set to decelerate from 2.6% in CY2022 to 0.7% in CY2023 and remain weak in CY2024. Forecast to grow by 1.1% in CY2023, the U.S. economy is expected to decelerate to 0.8% in CY2024 due to the residual impact of the sharp rise in rates over the past year. Europe is expected to experience deceleration due to the lagged effect of monetary policy tightening and energy-price increases.

Rising interest rates are expected to exacerbate weak fiscal positions in low-income economies whilst spending pressures and shocks including climate events and conflict could simultaneously tip households into hardship in a setting of limited social safety.

East Asia and Pacific

CY2023F : 5.5%
CY2024F: 4.6%

Europe and Central Asia

CY2023F : 1.4%
CY2024F: 2.7%

Middle East and North Africa

CY2023F : 2.2%
CY2024F: 3.3%

South Asia

CY2023F : 5.9%
CY2024F: 5.1% in 2024

Sub-Saharan Africa

CY2023F : 3.2%
CY2024F: 3.9%

Latin America and the Caribbean

CY2023F : 1.5%
CY2024F: 2.0%

Source: The World Bank, press release dated June 06, 2023

GLOBAL EQUITY AND BOND MARKETS

In global markets, U.S. and European equities are expected to lag with company earnings unable to meet analyst expectations. A rebound in earnings is expected in CY2024, in line with economic expectations. Japanese equities exhibit strong growth buoyed by lower interest rates and facilitative policy.

South Asian equities have selective markets including Sri Lanka and Pakistan reflecting improved activity while in India, strong performance in the recent past has led to valuations being more stretched. Regionally, Hong Kong SAR market offers considerable value in a strong business landscape.

Singapore, and some Southeast Asian markets are expected to offer attractive valuations and yields in the current calendar year. Australia's economic resilience offers attractive buying opportunities and a more defensive profile.

At sector level the U.S. market appears to favour defensive stocks over cyclicals, while Japan, emerging market and Europe see upside for technology. Across markets, healthcare garners active interest.

In global credit markets, U.S and German long-duration government bonds are likely to perform well despite high inflation, maintaining attractive real yields. Softening economic growth without moving into a recession in developed markets indicates that investment-grade bonds could be defensive and provide positive returns.

LOCAL OUTLOOK

In Sri Lanka, the IMF Board approved the USD 3.0 billion-48-month IMF-EMF programme on 20 March 2023, after securing financing assurances from official creditors to align with IMF's debt sustainability framework. The medium term outlook of the Sri Lankan economy depends on the timely and efficacious fulfilment of pre-requisites envisaged under the IMF-EFF programme, subject however to external and domestic shocks given the fragility of the economy.

Sri Lanka is at a clear inflection point in its post-independence economic journey. With approval being received for the debt restructuring proposal by the Parliament, there is a reasonable

level of certainty regarding advancement. There is increased expectation that long overdue reforms will be carried out and a progressive recovery is possible in the medium-term.

The real economy is poised to contain its recessionary trend, supported by envisaged macroeconomic adjustment targets. Stabilisation mechanisms in effect to contain inflation and currency depreciation, domestic supply side developments and the easing of forex liquidity pressures provide a salutary backdrop.

The improved sentiment leading up to the approval of the IMF-EFF programme and political consensus in proceeding with the debt restructuring effort as at the publication date of this report can be considered as critical initial steps, with the CBSL anticipating visibility of limited near-term recovery by late 2023. Impacted by global economic trends, an array of immediate and emerging challenges would still hold back growth in Sri Lanka. Real GDP is forecast to contract to 3.0% in CY2023 and recover to a growth of 1.3% in CY2024.

Inflation is projected to stabilise from its high base with the current account deficit decreasing due to import compression despite decelerating exports. Monetary tightening and containment of private credit can rein in demand pressures alongside substantial revenue based fiscal consolidation which may considerably reduce purchasing power. The improved availability of fertiliser and fuel is expected to curb supply-side pressures. Recent appreciation of the currency if persisting, may lower price-pressures in the short-term.

With the support of funding from the IMF and other multilateral agencies such as The World Bank and successful implementation of debt restructuring, prevailing import restrictions can be gradually relaxed prioritising essential needs.

In a setting where monetary policy will remain focused on price stabilisation over the medium-term, yields on gilts and market rates are expected to further moderate in the period ahead. Supportive factors are the favourable inflation outlook, firm domestic money market liquidity conditions and the reduction in risk premia attached to gilts, with more clarity being gained on the domestic debt restructuring as a critical component of the overall debt restructuring process.

Fiscal sector performance has hitherto been a protracted impediment to economic growth. The successful culmination of the debt restructuring is expected to markedly reduce the Government's debt service burden and limit gross financing needs to below 13.0% GDP on average, during 2027-2032 as targeted under the IMF-EFF programme. Foreign currency debt servicing is expected to be maintained below 4.5% of GDP during the period. Public debt is envisaged to reduce to around 95.0% GDP by 2032. Collectively, these targets reflect an ambitious path to reducing debt accumulation over the medium term. Alongside, the divestment of non-strategic SOEs and SOE reforms including the continuation of cost reflective utility tariffs anticipate improved efficiency and reduction of the burden posed on the State budget.

The debt restructuring is to cover USD 42.0 Bn in domestic debt and create momentum around external debt renegotiations on USD 36.0Bn, including USD 24.0 Bn held by bondholders and bilateral creditors. Sovereign exposures of domestic banks and pension funds are disproportionally taking the form of domestic rather than external debt. However, a managed approach where fiscal space will be created by targeting solely the CBSL's T-Bill stock (excluding those of deposit taking institutions including banks) and initiating constructive negotiations with major T-Bond holders on available options and constraints, may restrain the transmission of sovereign stress to other areas of the economy. Locally issued dollar-denominated bonds have already been sufficiently provided for by the banking system.

The burden of adjustment may however have pervasive implications to domestic residents with the ambitious fiscal consolidation targets envisaged to restore debt sustainability. In the short-term, adjustments required may adversely affect poverty but will nonetheless with lag enable the correction of imbalances to rebuild a foundation for sustainable growth.

As mitigating the impacts on the poor and vulnerable remains critical during the adjustment process, the ongoing reforms supported by financing from international partners may help attract capital inflows which are pivotal to igniting labour markets and reinstating lost livelihoods.

Salient points of the domestic debt restructuring:

Locally issued dollar-denominated bonds

- **Option 1:** Treatment similar to investors of international sovereign bonds entailing a 30.0% principal haircut with a six-year maturity at a 4.0 % interest
- **Option 2:** Similar treatment to that proposed for bilateral dollar creditors: no principal haircut, with a 15-year maturity and a nine-year grace period at 1.5% interest
- **Option 3:** To exchange holdings for local currency-denominated instruments: no principal haircut with a 10-year maturity at a floating rate of SLFR +1.0 %

OUTLOOK

Local currency bonds

- Local currency bonds held by superannuation funds, including pension funds, to be exchanged for bonds maturing 2027 to 2038 which will have 9.0% interest till maturity
- CBSL holdings of T-Bills to be converted to bonds maturing between 2029 and 2038, with a step-down coupon structure, to be implemented in the second phase of the domestic debt restructuring
- T-Bills and T-Bond holdings of the banking sector are excluded from the domestic debt restructuring in view of sector fragility

GROUP OUTLOOK

The Group remains well-capitalised and balances its liquidity levels actively against growth targets and leverage.

We remain firmly committed to our medium-term targets, and enter FY2024 with positive momentum to pursue growth opportunities in our markets.

We are of the view that in the current transition of our economy, some downside risk is present to core earnings. Based on the financial performance for FY2023, current business momentum and a cautiously optimistic macro-economic outlook assessment, the Group expects that interest rates will continue to moderate in the short-term.

Nonetheless, we expect net-interest income to continue to provide a strong thrust as an underlying value driver of direct income. We anticipate that despite rates moderating with more clarity with the approval of the debt restructuring process, that we can continue to benefit from investments locked in at high yields, in advance. We expect the declining rates to impact positively interest costs relating to our interest bearing liabilities, offsetting to an extent the downward impact on net interest income. Net interest margins and spreads are expected to decline from its peak levels experienced in FY2023, nonetheless, continuing to contribute to profitability positively.

With 45.0% of total direct income considered to be recurrent or core earnings, we intend to see improvement in fee-based activity and income levels from both Asset Management and Stock Brokering, mitigating volatility in core earnings.

With inflation and rates tapering off, we anticipate an easing of constraints in the corporate debt market and a potential revival of capital formation and potential deal activity.

Softening of volatility and increasingly active equity markets can be expected in the current year with market multiples firming up, albeit remaining at steep discounts to regional. With the proposed SOE restructuring and divestments there may be potential to induce higher foreign investment.

Broadening of reach into retail markets has served us well in several core businesses. We intend to continue in our digital led growth and human capital transformation activities going forward to benefit from underserved markets while providing clients an enhanced service level.

As we look forward to a relative clarity in economic risk although new trials and some uncertainty remains, we stand committed to delivering on our vision of utilising financial solutions to contribute to the well-being and growth of the ecosystems in which we operate by creating shared value opportunities and delivering value to our stakeholders.

While mindful of the risks that prevail in the domestic economy we are optimistic that the Group has burgeoning opportunities to successfully deliver on strategy through its demonstrated business model resilience amid the current paradigm shift.

STRATEGIC ACHIEVEMENTS

We are focused on being a truly impactful entity while inspiring a spirit of positive change.

Corporate Governance and Risk Management

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 2023 which were approved by the Directors on 15 August 2023.

REVIEW OF OPERATIONS

The Group reported profit after tax of Rs. 2,647 Mn. A more comprehensive review of the operations of the Group during the financial year and the results of those operations are contained in the Managing Director/ Chief Executive Officer's Review on pages 29 to 34 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 213 of the Annual Report.

LEGAL STATUS

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

CHANGES TO THE GROUP STRUCTURE

There has been no change to the Group structure during the financial year under consideration.

FINANCIAL RESULTS

The Group's profit after tax for financial year 2022/23 was Rs. 2,647 Mn compared with the loss after tax of Rs. 652 Mn in year 2021/22.

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

	2022/23 Rs.'000	2021/22 Rs.'000
Revenue	14,296,944	2,273,088
Profit before tax	3,825,776	(770,544)
Profit after tax	2,647,264	(652,272)
Total comprehensive income (TCI)	2,718,658	(639,572)
Attribution		
Equity holders of the parent	2,413,184	(596,537)
Non-Controlling interest	305,474	(43,035)
Total	2,718,658	(639,572)

The financial statements of the Company are set out in pages 208 to 295 of the Annual Report.

BOARD OF DIRECTORS

Directorate

The Directors of the Company as at 31 March 2023 are as follows.

1. Mr. Nishan Fernando
2. Ms. Manjula Mathews
3. Mr. Dilshan Wirasekara
4. Mr. Ramesh Schaffter
5. Ms. Minette Perwera
6. Mr. Chandana de Silva
7. Dr. Nishan de Mel
8. Mr. Prakash Schaffter (Alternate Director to Ramesh Schaffter)

The profiles of the Directors are given on pages 38 to 43 of the Annual Report.

INTEREST IN SHARES

Directors/Chief Executive Officer and their shareholdings as at 31 March 2023 were as follows:

	No. of Shares 31.03.2023*	No. of Shares 31.03.2022
Mr. Nishan Fernando	Nil	Nil
Ms. Manjula Mathews	Nil	Nil
Mr. Dinesh Schaffter (deceased on 15 December 2022)	N/A	Nil
Mr. Dilshan Wirasekara	Nil	Nil
Mr. Eardley Perera (retired on 01 September 2022)	N/A	Nil
Ms. Minette Perera	Nil	Nil
Mr. Chandana de Silva (joint with Mr. C.P.de Silva)	473,332	118,333
Dr. Nishan de Mel	Nil	Nil
Mr. Ramesh Schaffter	Nil	Nil
Mr. Prakash Schaffter (Alternate director to Mr. Ramesh Schaffter)	Nil	Nil

* A sub-division of shares has been effected (Note 35)

OTHER DIRECTORSHIP/ SIGNIFICANT POSITIONS OF DIRECTORS

Information of the Other Directorships/ significant positions of the present Directors of the Company are given on pages 38 to 43.

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 2022/23.

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 142 to 182 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. 2.25/- per share amounting to Rs. 911.25 Mn for 2022/23 in March 2023 (2021/22 - no dividend declared).

SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted in the preparation of the financial statements is given on pages 213 to 296. There were no changes in the accounting policies adopted by the Company during the year under review.

GOING CONCERN

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

CAPITAL EXPENDITURE

Details of property, plant and equipment, right of use assets and intangible assets and their movements during the year are given in Note 25 and 26 to the financial statements.

RESERVES

The movements in reserves during the financial year 2022/23 have been presented in the Statement of Changes in Equity on pages 210 to 211 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 2023 was Rs. 227.5 Mn consisting of 405,000,000 ordinary shares.

SHARE INFORMATION AND SUBSTANTIAL SHAREHOLDERS

As at 31 March 2023, there were 6,348 registered shareholders. Share information and the twenty largest shareholders as at 31 March 2023 are listed in pages 298 to 301 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 298 to 301 of the Annual Report.

DEBT SECURITIES ISSUED

The details of debt securities issued by the Group and the Company are set out in pages 302 to 305 of the Annual Report.

CORPORATE DONATIONS

During the year under review, the Group made charitable donations of Rs. 3.0 Mn.

ANNUAL REPORT OF THE BOARD OF DIRECTORS

STATUTORY PAYMENTS AND COMPLIANCE WITH LAWS AND REGULATIONS

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

EQUAL OPPORTUNITIES

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

EVENTS OCCURRING AFTER THE REPORTING DATE

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

INDEPENDENT AUDITORS

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

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

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

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

INDEPENDENT AUDITOR'S REPORT

The independent auditor's report on the financial statements is given on pages 205 to 207 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 31st Annual General Meeting of the Company will be held on 8 September 2023. The Notice convening the Meeting and the Agenda are given on pages 337 and 338 of the Annual Report.

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

(Sgd.)
Janashakthi Corporate Services Limited
Secretaries

(Sgd.)
Dilshan Wirasekara
Managing Director/ CEO

(Sgd.)
Nishan Fernando
Chairman

15 August 2023
Colombo

STATEMENTS OF DIRECTORS' RESPONSIBILITY

The Statement sets out the responsibility of the Board of Directors, in relation to the Financial Statements of First Capital Holdings PLC ("the Company") and the Consolidated Financial Statements of the Company and its subsidiaries ("the Group).

The Directors of the Company are responsible for ensuring that the Company and its subsidiaries maintains accurate records of accounts of all the transactions and prepare and present the financial statements to the shareholders in accordance with the relevant provisions of the Companies Act, No. 7 of 2007 and other statutes which are applicable in the preparation of financial statements. The financial statements comprise of the Statements of Financial Position as at 31 March 2023, 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 2023 and
- The financial performance of the Company and the Group for the financial year ended 31 March 2023

COMPLIANCE REPORT

The board of directors also wishes to confirm that;

- Appropriate Accounting Policies have been adopted in a consistent basis and appropriate estimates and judgements have been made to reflect the true substance and form of transactions.
- The financial statements of the Company and the Group for the year ended 31 March 2023 incorporated in this report have been prepared in accordance with the Companies Act, No. 7 of 2007, Sri Lanka Accounting Standards (LKAS/SLFRS) and Listing Rules of the Colombo Stock Exchange.
- They ensure the proper accounting records which correctly record and explain the Company's transactions and also determine the Company's financial position with responsible accuracy at any time are maintained by the company enabling the preparation of financial statements and further enabling the financial statements to be readily and properly audited, in accordance with the Section 148(1) of the Act. The Directors have therefore caused the Company and its subsidiaries to maintain proper books of accounts and regularly review financial reports at their meetings.
- They accept the responsibility for the integrity and objectivity of the financial statements presented.
- The financial statements of the Company and the Group have been certified by the Chief Financial Officer of the Company who is responsible for the preparation of financial statements and signed by two Directors in accordance with Section 150 and 152 of the Companies Act.
- They review and approve all internal financial statements prior to their release.
- They have taken reasonable measures to safeguard the assets of the Company and its subsidiaries and to prevent and detect frauds and other irregularities. In this regard, the Directors have laid down effective and comprehensive internal control system.
- To the best of their knowledge, all statutory payments due in respect of the Company and its subsidiaries as the financial reporting date have been paid or where relevant provided for.
- After considering the financial position, operating conditions and regulatory and other factors, they have a reasonable expectation that the Company possesses adequate resources to continue in operation for the foreseeable future and that the Going Concern basis is the most appropriate in the preparation of these financial statements.
- The Auditors of the Company, Messrs KPMG who were reappointed in accordance with a resolution passed at the last Annual General Meeting were provided with all necessary information required by them in order to carry out their audit and to express an opinion which is contained on pages 205 to 207 of this Annual Report.

As required by the Sections 166(1) and 167(1) of the Companies Act, they have prepared the Annual Report in time and will ensure that a copy thereof is sent to every shareholder of the Company, who expressed desire to receive a hard copy. A soft copy of the Annual Report will be published/ hosted in the Company's Website and Colombo Stock Exchange website within the stipulated period of time as required by the Section 7.5 (a) and (b) of the Listing Rules of the Colombo Stock Exchange.

Accordingly, the Board of Directors is of the view that they have discharged their responsibilities as set out in the above statement.

By Order of the Board,

(Sgd.)
Janashakthi Corporate Services Limited
Secretaries

15 August 2023
Colombo

CORPORATE GOVERNANCE

First Capital's key governance practices guide our decision-making to meet stakeholder expectations of sound corporate governance, acknowledging specific and broader responsibilities to its shareholders, debt funders, regulators, clients, employees, business partners, other communities as well as the society.

Our approach to corporate governance enables integrated thinking and decision making that balances strategic priorities and growth aspirations over time and reconciles the interests of the Group and all stakeholders as a whole, in creating sustainable shared value and guarding against value erosion in the short, medium and long-term.

First Capital has voluntarily adopted the Code of Best Practice for Corporate Governance 2017 issued by the Institute of CA Sri Lanka (the Code). It can be considered as a cornerstone for our governance approach together with our corporate ideology underpinned by the values that guide the Board, management and our conduct. We encourage a fine balance between opportunity and accountability, while operating with integrity within a prudent risk management framework. Our corporate governance practices reflect this balance.

Statement on Corporate Governance

"The Board understands and values long-term and ethical client relationships and has well-established governance processes for ensuring a balance between achieving business growth and meeting the reasonable expectations of stakeholders."

The Board of Directors of First Capital Holdings PLC promotes a culture of strong governance across the business. The Board recognises that corporate governance practices must be appropriate and ensure the highest standards of accountability to all stakeholders.

The Board understands and values long-term and ethical client relationships and has well-established governance processes for ensuring a balance between achieving business growth and meeting the reasonable expectations of stakeholders.

The Board's overall corporate governance objective is supported by the implementation of effective policies, processes and procedures related to corporate governance, internal controls and risk management.

The assessments conducted and overseen by designated Board sub-committees during the year confirmed that these processes have successfully achieved the above objective.

On behalf of the Board of Directors of First Capital Holdings PLC, I wish to affirm that all the members of the Board and all employees have exercised their duties and the Company has conducted its business in accordance with the policies, procedures, and standards stipulated by the regulators and according to the best practices issued by the Institute of Chartered Accountants of Sri Lanka.

(Sgd.)
Nishan Fernando
Chairman

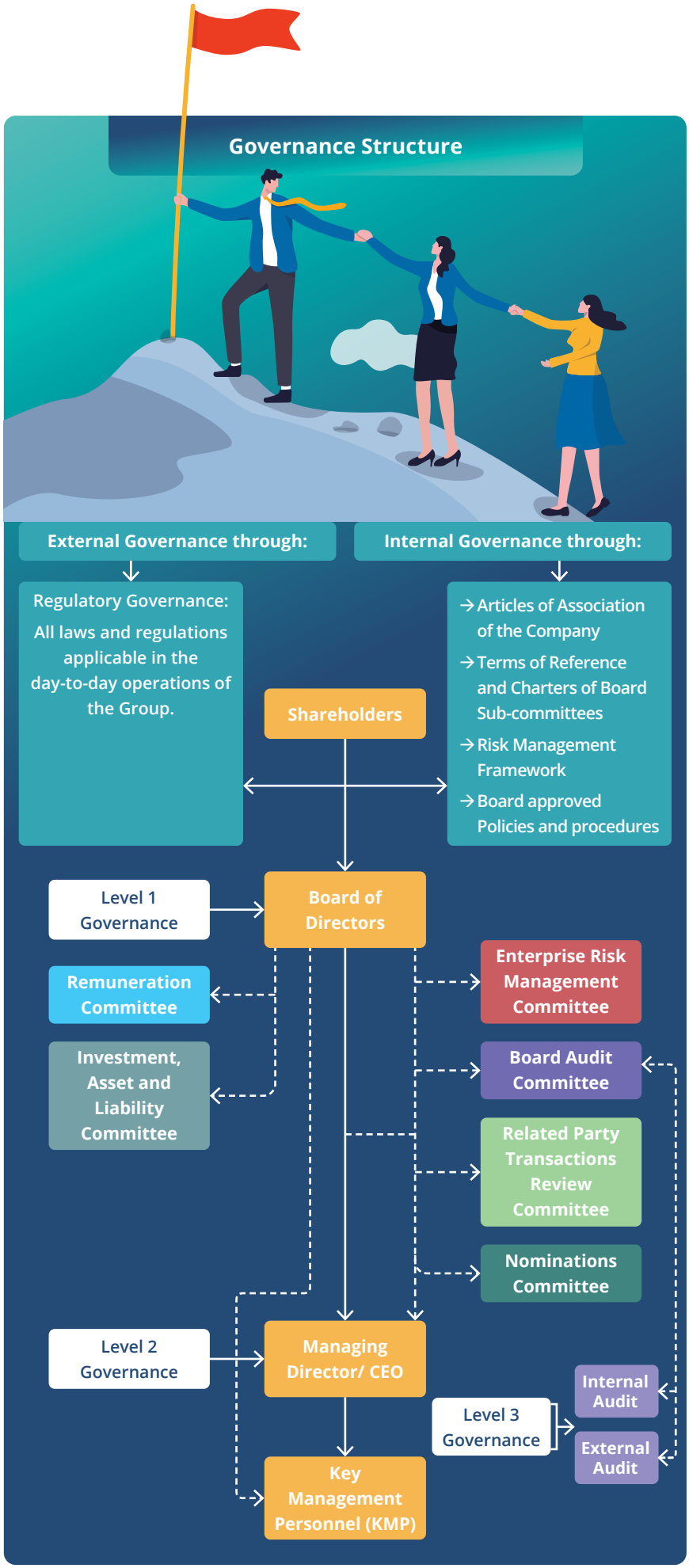
15 August 2023

REGULATORY GOVERNANCE ADOPTED BY THE COMPANY

Our approach to corporate governance is holistic and mindful of the application of our internal regime and the external regulatory requirements on corporate governance as detailed below:

- Companies Act No. 7 of 2007 (as amended);
- Listing Rules of the Colombo Stock Exchange;
- Securities and Exchange Commission of Sri Lanka Act No 19 of 2021;
- Market intermediary rules made by the Securities and Exchange Commission of Sri Lanka, in terms of section 183 of the Securities and Exchange Commission of Sri Lanka Act No. 19 of 2021;
- Local Treasury Bills Ordinance No. 08 of 1923 and subsequent amendments; and Registered Stock and Securities Ordinance No. 07 of 1937 and subsequent amendments related to Primary Dealers and directions and circulars issued for Primary Dealers under these Ordinances;
- Financial Transactions Reporting Act No. 06 of 2006 and subsequent amendments and directions and circulars issued under the Act;
- Inland Revenue Act No.10 of 2021 and 45 of 2022 and amendments thereto;
- Value Added Tax Act No. 14 of 2002 and amendments thereto;
- Shop and Office Employees Act No. 19 of 1954 and subsequent amendments and laws;
- Laws, Rules, Regulations, Directives and Circulars issued by CBSL/SEC/CSE/CDS and
- All other laws and regulations applicable to the diurnal operations of the Group.

The Board confirms that the Group complied with the provisions of the above requirements and is operating in conformity with the requirements of the Articles of Association.



CORPORATE GOVERNANCE

THE ROLE OF THE BOARD (PRINCIPLE A.1)

The Role of the Board is to lead the Company in promoting the long-term strategy of the Company, and providing oversight of the Management as they generate inclusive value for stakeholders within the Board approved strategic framework.

The Board has established the Company's vision, mission, values and strategy and satisfies itself that these and its culture are aligned.

All Directors are required to act with integrity, lead by example, and promote the Company's culture and values.

The Board approves the Group's short, medium and long-term strategies as set out in pages 71 to 73.

The Board ensures the necessary resources are in place for the Company to meet strategic objectives through a Board approved resource allocation framework as set out in page 68.

The Board measures performance against strategic objectives using the key metrics set out on page 70 which are reported to the Board through monthly performance reviews.

The framework of controls established by the Board to enable risk to be assessed and managed is described in the Enterprise Risk Management Report on pages 192 to 201.

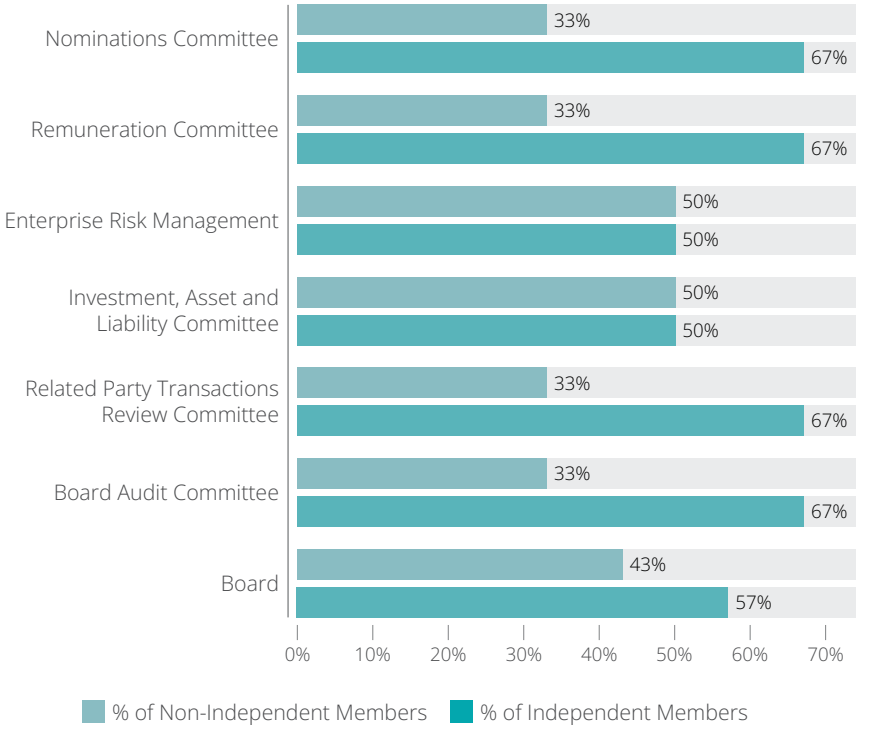
BOARD COMPOSITION AND INDEPENDENCE (PRINCIPLES A.5.1, A.5.2, A.5.3, A.5.4, A.5.5)

The Board comprises five Non-Executive Independent Directors, two Non-Executive Non-Independent Director and one Executive Director.

The Directors' independence is assessed as per the Listing Rules of the Colombo Stock Exchange and the Independent Non-Executive Directors declare their independence accordingly.

We also ensure a high level of independence in the composition of our Board Committees.

Composition of Board and Sub-committees



Name	Directorship status	Date of appointment	Tenure on the Board (years - approximately)	Age (years - approximately)
Nishan Fernando	Non-Executive Independent	18 April 2012	11	56
Manjula Mathews	Non-Executive – Non-Independent	27 December 2022	0.25	55
Dilshan Wirasekara	Executive	1 May 2017	6	48
Dinesh Schaffter *	Executive	1 January 2008	15	52
Ramesh Schaffter	Non-Executive – Non-Independent	21 December 2018	4	53
Eardley Perera**	Non-Executive – Independent	6 September 2011	11	78
Minette Perera	Non-Executive – Independent	7 December 2011	11	66
Chandana de Silva	Non-Executive – Independent	2 October 2014	8	64
Nishan de Mel	Non-Executive – Independent	13 October 2017	5	52
Prakash Schaffter (Alternate Director)	Non-Executive – Non-Independent	2 September 2021	2	56

* Demise on 15 December 2022

** Retired with effect from 01 September 2022

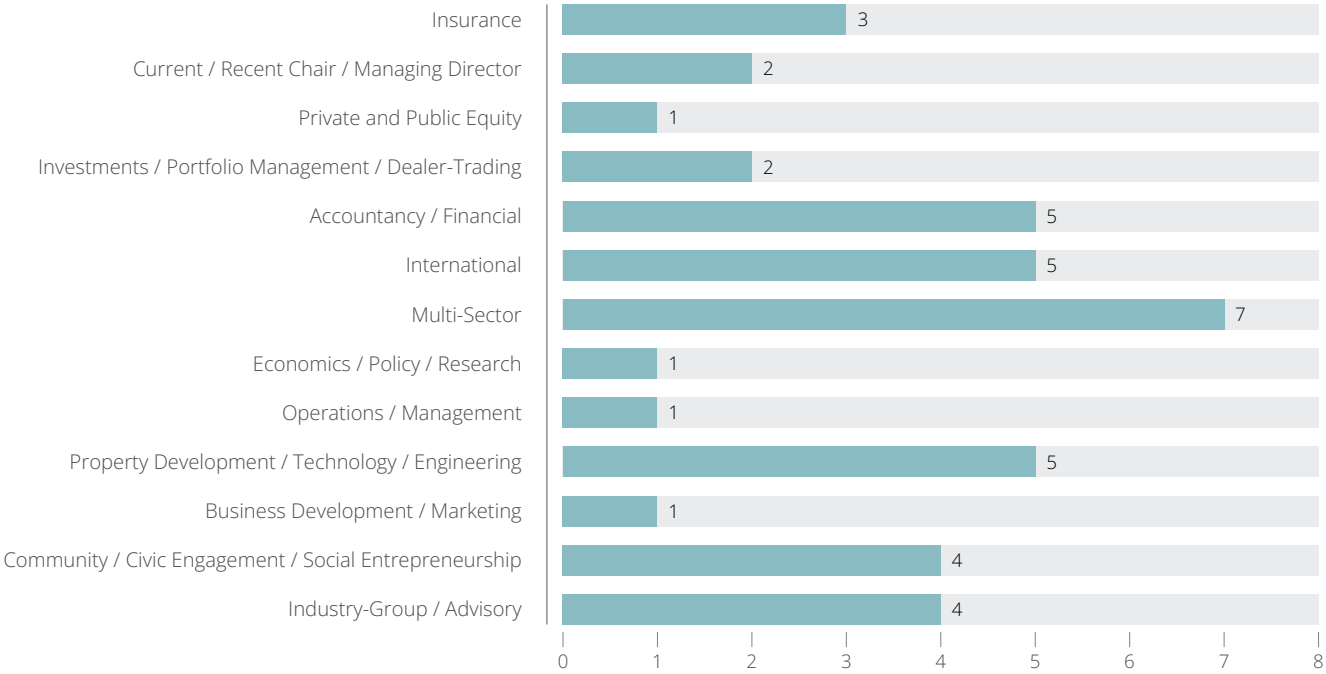
Age Analysis **

Tenure on Board**

Diversity of Experience**

The Board brings key insights, diverse perspectives, skills and knowledge to our governance framework.

Diversity of Experience



Board Gender Diversity**

** Analyses are based on members of the Board as of 31 March 2023

CORPORATE GOVERNANCE

BOARD MEETINGS (PRINCIPLES A.1.1,A.6.1,A.6.2)

The Board meets frequently in order to ensure the effective discharge of its duties. Virtual board meetings were held four times during the year and performance review meetings were held monthly. Attendance of the Directors for the Board meetings is presented below. Proper time durations are being allocated by timely tabling of reports and analysis. The Company uses paperless meeting solutions (BoardPac software) to facilitate review, inquiries and discussion of these reports prior to and after the agenda set for the meeting. Papers are tabled a week prior to the meeting and minutes are circulated within two weeks after the meeting.

Name of Director	Attendance in FY2023 (Attended/ Eligible to Attend)
Nishan Fernando	4/5
Manjula Mathews *	2/5
Dilshan Wirasekara	5/5
Dinesh Schaffter **	3/5
Ramesh Schaffter	5/5
Eardley Perera ***	2/5
Minette Perera	5/5
Chandana de Silva	5/5
Nishan de Mel	4/5

* Appointed to the Board on 27 December 2022

** Demise on 15 December 2022

*** Retired with effect from 01 September 2022

BOARD RESPONSIBILITIES (PRINCIPLES A.1.2, A.1.3, A.1.5, A.1.8)

The Directors are responsible for the formulation of the Company's business strategy and in ensuring the existence of an adequate risk management framework. The Non- Executive Directors bring independent judgment to bear on issues of strategy and performance. The Board constructively considers 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 oversees compliance with key policies that are intended to instil a culture espousing lawful, ethical and responsible conduct.

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 institution. The Deputy General Manager - Risk and Compliance functions as the Compliance Officer ensures compliance with all regulatory and statutory requirements and proper reporting of all compliance matters to the Board. The Board of Directors exercises oversight over the compliance function.

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

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

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

CHAIRMAN AND CHIEF EXECUTIVE OFFICER (PRINCIPLES A.1.6 ,A.3.1, A.11)

There is a clear division of responsibilities between the Chairman and the Chief Executive Officer to ensure the balance of power and authority. The Chairman is a Non-Executive Independent Chairman while the Managing Director/Chief Executive Officer is an Executive Non-Independent Director appointed by the Board.

Role of Chairperson	Role of CEO
Providing leadership to the Board	Developing, recommending, and implementing the Company's policies and strategies that reflect the long-term objectives and priorities approved by the Board
Promoting good governance and highest standard of integrity	Representing the Company and managing the Company's day-to-day business
Ensuring that the Board receives all necessary information related to the decision making at the right time	Monitoring operational and financial results and closely following plans and budgets
Ensuring the effective participation of Board members in Board meetings	Assuming full accountability to the Board

The performance of the Managing Director/Chief Executive Officer is evaluated by the Board at the end of each fiscal year to ascertain whether the targets set by the Board have been achieved and if not, whether the failure to meet such targets were reasonable in the circumstances.

BOARD BALANCE (PRINCIPLE A.5)

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

Directors are provided with monthly reports of performance and minutes of the Boards Meetings and are given the specific documentation necessary, in advance of such meetings.

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

APPOINTMENT AND RE-ELECTION OF DIRECTORS (PRINCIPLES A.5.6, A.8)

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

CONFLICT OF INTEREST (PRINCIPLE A.10.1)

A Board Member is required (a) to disclose conflict (or a potential conflict) and (b) abstain from voting on any matter in which they have a personal conflict.

The Related Party Transactions Review Committee ensures that transactions or dealings made by the Directors are in the best interests of the Company. Related party transactions are reviewed periodically and arm's length pricing ascertained.

While holding alternate appointments, the Board of Directors allocates sufficient time and attention to Company matters and ensures the protection of confidentiality and integrity. Please refer the profiles of the Directors on pages 38 to 43 for other Board appointments.

BOARD COMMITTEES (STATUTORY) (PRINCIPLE A.10)

To assist the Board in discharging its duties, various Board sub-committees have been established. The scope, purpose and structure of these are clearly defined in respective Terms of Reference and Charters.

Board members have access to all sub-committee meeting papers and reports. Subsequent to each sub-committee meeting, the minutes are included in the Board papers and presented to the Board by the respective committee-Chair.

Remuneration Committee (Page 185)

Principle B.1, B.2 & B.3

Purpose:

Evaluation and recommendation of the Company's remuneration structure in alignment with performance parameters.

Composition of the Committee:

Chandana de Silva – Independent Non-Executive Director (Chairman)

Ramesh Schaffter – Non-Independent- Non-Executive Director

Nishan De Mel – Independent- Non-Executive Director

Meeting Frequency:

Semi-annually

Audit Committee (Pages 183 to 184)

Principle D.3

Purpose:

Oversight of financial reporting, internal controls, internal and external audits and compliance with legal and regulatory requirements.

Composition of the Committee:

Minette Perera – Independent Non-Executive Director (Chairperson)

Nishan Fernando – Independent Non-Executive Director

Ramesh Schaffter – Non-Independent Non-Executive Director

Meeting Frequency:

Quarterly

Enterprise Risk Management Committee (pages 186-187)

Purpose:

Establishing and maintaining a comprehensive enterprise risk management system.

Composition of the Committee:

Nishan Fernando – Independent Non-Executive Director (Chairperson)

Dilshan Wirasekara – Executive Non-Independent Managing Director/ CEO

Meeting Frequency:

Monthly

CORPORATE GOVERNANCE

Related Party Transactions Review Committee (Page 188)

Principle D.4

Purpose:

Ensuring that the Company takes the interest of shareholders as a whole into consideration in a manner that avoids conflict of interest.

Composition of the Committee:

Minette Perera –
Independent Non-Executive Director (Chairperson)

Nishan Fernando –
Independent Non-Executive Director

Ramesh Schaffter –
Non-Executive Non-Independent Director

Meeting Frequency:

Quarterly

Investment, Asset and Liability Committee (Page 190)

Purpose:

Reviewing investment related analysis, liquidity positions and risks and approving investment decisions of the Group in the best interest of shareholders.

Composition of the Committee:

Nishan de Mel –
Independent Non-Executive Director (Chairman)

Nishan Fernando –
Independent Non-Executive Director

Dilshan Wirasekara –
Executive Non-Independent Director

Manjula Mathews –
Non-Independent Non-Executive Director

Meeting Frequency:

Bi-weekly

Nomination Committee (Page 189)

Purpose:

Reviewing the composition of the Board to ensure that the Board is properly constituted and balanced in terms of skills, experience and diversity.

Composition of the Committee:

Nishan Fernando –
Independent Non-Executive Director (Chairman)

Nishan de Mel –
Independent Non-Executive Director

Manjula Mathews –
Non-Independent Non-Executive Director

Meeting Frequency:

As and when required.

Committee was set up on 24 March 2022 and two meetings were held during the year.

PERFORMANCE EVALUATION OF THE BOARD (PRINCIPLE A.9)

The competencies and the performance of the Board of Directors are evaluated and the compliance status to the Code's requirements are set out under section B.2.5 and section A.9.1 in the corporate governance compliance report in pages 162 and 159.

SHAREHOLDERS RELATIONS (PRINCIPLE C.1,C.2)

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

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

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

INTERNAL AUDIT AND CONTROL (PRINCIPLE D.2)

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

The Internal Audit reports along with Management comments are discussed with the Audit Committee and the Board. Further, at each meeting, follow up issues from previous meetings are also discussed in order to ascertain implementation of appropriate policies and procedures as part of the overall 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.

Messrs. KPMG are the external auditors of the Company. In addition to the audit services, Messrs. KPMG also provides certain non-audit services as well. However, external auditors do not engage in any services which may compromise the independence of the auditor. All non-audit services have been provided with the full knowledge of the Audit Committee and are assessed to ensure that there is no compromise on the independence of the external auditors.

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

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

WHISTLEBLOWER PROTECTION

The Company places great importance on fostering a culture that encourages its people to speak up about issues and conduct that cause them concern. The Whistleblower Policy is designed to enable employees of the Company to report any action that is illegal, fraudulent or in violation of any policy. An assurance is given that the whistle-blowers will be protected from retaliation or victimisation. This is an internal reporting mechanism for seeking advice on unethical and unlawful behaviour and matters of integrity.

First Capital Treasuries PLC is a registered entity of Financial Ombudsman of Sri Lanka, where clients have the right to make any complaint about the financial misconduct or any other matter relating to ethics and lawfulness of the entity, which can be considered as an external mechanism for reporting such matters.

With respect to the matters on ethics of employees, there is an internal mechanism - Skip level Meetings, held periodically, which provides the employees opportunity to disclose any matter relating to ethics or misconduct to the personnel who is senior to his/her direct reportee in the organisational hierarchy.

COMPANY SECRETARIES (PRINCIPLE A.1.4)

Janashakthi Corporate Services Limited (formerly known as KHL Corporate Services Limited) serves as the company secretaries for First Capital Holdings PLC. The company secretaries ensure compliance with Board procedures, the Companies Act and rules and regulations of the Securities and Exchange Commission of Sri Lanka and the Colombo Stock Exchange. The company secretaries keep the Board informed of relevant new regulations and requirements.

MANAGEMENT PERFORMANCE EVALUATION

The Board evaluates the management approach of each division separately considering the functionality of each division. The evaluation is conducted at the time of performance evaluations and the management meetings. Performance evaluations are conducted biannually, and the management committee meetings are conducted biweekly. The board oversees the evaluation of management approaches at the review meetings held monthly and suggests any changes required.

CORPORATE GOVERNANCE

CORPORATE GOVERNANCE COMPLIANCE REPORT

This report shows the status of compliance of the Company in accordance with the Code of Best Practice in Corporate Governance published by CA Sri Lanka (2017).

Section	Regulator requirement	Compliance status by the company	Remarks
Section A			
A. Directors	Every public company should be headed by an effective Board, which should direct, lead and control the Company.	Complied	Please refer the list of Director and related details.
A.1 The Board A.1.1 Frequency of Board meetings	The Board should meet regularly. Board meetings should be held at least once in every quarter of a financial year, in order to effectively execute board's responsibilities, while providing information to the board on a structured and regular basis (ideally monthly). The regularity of the Board meetings and the structure and process of submitting information should be agreed to and documented by the Board. Information to be provided on a regular basis. A board pack containing all relevant information is submitted to the Board of Directors. Financial and operational results on pre-agreed with Key Performance Indicators → Presented at quarterly meetings. Financial performance compared to previous periods, budgets and targets. → Presented at quarterly meetings. Impact of risk factors on financial and operating results and actions to mitigate such risks. → Presented at quarterly meetings. Forecast for the next period. → A Budget is set at the beginning of the year and a Rolling Forecast with scenario analysis is provided on request. Compliance with laws and regulations and any non-compliances → Presented at quarterly meetings. → Independent Internal Audits are carried out periodically and reports are presented to the board audit committee. Internal control breaches or frauds during the period and related actions taken. → Internal Control breaches are reported to the monthly review meetings and quarterly meetings. → Independent Internal Audits are carried out periodically and exceptions are reported to the Board. Financial and operational decisions taken by the CEO within his delegated authority. → Discussed on ad hoc basis and through the board pack and board meetings. Share trading of the Company and related party transactions by Key Management Personnel → The Company Secretary informs the Board of any related party share transactions by Directors.	Complied	Board meetings are held on quarterly basis. Last Board meeting was held on 13 February 2023 (FY 2022/23). Board Review Meetings are held on monthly basis.

Section	Regulator requirement	Compliance status by the company	Remarks
A.1.2 Responsibilities of the Board	The Board's role is to provide entrepreneurial leadership of the Company within a framework of prudent and effective controls which enables risk to be assessed and managed. In performing its role, the Board should be responsible for matters including:	Complied	
	Ensuring the formulation and implementation of a sound business strategy;	Complied	The Board implements Strategic Planning process and the status of the same is reviewed on monthly basis. Strategies formulated are implemented through the Chief Executive Officer and Senior Management Team.
	Appointing the chair and the senior independent director, if relevant;	Complied	Chairman of the Board is an Independent Director.
	Ensuring that the Chief Executive Officer (CEO) and management team possess the skills, experience and knowledge to implement the strategy;	Complied	Fitness and proprietary criteria are met and the same is evaluated on annual basis. The Group is steered by a team of multidisciplinary professionals (Profiles of Senior Management Team provided on pages 44 to 51), led by a CEO with diversified qualifications and experience reporting to the Chairman/ Board of Directors, an industry prominent figure with diversified qualifications and experience.
	Ensuring the adoption of an effective CEO and Key Management Personnel succession strategy;	Complied	A strong succession planning process in place for identify and groom staff for key positions within the Group in order to ensure the continuity of its operations.
A.1.2 Responsibilities of the Board	Approving budgets and major capital expenditure	Complied	Budgets and capital expenditures which requires consent of the Board are being approved.
	Determining the matters expressly reserved to the Board and those delegated to the Management including the limits of authority and financial delegation	Complied	A formal Delegated Authority Manual is being maintained, it overlooks the delegated operational functions and determine the matters delegated to the management.

CORPORATE GOVERNANCE

Section	Regulator requirement	Compliance status by the company	Remarks
A.1.2 Responsibilities of the Board (Contd.)	Ensuring effective systems to secure integrity of information, internal controls, business continuity and risk management.	Complied	These aspects are being managed through establishing a sound internal audit process and the Risk Management Framework including IT controls. Such systems are continuously monitored by the Management, Internal and External Auditors. The Board Audit Committee periodically reviews these and the findings are reported to the Board for their decisions. A Business Continuity Plan is developed and being tested periodically to ensure sustainability of operations.
	Ensuring compliance with laws, regulations and ethical standards.	Complied	The responsibility is delegated to the Board Audit Committee. Status of the same is being reported to the Board for review. All new regulations pertaining to compliance with laws and regulations are discussed at the Board Meetings thus ensuring the commitment of the highest governing body.
	Ensuring all stakeholder interests are considered in corporate decisions.	Complied	The Group has established a strong set of values, and adhering to these values and principles are encouraged at all times. The Board evaluates the impact on all the key stakeholders of the Company before arriving at any key business decision.
	Recognising sustainable business development in corporate strategy, decisions and activities and consider the need for adopting "integrated reporting".	Complied	The Board recognises the importance of including principles of sustainability in Corporate strategy, decisions and activities. Principles of Integrated Reporting framework are being followed when finalising Annual Reports.
A.1.2 Responsibilities of the Board	Ensuring that the Company's values and standards are set with emphasis on adopting appropriate accounting policies and fostering compliance with financial regulations;	Complied	Responsibility of the same is being reviewed by the Board Audit Committee. The accounting policies are reviewed on a frequent basis to ensure they are in line with the changing business specifics and best practices in the industry. The Independent Auditor's Report appears from pages 205-207 in the Annual Report and affirms that the Company's financial statements are in line with Sri Lanka Accounting Standards

Section	Regulator requirement	Compliance status by the company	Remarks
A.1.2 Responsibilities of the Board (Contd.)	Establish a process of monitoring and evaluation of progress on strategy implementation, budgets, plans and related risks	Complied	This function is being conducted through the monthly Board Review Committee meetings and continuously reviewed and monitored the progress of the business.
	Ensuring that a process is established for corporate reporting on annual and quarterly basis or more regularly as relevant to the company	Complied	Corporate reporting process (including financial and non-financial disclosures) follows a review process through the Board Audit Committee and the final reports are being approved by the Board. The Company issues and uploads quarterly and annual financial statements together with the relevant disclosures, on the CSE and company websites.
	Fulfilling such other Board functions as are vital, given the scale, nature and complexity of the business concerned.	Complied	During the year, the Board committed to fulfil their stewardship obligations on behalf of all stakeholders in line with laws, regulations and governance practices of the Company.
A.1.3 Compliance with Laws and independent professional advice	The Board collectively, and Directors individually, must act in accordance with the laws of the Country, as applicable to the business enterprise. There should be a procedure agreed to by the Board of Directors, wherein a Director can require the company to obtain independent professional advice where necessary, at the Company's expense.	Complied	Provisions are available through the recommend, approve, consult, inform (RACI) framework for the Board of Directors to obtain such independent professional advise.
A.1.4 Company Secretary	All Directors should have access to the advice and services of the Company Secretary, who is responsible to the Board in ensuring that Board procedures are followed and that applicable rules and regulations are complied with. Any question of the removal of the Company Secretary should be a matter for the Board as a whole.	Complied	Janashakthi Corporate Services Limited serves as the Company Secretary for First Capital Holdings PLC and the Board members have direct access to the advice and services of the Company Secretary. The appointment and removal of the Company Secretary remains with the Board through the RACI framework.
A.1.4 Company Secretary	The company should obtain appropriate insurance cover as recommended by the nominations committee to the Board of Directors and key management personal (KMP).	Partially complied	Appropriate insurance covers are available for the KMPs.
A.1.5 Independent judgment	All Directors should bring independent judgment to bear in discharging their duties and responsibilities on matters relating to the Board including strategy, performance, resource allocation, risk management, compliance and standards of business conduct.	Complied	Relevant provisions and powers are provided to the Board members to bring their independent judgements, avoiding matters of potential or actual conflicts of interests and use their vote for the matters accordingly.

CORPORATE GOVERNANCE

Section	Regulator requirement	Compliance status by the company	Remarks
A.1.6. Dedication of adequate time and effort by the Board	Every Director should dedicate adequate time and effort to matters of the Board and the Company, to ensure that the duties and responsibilities owed to the Company are satisfactorily discharged. It must be recognised that Directors have to dedicate sufficient time before a meeting to review Board papers and call for additional information and clarification, and after a meeting to follow up on issues consequent to the meeting. This should be supplemented by a time allocation for familiarisation with business changes, operations, risks and controls.	Complied	Proper time durations are allocated by timely tabling of reports and analysis. Paperless board meeting solutions (BoardPac software) have been arranged to facilitate review, questioning and discussion of these reports prior and after the meeting. Directors' time was spent on strategy evaluation, performance review and directing corrective measures for fine tuning areas where it was deemed required. In addition to the board meetings, Directors attended to Sub-committee meetings and also contributed to the decision making Board Sub-Committees include → Audit Committee → Related Party Transactions Review Committee → Remuneration Committee → Nomination Committee → Investment, Asset and liabilities Committee → Enterprise Risk Management Committee
A.1.7 Calling for resolutions for the best interest to the Company	One third of Directors can call for a resolution to be presented to the Board where they feel it is in best interest to the company to do so.	Complied	Any single Director may call for a resolution to be presented to the Board where he feels it is in the interest of the Company. As per Articles of Association, resolutions can be passed with majority voting.
A.1.8 Training for new and existing Directors	Every Director should receive appropriate training when first appointed to the Board of a company, and subsequently as necessary. Training curricula should encompass both general aspects of directorship and matters specific to the particular industry/company concerned. A Director must recognise that there is a need for continuous training and an expansion of the knowledge and skills required to effectively perform his 3 duties as a Director. The Board should regularly review and agree the training and development needs of the Directors.	Complied	Directors are encouraged to participate in continuous professional and self- development activities as necessary. The Board consists of professionals and industry experts who have adequate knowledge and experience to conduct their functions (please refer the Director profiles, Pages 38 to 43. Relevant training is being provided/arranged if such requirements are identified at Board or Sub-committee levels.
A.2 Chairman and Chief Executive Officer (CEO)	There are two key tasks at the top of every public company; (i) Conducting of the business of the Board (ii) Facilitating executive responsibilities for management of the company's business. There should be a clear division of response at the head of the company, which will ensure a balance of power and authority, such that no individual has unfettered powers of decisions.	Complied	To ensure delegation of authority, the Board has set up a number of sub-committees to reinforce practices of self-governance.

Section	Regulator requirement	Compliance status by the company	Remarks
A.2.1 Separation of Roles - Chairman and CEO	A decision to combine the posts of Chairman and CEO in one person should be justified and highlighted in the Annual Report.	Not applicable	Chairman and group CEO are two separate posts held by two different competent personnel.
A.3 Chairman's Role	The Chairman's role in preserving good Corporate Governance is crucial. As the person responsible for running the Board, the Chairman should preserve order and facilitate the effective discharge of Board functions.		
A.3.1	The Chairman should conduct Board proceedings in a proper manner and ensure, inter-alia, that:		
	The agenda for board meetings is developed in consultation with the CEO, Directors and the company secretary taking into considerations matters relating to strategy, performance, recourse allocation, risk management and compliance.	Complied	The agenda of the meeting is decided based on the regular discussions, sub-committee reports (including risk management requirements) and the points the CEO required to present and highlight.
	Sufficiently detailed information of matters included in the agenda should be provided to Directors in timely manner.	Complied	Reports and analysis related to matters are being tabled in timely manner to provide Directors adequate time to review and discuss.
	All Directors are made aware of their duties and responsibilities and the board and committee structures through which it will operate in discharging its responsibilities.	Complied	Relevant Board sub-committees are in place and the responsibilities of the same are specified through the 'Terms and References' (TOR) of such sub-committee.
	The effective participation of both Executive and Non-executive Directors is secured; all Directors are encouraged to make an effective contribution, within their respective capabilities for the benefit of the company.	Complied	The Board includes Directors with diverse knowledge and expertise and their contribution on the subject matters are being obtained.
	All Directors are encouraged to seek information considered necessary to discuss matters on the agenda of meetings and to request inclusion of matters of corporate concern on the agenda.	Complied	IT infrastructure being provided to facilitate this requirement.
	A balance of power between Executive and Non-Executive Directors is maintained.	Complied	Please refer the Director list and details Pages 38 to 43.
	The views of Directors on issues under consideration are ascertained and a record of such deliberations reflected in the minutes.	Complied	Matters discuss at the meetings are being properly minute.
	The Board is in complete control of the Company's affairs and alert to its obligations to all shareholders and other stakeholders.	Complied	Through the sub-committee reports and Risk Management Framework, information related to the Company affairs are being obtained and analysed at the Board level.

CORPORATE GOVERNANCE

Section	Regulator requirement	Compliance status by the company	Remarks
A.4 Financial acumen and knowledge	The Board should ensure the availability within it of those with sufficient financial acumen and knowledge to offer guidance on matters of finance.	Complied	The Board consists of Finance professionals and collectively possess a strong capability to assess the integrity of the Company's financial reporting systems and controls, continually review, critique these systems and make changes to them as necessary and to guide the matters related to Finance. Such professionals are being allocated to the Board Audit Committee as well. Refer Director profiles in pages 38 to 43.
A.5 Board Balance	It is preferable for the Board to have a balance of Executive and Non-Executive Directors such that no individual or small group of individuals can dominate the Board's decision-taking.		
A.5.1.Board Balance	The Board should include Non-Executive Directors of sufficient calibre and number for their views to carry significant weight in the Board's decisions.	Complied	The Board comprised of six Non-Executive Directors, out of a total of seven Directors.
	The Board should include at least three Non-Executive Directors or such number of Non-Executive Directors equivalent to one third of total number of Directors, whichever is higher.	Complied	The Board comprised six Non-Executive Directors. Please refer Director list and details.
	In the event the Chairman and CEO is the same person or if the Chairman is not an independent director, Non-Executive Directors should comprise a majority of the Board.	Not Applicable	
	The total number of Directors is to be calculated based on the number as at the conclusion of the immediately preceding Annual General Meeting.	Complied	The Board comprised total of seven (7) directors.
	Further, any change occurring to this ratio should be rectified within 90 days from the date of the change.	Not applicable	
A.5.2/ A.5.3/ A.5.4/ A.5.5/ A.5.6 Independent Directors	A.5.2 Where the constitution of the Board of Directors includes only three Non-Executive Directors, all three Non-Executive Directors should be 'independent'. In other instances, three or two third of Non-Executive Directors appointed to the Board of Directors whichever is higher should be 'independent'.	Complied	The Board comprised Four Independent Directors out of total Seven Directors. Please refer Director list and details Pages 38 to 43.
	A.5.3 For a Director to be deemed 'independent' such Director should be independent of management and free of any business or other relationship that could materially interfere with or could reasonably be perceived to materially interfere with the exercise of their unfettered and independent judgment.	Complied	The Board considers Non-Executive Directors independence on an annual basis. The independence of Non-Executive Directors is determined in line with the Listing Rules of Colombo Stock Exchange (CSE).
	A.5.4 Each Non-Executive Director should submit a signed and dated declaration annually of his/her independence or non-independence against the specified criteria.	Complied	Non-Executive Directors have submitted the declaration to determine their independence or non-independence.

Section	Regulator requirement	Compliance status by the company	Remarks
	A.5.5 The Board should make a determination annually as to the independence or non-independence of each Non-Executive Director based on such a declaration made of decided criteria and other information available to the Board. The Board should determine whether the Director is independent in character and judgement and whether there are relationships or circumstances which are likely to affect, or could appear to affect, the Director's judgement. The Board should specify the criteria not met and the basis for its determination in the annual report, if it determines that a Director is independent notwithstanding the existence of relationships or circumstances which indicate the contrary and should set out in the Annual Report the names of Directors determined to be 'independent'.	Complied	Independency of the Board of Directors is being periodically evaluated.
	A.5.6 If an alternate Director is appointed by a Non-Executive Director such alternate director should not be an executive of the Company.	Complied	
	If an alternate Director is appointed by an independent Director, the person who is appointed also should meet the criteria of independence and the provision on minimum number of independent Directors also should be satisfied.	Not applicable	
A.5.7/ A.5.8 Senior Independent Director (SID)	A.5.7 In the event the Chairman and CEO is the same person or the Chairman is not an independent director or the Chairman is the immediately preceding CEO, the Board should appoint one of the independent Non- Executive Directors to be the SID and disclose this appointment in the Annual Report.	Not applicable	Chairman and the CEO are two separate personnel, and the Chairman is an Independent Non-Executive Director.
	A.5.8 The Senior Independent Director should make himself available for confidential discussions with other Directors who may have concerns which they believe have not been properly considered by the Board as a whole and which pertain to significant issues that are detrimental to the Company.	Not applicable	
	The Senior Independent Director should participate in all meetings with majority, significant, and minority shareholders and be made aware of their concerns by the Company Secretary.	Not applicable	
A.5.9 Meetings with Non Executive Directors	The Chairman should hold meetings with the Non-Executive Directors only, without the Executive Directors being present, as necessary and at least once each year.	Not practiced	Chairman and the Directors maintain a solid rapport and work together professionally. As such, formal meetings were not conducted during the year. If any issue is arisen, it's discussed and resolved amicably in any event. Further, there's only one (1) executive Director out of 7 total Directors.
A.5.10 Recording of concern in Board Minutes	Where Directors have concerns about the matters of the Company which cannot be unanimously resolved, they should ensure their concerns are recorded in the Board Minutes.	Complied	All matters discussed at the Board meeting are being properly minuted.

CORPORATE GOVERNANCE

Section	Regulator requirement	Compliance status by the company	Remarks
A.6 Supply of information	The Board should be provided with timely information in a form and of a quality appropriate to enable it to discharge its duties.		
A.6.1 Obligation of the Management	Management has an obligation to provide the Board with appropriate and timely information, but information volunteered by management may not be enough in all circumstances and Directors should make further inquiries where necessary. The Chairman should ensure all Directors are properly briefed on issues arising at Board meetings.	Complied	Proper time durations are being allocated by timely tabling of reports and analysis. Paperless board meeting solutions (BoardPac software) have been arranged to facilitate review, inquiries and discussion of these reports prior and after the meeting.
A.6.2 Management has obligation to provide appropriate and timely information	The agenda and papers required for a Board Meeting should ordinarily be provided to Directors at least seven (7) days before the meeting, to facilitate its effective conduct. The minutes of the meeting should ordinarily be provided to Directors at least two weeks after the meeting date.	Complied	Agenda and the papers are being tabled at least a week prior to the meeting and minutes are being circulated within two weeks after the meeting.
A.7 Appointment to the Board	There should be a formal and transparent procedure for the appointment of new Directors to the Board.		
A.7.1 Nomination Committee	A Nomination Committee should be established to make recommendations to the Board on all new Board appointments. The Chairman and members of the Nomination Committee should be identified in the Annual Report. A separate section of the annual report should describe the work of the Nomination Committee including the process it has used in relation to Board appointments.	Complied	Providing recommendations to the Board appointments is the primary responsibility of the Nomination Committee appointed by the Board of Directors.
A.7.2 Assessing Board Composition	The Nomination Committee should annually assess Board-composition against pre-defined criteria of skill and knowledge requirements to ascertain whether the combined knowledge and experience of the Board matches the strategic demands facing the Company. The findings of such assessment should be taken into account when new Board appointments are considered and when incumbent Directors come up for re-election, including a process to determine that such proposed Board appointees are fit and proper.	Complied	The assessment takes place annually prior to the AGM.
A.7.3 Appointment of new Directors to the Board	Upon the appointment of a new Director to the Board, the Company should forthwith disclose to shareholders: → a brief resume of the Director; → the nature of his expertise in relevant functional areas; → the names of companies in which the Director holds directorships or memberships in Board committees; and → whether such Director can be considered 'independent'.	Complied	Changes in Directorships are published in on the CSE website immediately after such events along with the required set of information. An immediate disclosure to the CSE is made upon the appointment of new Directors.
A.8 Re-election	All Directors should be required to submit themselves for re-election at regular intervals and at least once in every three years.		

Section	Regulator requirement	Compliance status by the company	Remarks
A.8.1 Appointment of Non-Executive Directors	Non-Executive Directors should be appointed for specified terms subject to re-election and to the provisions in the Companies Act relating to the removal of a Director, and their re-appointment should not be automatic.	Complied	This process is evaluated annually and re-elections are being taking place at the AGM. Reappointment of the Non-Executive directors has been done according to the provision of the Companies Act.
A.8.2 Electing of Directors and Re-election	All Directors including the Chairman of the Board, should be subject to election by shareholders at the first opportunity after their appointment and to re-election thereafter at intervals of no more than three years. The names of Directors submitted for election or re-election should be accompanied by a resume minimally as set out in paragraph A.7.3 above, to enable shareholders to make an informed decision on their election.	Complied	This procedure is in place.
A.8.3 Resignation	In the event of a resignation of a Director prior to completion of his appointed term, the Director should provide a written communication to the Board of his reasons for resignation.	Complied	The Directors who resigned/retired during the year have given written communication to the Board.
A.9 Appraisal of Board performance	Boards should periodically appraise their own performance in order to ensure that Board responsibilities are satisfactorily discharged.		
A.9.1	The board should have in place a formal and rigorous process for annually reviewing the performance of the board and its committees and should address any matters that may arise from such review, in the discharge of its key responsibilities.	Substantially complied	Board conducts this process, however a formal process for the same is not in place.
A.9.2	The Board should also undertake an annual self-evaluation of its own performance and that of its committees. The evaluation should be done by each Director and the outcome should be compiled and made available to the Nomination Committee, which should make recommendations to the Board about the initiatives and actions required to improve the balance of skills, experience, independence, industry and company knowledge, training of Directors, governance process, strategy review and other factors relevant to its effectiveness.	Substantially complied	Board conducts this process, however a formal process for the same is not in place.
A.9.3	The Board should have a process to review the participation, contribution and engagement of each Director at the time of re-election.	Substantially complied	Board conducts this process, however a formal process for the same is not in place.
A.9.4	The Board should state how such performance evaluations have been conducted, in the annual report.	Complied	
A.10 Disclosure of information in respect of Directors	Shareholders should be kept advised of relevant details in respect of Directors.	Complied	Please refer Director list and details pages 38 to 43.

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Section	Regulator requirement	Compliance status by the company	Remarks
A.10.1	The annual report should set out following information in relation to each Director: → name, qualifications and brief profile; → the nature of his/her expertise in relevant functional areas; → immediate family and/or material business relationships with other Directors of the Company; → whether Executive, Non-Executive and/or independent Director; → names of listed companies in Sri Lanka in which the Director concerned serves as a Director; → names of other companies in which the Director concerned serves as a Director, provided that where he/she holds directorships in companies within a group of which the Company is a part, their names need not be disclosed; it is sufficient to state that he/ she holds other directorships in such companies; → number/percentage of Board meetings of the Company attended during the year; → the total number of Board seats held by each Director indicating listed and unlisted Companies and whether in an executive or non-executive capacity; → names of Board Committees in which the Director serves as Chairman or a member; and → number/percentage of committee meetings attended during the year.	Substantially complied	Please refer Director list and details Pages 38 to 43.
A.11 Appraisal of CEO	The Board should be required, at least annually, to assess the performance of the CEO	Complied	The Board have setup a Remuneration Committee for this requirement.
A.11.1 Target / Goals for the CEO	At the commencement of every fiscal year, the Board in consultation with the CEO, should set, in line with the short, medium and long-term objectives of the Company, reasonable financial and non-financial targets that should be met by the CEO during the year.	Complied	The Board ensures that a business performance plan is completed and approved by the Board for each year of operation. This plan is developed to tie up with the corporate plan of the Company and Key Performance Indicators (KPIs) are drawn up to monitor the success of operations. The overall KPIs are used to evaluate the performance of the CEO against results achieved by the Company.
A.11.2 Evaluation of the performance of the CEO	The performance of the CEO should be evaluated by the Board at the end of each fiscal year to ascertain whether the targets set by the Board have been achieved and if not, whether the failure to meet such targets were reasonable in the circumstances.	Complied	The Remuneration Committee of the Board carries out this evaluation and submits their briefing to the Board for any further discussion required.

Section	Regulator requirement	Compliance status by the company	Remarks
Section B - Directors' Remuneration			
B.1 Remuneration procedure	Companies should establish a formal and transparent procedure for developing policy on executive remuneration and for fixing the remuneration packages of individual Directors. No Director should be involved in deciding his/her own remuneration.	Complied	The Board has implemented a formal and transparent procedure for developing policies on remuneration by setting up a Remuneration Committee.
B.1.1 Remuneration Committee	To avoid potential conflicts of interest, the Board of Directors should set up a Remuneration Committee to make recommendations to the Board, within agreed terms of reference, on the Company's framework of remunerating executive directors. (These also include Post-Employment Benefits as well as Terminal Benefits).	Complied	The purpose of the Committee is to assist the Board in matters of compensation of the Company's Executive Directors, Corporate Management Team and other employees as determined by the committee.
B.1.2 Composition	Remuneration Committees should consist exclusively of Non-executive Directors with a minimum of three Non-executive Directors of whom the majority should be independent. The Chairman should be an independent Non-executive Director and should be appointed by the Board.	Complied	The Remuneration Committee consists of three Non- Executive Directors namely, Chandana de Silva, Ramesh Schaffter and Dr. Nishan de Mel. Chandana De Silva, who is an Independent Non-Executive Director, functions as the Chairman of the Committee.
B.1.3	The Chairman and members of the Remuneration Committee should be listed in the Annual Report each year.	Complied	Refer remuneration committee report - Page 185.
B.1.4 Remuneration of Non-executive Directors	The Board as a whole, or where required by the Articles of Association the shareholders, should determine the remuneration of Non-Executive Directors, including members of the Remuneration Committee, within the limits set in the Articles of Association. Where permitted by the Articles, the Board may delegate this responsibility to a sub-committee of the Board, which might include the CEO.	Complied	Board decides the remuneration of the Non-Executive directors.
B.1.5 Consultation of the chairman and access to professional advice	The Remuneration Committee should consult the Chairman and/or CEO about its proposals relating to the remuneration of other Executive Directors and have access to professional advice from within and outside the Company, in discharging their responsibilities.	Complied	The Remuneration Committee decides the remuneration of the Executive directors. The Committee has provisions to obtain professional advises if required.
B.2 The level and make up of remuneration	The level of remuneration of both Executive and Non-Executive Directors should be sufficient to attract and retain the Directors needed to run the Company successfully. A proportion of Executive Directors' remuneration should be structured to link rewards to the corporate and individual performance.	Complied	The Remuneration Committee decides the remuneration of the Executive directors. The Committee has provisions to obtain professional advises if required.
B.2.1 The level and make up of remuneration	The Remuneration Committee should provide the packages needed to attract, retain and motivate Executive Directors of the quality required but should avoid paying more than is necessary for this purpose.	Complied	The Remuneration Committee decides the remuneration of the Executive directors. The Committee has provisions to obtain professional advises if required.

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Section	Regulator requirement	Compliance status by the company	Remarks
B.2.2. Design the remuneration for long term success	Executive Director's remuneration should be designed to promote the long-term success of the company.	Complied	The remuneration levels are designed to attract and retain the best talent to ensure the long-term success and sustainability of business.
B.2.3 Design the remuneration of the executive directors to promote long-term success of the company	The Remuneration Committee should judge where to position levels of remuneration of the Company, relative to other companies. It should be aware what comparable companies are paying and should take account of relative performance, but should use such comparisons with caution, mindful of the risk that they can result in an increase of remuneration levels with no corresponding improvement in performance.	Complied	Relevant remuneration surveys are being conducted by the Remuneration Committee to analyse the adequacy of the remuneration packages provided.
B.2.4 Comparison of remuneration within the group	The Remuneration Committee should be sensitive to remuneration and employment conditions elsewhere in the Company or group of which it is a part, especially when determining annual salary increases.	Complied	Salary standards are being maintained and the Committee conducts a centralised function to the entire group of Companies.
B.2.5 Performance based remuneration	The performance-related elements of remuneration of Executive Directors should be designed and tailored to align their interests with those of the Company and main stakeholders and to give these Directors appropriate incentives to perform at the highest levels. The performance related elements should be transparent, stretching and rigorously applied.	Complied	A proper performance evaluation is being conducted by the Remuneration Committee. A standard and transparent evaluation methodology is being followed for all Executive Directors.
B.2.6 Executive share optional	Executive share options should not be offered at a discount (i.e. less than market price prevailing at the time the exercise price is determined), save as permitted by the Listing Rules of the Stock Exchange. Shares granted under share option schemes should not be exercisable in less than three years and the remuneration committee should consider requiring Directors to hold a minimum number of shares and to hold shares for a further period after vesting or exercise.	Complied	No Executive share options offered under discounted prices.
B.2.7 Designing the remuneration	In designing schemes of performance-related remuneration, Remuneration Committees should follow the provisions. The schemes should include provisions that would enable the company to recover sums paid or withhold a portion of such performance related remuneration and specify the circumstances in which a company may not be entitled to do so.	Complied	
B.2.8 Early termination of directors	Remuneration Committees should consider what compensation commitments (including pension contributions) their Directors' contracts of service, if any, entail in the event of early termination. Remuneration Committees should in particular, consider the advantages of providing explicitly for such compensation commitments to apply other than in the case of removal for misconduct, in initial contracts.	Complied	Remuneration Committee consider such information in decision making on remuneration of the directors.

Section	Regulator requirement	Compliance status by the company	Remarks
B.2.9 Early termination of directors	Where the initial contract does not explicitly provide for compensation commitments, Remuneration Committees should, within legal constraints, tailor their approach in early termination cases to the relevant circumstances. The broad aim should be, to avoid rewarding poor performance while dealing fairly with cases where departure is not due to poor performance.	Complied	A proper performance evaluation is being conducted by the Remuneration Committee.
B.2.10 Remuneration for Non-Executive Directors	Levels of remuneration for Non-Executive Directors should reflect the time commitment and responsibilities of their role, taking into consideration market practices. Remuneration for Non-Executive Directors should not normally include share options. If exceptionally options are granted, shareholder approval should be sought in advance and any shares acquired by exercise of the options should be held until at least one year after the Non-Executive Director leaves the Board. Holding share options could be relevant to the determination of a Non-Executive Director's independence. (as set out in provision A.5.5)	Complied	Fee of Non-Executive Directors is determined by the time, commitment and responsibilities of their role.
B.3 Disclosure of Remuneration	The Company's Annual Report should contain a statement of Remuneration Policy and details of Remuneration of the Board as a whole.	Complied	
B.3.1 Disclosure of Remuneration	The Annual Report should set out the names of Directors (or persons in the parent company's committee in the case of a group company) comprising the remuneration committee, contain a statement of remuneration policy and set out the aggregate remuneration paid to Executive and Non-Executive Directors.	Complied	Aggregate remuneration paid to Directors is mentioned in Note 12 to the financial statements. Please refer Director list and details (Pages 38 to 43)
Section C - Relations with shareholders			
C.1 Constructive use of the AGM and conduct of General Meetings.	Boards should use the AGM to communicate with shareholders and should encourage their participation.	Complied	
C.1.1 Adequate notice of the AGM	Companies should arrange for the notice of the AGM and related papers to be sent to the shareholders as determined by the statute, before the meeting.	Complied	A copy of the Annual Report including Financial Statements along with the notice of Meeting is sent to shareholders 15 working days prior to the date of the AGM.
C.1.2 Separate resolution for all separate issues at the AGM	Companies should propose a separate resolution at the AGM on each substantially separate issue and should in particular propose a resolution at the AGM relating to the adoption of the report and accounts. For each resolution, proxy appointment forms should provide shareholders with the option to direct their proxy to vote either for or against the resolution or to withhold their vote. The proxy form and any announcement of the results of a vote should make it clear that a "vote withheld" is not a vote in law and will not be counted in the calculation of the proportion of the votes for and against the resolution.	Complied	Relevant proxy appointment forms are being provided for each resolution.

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Section	Regulator requirement	Compliance status by the company	Remarks
C.1.3 Recording and counting proxy appointment	The company should ensure that all the valid proxy appointments received for general meetings are properly recorded and counted. For each resolution, where a vote has been taken on a show of hands, the company should ensure that the following information is given at the meeting and made available as soon as reasonably practicable on a website which is maintained by or on behalf of the company: → the number of shares in respect of which proxy appointments have been validly made → the number of votes for the resolution → the number of votes against the resolution → the number of shares in respect of which the vote was directed to be withheld. → when, in the opinion of the Board, a significant proportion of votes have been cast against a resolution at any general meeting, the Board should take steps to understand the reasons behind the vote results and determine any actions are required.	Complied	Relevant procedures are being followed at the AGM.
C.1.4 Availability of board sub-committee chairpersons	The Chairman of the Board should arrange for the Chairmen of the Audit, Remuneration, Nomination and Related Party Transactions Review Committees and the Senior Independent Director where such appointment has been made, to be available to answer questions at the AGM if so requested by the Chairman.	Complied	All respective chairmen of the sub-committees attend the AGM and available for any questions.
C.1.5 Procedure for voting	Companies should circulate, along with every notice of general meeting, a summary of the procedures governing voting at General Meetings.	Complied	Disseminations are made through Colombo Stock Exchange (CSE).
C.2 Communication with the shareholders	The Board should implement effective communication with shareholders	Complied	All information with regard to the Annual Report is disseminated through Chief Financial Officer and all other changes are communicated through the Company Secretary - Janashakthi Corporate Services Limited.
C.2.1 Effective Communication with shareholders	There should be a channel to reach all shareholders of the Company in order to disseminate timely information.	Complied	Disseminations are made through Colombo Stock Exchange (CSE).
C.2.2 Policy and methodology for communication with shareholders	The Company should disclose the policy and methodology for communication with shareholders.	Complied	Please refer shareholder communication section.
C.2.3 Implementation of the policy and the methodology	The Company should disclose how the above policy and methodology is implemented.	Complied	Please refer shareholder communication section.

Section	Regulator requirement	Compliance status by the company	Remarks
C.2.4 Contact person in relation to shareholder communications	The Company should disclose the contact person for such communication.	Complied	Please refer shareholder communication section.
C.2.5 Process to make all directors aware of major issues and concern of shareholders and responding them	There should be a process to make all Directors aware of major issues and concerns of shareholders, and this process has to be disclosed by the Company.	Complied	Shareholder inquiries and concerns are being communicated to the Directors through the Company Secretary. The Company Secretary maintains a record of all correspondence received and will deliver such correspondence to the Board or individual Director as applicable.
C.2.6 Person to contact in relation to shareholders and responding them	The Company should decide the person to contact in relation to shareholders' matters. The relevant person with statutory responsibilities to contact in relation to shareholders' matters is the Company Secretary or in his/ her absence should be a member of the Board of Directors.	Complied	Shareholder inquiries and concerns are being communicated to the Directors through the Company Secretary.
C.2.7 Responding to shareholder matters	The process for responding to shareholder matters should be formulated by the Board and disclosed.	Complied	Please refer shareholder communication section.
C.3 Major and material transactions	Further to complying with the requirements under the Companies Act, Securities and Exchange Commission law and Colombo Stock Exchange regulations; as applicable, Directors should disclose to shareholders all proposed material transactions, which if entered into, would materially alter/ vary the Company's net assets base or in the case of a Company with subsidiaries, the consolidated group net asset base	Complied	
C.3.1 Major transactions	Prior to a Company engaging in or committing to a 'Major related party transaction' with a related party transaction' with a related party, involving the acquisition, sale or disposition of greater than one third of the value of the Company's assets or that of a subsidiary which has a material bearing on the Company and/ or consolidated net assets of the Company, or a transaction which has or has or is likely to have the effect of the Company acquiring obligations and liabilities, of greater than one third of the value of the Company's assets, the Directors should disclose to shareholders the purpose and all material facts of such transaction and obtain shareholders' approval by ordinary resolution at an extraordinary general meeting. It also applies to transactions or series of related transactions which have the purpose or effect of substantially altering the nature of the business carried on by the Company.	Complied	

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Section	Regulator requirement	Compliance status by the company	Remarks
C.3.2	Public Listed companies should in addition comply with the disclosure requirements and shareholder approval by special resolution as required by the rules and regulations of the Securities and the Exchange Commission and by the Colombo Stock Exchange.	Complied	The Company Secretary ensures the disclosure requirements and shareholder approval by special resolution.
Section D - Accountability and Audit			
Section D.1 - Financial and Business Reporting (The Annual Report)			
D.1.1	Board should present an annual report including financial statements that is true and fair, balanced and understandable and prepared in accordance with the relevant laws and regulations and any deviation being clearly explained.	Complied	Annual report is audited by the M/s KPMG and the same is being reviewed by the Board Audit Committee prior to obtain approval from the Board. Above mentioned process ensures the compliance with relevant laws, regulations and standards.
D.1.2	The Board's responsibility to present a balanced and understandable assessment extends to interim and other price-sensitive public reports and reports to regulators, as well as to information required to be presented by statutory requirements.	Complied	The review process of interim and other price sensitive public reports follows the same review and monitoring processes prior to publication.
D.1.3	The Board should before it approves the company's financial statements for a financial period, obtain from the CEO and CFO a declaration that, in their opinion, the financial records of the entity have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the company and that the system of risk management and internal control was operating effectively.	Complied	The declaration is obtained by the Board Audit Committee at the point of recommending financial statements for the approval of the Board.
D.1.4 Directors report	The Directors' Report, which forms part of the Annual Report, should contain declarations by the Directors to the effect that:	Complied	Please refer the Director declaration.
	the Company has not engaged in any activity, which contravenes laws and regulations;	Complied	
	the Directors have declared all material interests in contracts involving the Company and refrained	Complied	
	from voting on matters in which they were materially interested;	Complied	
	the Company has made all endeavours to ensure the equitable treatment of shareholders;	Complied	
	the Directors have complied with best practices of corporate governance;	Complied	
	Property, plant and equipment is reflected at fair value, where it is different from fair value adequate disclosures are made	Complied	

Section	Regulator requirement	Compliance status by the company	Remarks
D.1.4 Directors report	they have conducted a review of the internal controls, covering financial, operational and compliance controls and risk management and have obtained reasonable assurance of their effectiveness and successful adherence therewith,	Complied	
	The business is a going concern, with supporting assumption or qualifications as necessary (The matters to which the Board should give due consideration when adopting the going concern assumption are set out in Schedule H to this Code).	Complied	
D.1.5 Statement of directors and auditors responsibility for the financial statement	The Annual Report should contain a statement setting out the responsibilities of the Board for the preparation and presentation of financial statements, together with a statement by the Auditors about their reporting responsibilities. Further, the Annual Report should contain a Report/Statement on Internal Control.	Complied	The Statement of Directors' responsibility in preparation of the Financial Statements is given on page 141 while the Independent Auditor's report on pages 205 to 207 states the Auditor's responsibility for the Financial Statements. Statement on internal controls is given on page 191.
D.1.6 Management discussion Analysis	The Annual Report should contain a "Management Discussion & Analysis", discussing, among other issues: → Business model → Industry structure and developments; → Opportunities and threats; → Risks management; → Internal control systems and their adequacy; → Governance → Stakeholder relationships → Social and environmental protection activities carried out by the Company; → Financial performance; → Investment in physical and intellectual capital → Human resource/ industrial relations activities carried out by the Company → Prospects for the future.	Complied	Please refer the Management Discussion and Analysis section Pages 78 to 136.
D.1.7 Summoning an extra ordinary general meeting (EGM) to notify serious loss of capital	In the event the net assets of the Company fall below 50% of the value of the Company's shareholders' funds, the Directors shall forthwith summon an Extraordinary General Meeting of the Company to notify shareholders of the position and of remedial action being taken. The directors should report periodically to the shareholders progress on these remedial action.	Not applicable	

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Section	Regulator requirement	Compliance status by the company	Remarks
D.1.8 Related party transactions	The Board should adequately and accurately disclose the related party transactions in its Annual Report: → Each related party should submit signed and dated declaration quarterly mentioning whether they have related party transactions with the Company as defined in this Code; → It should be the responsibility of the Company Secretary to keep a record on related party transactions and make necessary disclosures accordingly; → There should be a process to capture related parties and related party transactions. This process needs to be operationalised and related party transactions should be properly documented. → A record/ register either in hard or soft form on related party and related party transaction should be maintained by the Company; → This record should ensure that the Company captures information to comply with the respective related party disclosure requirements imposed by SEC/Accounting Standards/ Auditing Standards and similar regulations.	Complied	The Company have system capability to identify Related Party transactions. Such reports can be generated through the system.
D.2 Risk management and internal control	The Board is responsible for determining the nature and extent of the principal risks, which are anticipated to be undertaken in achieving its strategic objectives. The Board should have a process of risk management and a sound system of internal control to safeguard shareholders' investments and the Company's assets. Broadly, risk management and internal control is a process, effected by an Entity's Board of Directors and management, designed to provide reasonable assurance regarding the achievement of Company's objectives.	Complied	The Board monitor the effectiveness of Risk Management processes and internal controls through the Risk Management Framework and reporting processes. Board Audit Committee and Enterprise Risk Management Committee are delegated to conduct this function and status of the same is being reported.
D.2.1 Monitor the computer's risk management and control internal control system	The Board should monitor the Company's risk management and internal control systems and, at least annually, carry out review of their effectiveness, and report on that review in the annual report. The monitoring and review should cover all material controls, including financial, operational and compliance controls.	Complied	
D.2.2 Review the need for internal audit function	The Directors should confirm in the annual report that they have carried out a robust assessment of the principal risks facing the company, including those that would threaten its business model, future performance, solvency or liquidity. The directors should describe those risks and explain how they are being managed or mitigated.	Complied	Please refer the Risk Management section Pages 192 to 201.
D.2.3 Internal Audit function	Companies should have an internal audit function.	Complied	Internal Audit function of First Capital Treasuries PLC and First Capital Asset Management Limited is assigned to M/s Ernst and Young and other entities are assigned to M/s PricewaterhouseCoopers and Group Internal Audit Division.

Section	Regulator requirement	Compliance status by the company	Remarks
D.2.4 Review of the process and effectiveness of risk management and internal controls	The Board should require the Audit Committee to carry out reviews of the process and effectiveness of risk management and internal controls, and to document to the Board and Board takes the responsibility for the disclosures on internal controls.	Complied	Responsibility has been assigned through the TOR of Board Audit Committee.
D.3. Audit Committee	The Board should establish formal and transparent arrangements for considering how they should; select and apply accounting policies for financial reporting, determine the structure and content of corporate reporting, implement internal control and risk management principles and for maintaining an appropriate relationship with the Company's Auditors	Complied	
D.3.1 Composition of the audit committee	The Board should establish an audit committee exclusively of non-executive directors with a minimum of three non-executive directors of whom at least two should be independent. If there are more non-executive directors, the majority should be independent. The Committee should be chaired by an independent non- executive director. The board should satisfy itself that at least one member of the audit committee has recent and relevant experience in financial reporting and control.	Complied	The Audit Committee consists of → Minette Perera – Chairperson – Independent Non-Executive Director → Nishan Fernando – Independent Non-Executive Director → Ramesh Schaffter – Non-Independent Non-Executive Director
D.3.2 TOR of the Audit committee	The Audit Committee should have a written TOR, dealing clearly with its authority and duties. The Audit Committee's written Terms of Reference must address: → The Committee's purpose → The duties and responsibilities of the Audit Committee	Complied	TOR of Board Audit Committee complies with all the requirements mentioned.
D.3.3 Disclosures	A separate section of the annual report should describe the work of the committee in discharging its responsibilities. The Annual Report should contain a report by the Audit Committee, setting out the manner of compliance by the Company, in relation to the above, during the period to which the Annual Report relates.	Complied	Please refer the Audit Committee report Pages 183 to 184.
D.4. Related Party Transactions Review Committee	The Board should establish a procedure to ensure that the Company does not engage in transactions with "related parties" in a manner that would grant such parties "more favourable treatment" than that accorded to third parties in the normal course of business.	Complied	
D.4.1 Disclosures of related party transaction review committee	A related party and related party transactions will be as defined in LKAS 24.	Complied	

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Section	Regulator requirement	Compliance status by the company	Remarks
D.4.2	The Board should establish a Related Party Transactions (RPT) Review Committee consisting exclusively of Non- Executive Directors with a minimum of three Non-Executive Directors of whom the majority should be independent. Executive Directors may attend by invitation. The Chairman should be an Independent Non-Executive Director appointed by the Board.	Complied	The RPT Review Committee comprises of → Minette Perera – Independent Non-Executive Director (Chairperson) → Nishan Fernando – Independent Non-Executive Director → Ramesh Schaffter – Non-Executive Non-Independent Director
D.4.3	RPT Review Committee should have written terms of reference dealing clearly with its authority and duties which should be approved by the Board of Directors. The RPT Review Committee's written terms of reference must address: → A procedure for documenting related parties in accordance with the definitions in LKAS 24 and the CSE Listing Rules. → A procedure to obtain a statement of related party interest from each such related party at least once in each quarter, when there's a change in the status and in any event prior to entering into any transaction between such related parties and the Company, its parent or any of subsidiaries, sub-subsidiaries, fellow subsidiaries, associates, joint ventures and any other entities which are considered related parties as defined in LKAS 24 unless they are exempted related party transactions as defined in CSE Listing Rules. → Key Management Personnel of the company responsible for contracting, procurement, payments, and any other channel through which an inflow or outflow of resources can result, should have a list of all related parties and have a process in place to capture and report any related party transaction within their area of responsibility. → A procedure to inform all related parties of what constitutes exempted related party transactions. → A procedure to identify and for directors to report recurrent and non-recurrent related party transactions and to obtain Board or shareholder approval by special or ordinary resolution as required by the CSE Listing Rules. → A procedure and guideline to delegate to Key Management Personnel to deal with recurrent related party transactions as defined in the CSE Listing Rules. → A procedure for the RPT Review Committee to review and recommend to the board matters relating to such transactions. → Any interested directors should not participate at the meeting at which the transaction relating to him/ her is discussed unless invited to seek clarification/ information. → A procedure and definition of disclosures required to be made by the company on an annual basis, those requiring immediate disclosure and those requiring shareholder approval.	Complied	The TOR of the Committee addresses the relevant requirements.

Section	Regulator requirement	Compliance status by the company	Remarks
D.4.3 (Contd.)	→ A procedure to identify related party transactions which require immediate disclosure as per the CSE listing rules and to ensure that required disclosures are made by the Company to the Colombo Stock Exchange in accordance with the CSE Listing Rules. → A procedure to identify related party transactions which require shareholder approval by special resolution at an extra-ordinary general meeting. → The company secretary should maintain a permanent record in manual or electronic form of such statements, submissions, approvals and minutes. → Review and recommend to the Board the related party disclosures to be made in the Annual Report of the Company.	Complied	The TOR of the Committee addresses the relevant requirements.
D.5. Code of Business Conduct & Ethics	Companies must adopt a Code of Business Conduct & Ethics for Directors, Key Management Personnel and all other employees' including but not limited to: dealing with shares of the company; compliance with listing rules; bribery and corruption; confidentiality; encouraging that any illegal, fraudulent and unethical behaviour be promptly reported to those charged with governance. The company must disclose waivers of the Code for Directors, if any.	Complied	Please refer Directors' disclosures.
D.5.1 Code of Business Conduct and ethics	All Companies must disclose whether they have a Code of Business Conduct & Ethics for Directors and Key Management Personnel and if they have such a Code, make an affirmative declaration in the Annual Report that all Directors and Key Management Personnel have declared compliance with such Code, and if unable to make that declaration, state why they are unable to do so. Each Company may determine its own policies in the formulation of such a Code, but all Companies should address the following important topics in their respective Codes: → conflict of interest; → bribery and corruption; → entertainment and gifts; → accurate accounting and record-keeping; → fair and transparent procurement practices; → corporate opportunities; → confidentiality; → fair dealing; → protection and proper use of company assets including information assets; → compliance with laws, rules and regulations (including insider trading laws); and → encouraging the reporting of any illegal, fraudulent or unethical behaviour.	Complied	The Company adopted the Code of Business Conduct and Ethics stipulated by the regulators.

CORPORATE GOVERNANCE

Section	Regulator requirement	Compliance status by the company	Remarks
D.5.2 Process in placed to ensure that material and price sensitive information	The Company should have a process in placed to ensure that material and price sensitive information is promptly identified and reported in accordance with the relevant regulations.	Complied	The Company has formulated a policy.
D.5.3 Policy, process for monitoring, and disclosure of shares purchased	The Company should establish a policy, process for monitoring, and disclosure of shares purchased by any director, Key Management Personnel or any other employee involved in financial reporting.	Substantially complied	Statement of corporate governance in accordance with the Listing Rules is made in annual report. Share transactions are being monitored and disclosed by the Company Secretary.
D.5.4 Affirmation by the chairman for no violation	The Chairman must affirm in the Company's Annual Report that a code of conduct and ethics has been introduced companywide and the procedure for disseminating, monitoring and compliance with that code. He must also disclose that he is not aware of any violation of any of the provisions of the Code of Business Conduct & Ethics.	Complied	Please refer Chairman's report.
D.6. Corporate Governance Disclosures	Directors should be required to disclose the extent to which the company adheres to establish principles and practices of good Corporate Governance.	Complied	Please refer the Corporate Governance report Pages 142 to 182.
D.6.1 Corporate Governance Report in Annual Report	The Directors should include in the Company's Annual Report, a Corporate Governance Report setting out the manner and extent to which the Company has complied with the principles and provisions of this Code.	Complied	Please refer the Corporate Governance report Pages 142 to 182.
Section E - Shareholders			
Section E - Institutional Investors			
E.1 Shareholder Voting	Institutional shareholders have a responsibility to make considered use of their votes and should be encouraged to ensure their voting intentions are translated into practice.	Complied	The shareholders are given sufficient opportunity at the AGM to discuss any matters with the Directors.
E.1.1 Views of shareholders	A listed company should conduct a regular and structured dialogue with shareholders based on a mutual understanding of objectives. Arising from such dialogue, the Chairman should ensure the views of shareholders are communicated to the Board as a whole.	Complied	The Company Secretary corresponds with the shareholders as and when the need arises.
E.2. Evaluation of Governance Disclosures (Principle)	When evaluating Companies' governance arrangements, particularly those relating to Board structure and composition, institutional investors should be encouraged to give due weight to all relevant factors drawn to their attention.	Complied	The Management and Board maintain regular dialogue with institutional shareholders with regard to key business transactions.

Section	Regulator requirement	Compliance status by the company	Remarks
Section F - Other Investors			
F.1. Investing/ Divesting Decision (Principle)	Individual shareholders, investing directly in shares of companies should be encouraged to carry out adequate analysis or seek independent advice in investing or divesting decisions.	Complied	Required financial and non-financial information are being disseminated through Colombo Stock Exchange to facilitate this requirement.
F.2. Shareholder Voting (Principle)	Individual shareholders should be encouraged to participate in General Meetings of companies and exercise their voting rights.	Complied	Invitations are being circulated to all shareholders to participate to General meetings of the company.
Section G - Internet of Things and Cybersecurity			
G.1. (Principle)	The Board should have a process to identify how in the organisation's business model, IT devices within and outside the organisation can connect to the organisation's network to send and receive information and the consequent cybersecurity risks that may affect the business. Internal and external parties could have computing devices embedded in everyday objects which may enable them to interconnect with the company's network to send and receive data. Such access could be authorised or unauthorised	Complied	Based on the IT Policy Manual approved by the Board, Information and cyber security audits are being conducted and reports of the same are being reviewed by the Board Audit Committee and discussed at the Board meetings.
G.2 (Principle)	The Board should appoint a Chief Information Security Officer (CISO) with sufficient expertise, authority and budgetary allocation to introduce and implement a cybersecurity risk management policy which should be approved by the Board. The policy should include a robust cybersecurity risk management process, incident response system, vendor management system, disaster recovery plan and a governance structure to monitor effective implementation, reporting and the need for cybersecurity insurance.	Substantially complied	There is a dedicated team ensuring the IT Governance aspect under Head of IT even though there is no designated Chief Information Security Officer. As per the IT Policy of the company, periodic IT and cyber security audits are being conducted and it gives assurance to the same.
G.3 (Principle)	The Board should allocate regular and adequate time on the board meeting agenda for discussions about cyber- risk management. The matters taken up for the discussion on the board meeting agenda may include; → Potential cybersecurity risks in the company's business model → CISO's security strategy and status of the current projects → Compliance with the cybersecurity risk management process and incident reports → Findings and recommendations from independent reviewers	Complied	Risk register items related to Information security and cyber-security are being discussed at the Enterprise Risk Management Committee and at the Board meetings.

CORPORATE GOVERNANCE

Section	Regulator requirement	Compliance status by the company	Remarks
G.4 (Principle)	The Board should ensure the effectiveness of the cybersecurity risk management through independent periodic review and assurance. The scope and the frequency of the independent periodic reviews could be determined based on the industry vulnerability, company's business model and incident findings.	Complied	Based on the IT Policy approved by the Board, Information and cyber security audits are being conducted and reports of the same are being reviewed by the Board Audit Committee and discussed at the Board meetings.
G.5 (Principle)	The Board should disclose in the annual report, the process to identify and manage cyber security risks.	Complied	Please refer the Risk Management section
Section H.1 - ESG Reporting			
H.1 ESG Reporting	The Company's annual report should contain sufficient information to enable investors and other stakeholders to assess how ESG risks and opportunities are recognised, managed, measured and reported. Environmental, social and governance considerations can affect a company's ability to execute its business strategy and create value. While many ESG factors are 'non-financial', their management and likely impact have financial consequences. Hence, they are important factors to be built into a company's business model, strategy, governance and risk management framework. ESG factors relevant to the company could impact the following: → Access to financial capital → Cost savings and productivity → Brand value and reputation → Employee recruitment → Employee retention → Access to markets → License to operate → Market capitalisation Integrating ESG policies and practices into a company's strategy, business model, governance and risk management, and reporting its likely impact and implications are increasingly seen by investors as material to their investment decisions. Further, investors want to understand how well companies are managing the risks associated with ESG issues, as this is seen as a key test of the long term sustainability of the company. They are also increasing interested in the opportunities presented by the low carbon economy, and are allocating capital to companies that are well equipped to benefit from this.	Substantially complied	

Section	Regulator requirement	Compliance status by the company	Remarks
H.1.1	The companies should provide information in relation to: → The relevance of environmental, social and governance factors to their business models and strategy. → How ESG issues may affect their business, e.g. through legislation, reputational damage, employee turnover, license to operate, legal action or stakeholder relationships, and how these impacts may affect business strategy and financial and operational performance. → How risks and opportunities pertaining to ESG are recognised, managed, measured and reported.	Substantially complied	
H.1.2 Environmental factors H.1.2.1 Environmental governance	Environmental governance of an organisation should adopt an integrated approach that takes into consideration the direct and indirect economic, social, health and environmental implications of their decisions and activities, including; → pollution prevention, → sustainable resource use (e.g.: water, energy), → climate change, → protection of environment, → bio diversity, → restoration of natural resources.	Partially complied	
H.1.3. Social Factors H.1.3.1 Social governance	Social governance of an organisation should include its relationship with the community, customers, employees, suppliers, outsourced providers and any other party that can influence or be influenced by the organisation's business model.	Partially complied	
	The organisation should adopt an integrated approach to building a relationship with the community and striving for sustainable development including responsible community engagement, fair competition, thereby demonstrating corporate social responsibility.	complied	
	The organisation should adopt an integrated approach to building a relationship with customers. This includes establishing a process for customer engagement, product responsibility and product recall and other matters relevant to the organisation's business model.	complied	
	The labour practice related governance of an organisation should encompass all policies and practices in relation to work performed by or on behalf of the organisation in accordance with its business model, and should also include policies and practices such as equal opportunity, career development and training, reward and recognition, conditions of work, work-life balance and industrial relations.	complied	HR Policy Manual includes policies and procedures related to these aspects.

CORPORATE GOVERNANCE

Section	Regulator requirement	Compliance status by the company	Remarks
H.1.3. Social Factors H.1.3.1 Social governance (Contd.)	The organisation should have policies and procedures to ensure that suppliers and outsourced providers comply with social governance norms of the company	Partially complied	As a Financial services provider with a large stakeholder base, we understand our responsibility towards the society and communities that we operate in. Ingrained within the organisation is a long history of good social governance as a responsible corporate citizen.
H.1.4. Governance H.1.4.1. Governance structure	The companies should establish a governance structure to support its ability to create value and manage risks in the short, medium and long term, recognising managing and reporting on all pertinent aspects of ESG.	Substantially complied	The governance structure of the Company substantially supports the said aspects.
	The company should recognise the key resources/ capitals deployed in its business and establish financial and non-financial measures for resource/ capital management and related outputs and outcomes.	Substantially complied	The Company sets financial and non-financial goals through the strategic planning process and resources are allocated with the annual budgets.
	The company should have a process to ascertain, assess and manage risks which have an impact on the sustainability of the company.	Substantially complied	The company follows the 'Balance score card' method, which measures performance of financial and non financial objectives, in evaluating performance against objectives.
	The company should have a process to recognise material matters relating to significant stakeholders and a method of engagement relevant to their level of interest and influence.	complied	Please refer the Section related to Management Discussion and Assessment.
	The disclosures should deal with how the company has complied with the mandatory and voluntary codes of corporate governance and how its leadership structure, organisational culture, code of conduct and business model supports sustainability of the company in the short, medium and long term.	complied	
H.1.5 Board's Role on ESG Factors H.1.5.1. Board's responsibility on ESG reporting	ESG reporting is a Board's responsibility and it is designed to add value by providing a credible account of the Company's economic, social and environmental impact.	complied	
	ESG reporting and disclosure should be formalised as part of the Company's reporting process and take place on a regular basis.	complied	The Company adopted ESG practices from FY 2021/22.
	ESG reporting should link sustainable issues more closely with strategy.	complied	ESG Reporting and Strategic Plan are linked and reported accordingly.

STATEMENT OF COMPLIANCE

REPORT ON COMPLIANCE WITH THE RULES ON THE CONTENT OF THE ANNUAL REPORT ACCORDING TO SECTION 7.6 OF THE LISTING RULES OF THE COLOMBO STOCK EXCHANGE (LISTING RULES)

Listing Rules of the Colombo Stock Exchange (CSE) aim to boost the confidence of investors of the companies by requiring the companies to publish accurate information on a timely basis to evaluate companies and assist investors to make wise decisions on investments. These rules also depict governance rules which should be adhered to by all listed companies. Level of compliance by First Capital Holdings PLC with such rules is presented in the following table:

Listing Rule Reference	Listing Rule - Disclosure Requirement	Status of Compliance	Details/ Reference
7.6 (i)	Name of persons who held the positions of Directors during the financial year	Complied	Refer the Pages 38 to 43
7.6 (ii)	Principal activities of the Entity and its Subsidiaries during the year and any changes therein	Complied	Refer the Pages 213
7.6 (iii)	The names and the number of shares held by the 20 largest holders of voting and non-voting shares and the percentages of such shares held	Complied	Refer the Page 301
7.6 (iv)	The public holding percentage	Complied	Refer the Page 298
7.6 (v)	A statement of each Director's and Chief Executive Officer's shareholding and the percentage of such shares held	Complied	Refer the Page 138
7.6 (vi)	Information pertaining to material foreseeable risk factors of the Entity	Complied	Refer the Pages 57 to 59
7.6 (vii)	Details of material issues pertaining to employees and industrial relations of the Entity	Not applicable	Not applicable
7.6 (viii)	Extent, locations, valuations, and the number of buildings of the Entity's land holdings and investment properties	Not applicable	Not applicable
7.6 (ix)	Number of shares representing the Entity's stated capital	Complied	Refer the Note 35 to the Financial Statements
7.6 (x)	A distribution schedule of the number of holders in each class of equity securities and the percentage of their total holdings	Complied	Refer the Page 298
7.6 (xi)	Ratios and market price information: Equity Debt Any changes in credit rating	Complied	Refer the Pages 12 and 304
7.6 (xii)	Significant changes in the Entity's or its subsidiaries' fixed assets and the market value of land, if the value differs substantially from the book value	Not applicable	Not applicable
7.6 (xiii)	Details of funds raised through Public Issues, Rights and Private Placements during the year	Complied	Refer the Page 246 and Note 23.1 to the Financial Statements
7.6 (xiv)	Information in respect of Employee Share Option Schemes and Employee Share Purchase Schemes	Not applicable	Not applicable
7.6 (xv)	Disclosure pertaining to Corporate Governance Practices in terms of Rules 7.10.3, 7.10.5 c and 7.10.6 c of Section 7 of the Rules	Complied	Refer the Pages 178 to 179
7.6 (xvi)	Related Party transactions exceeding 10% of the Equity or 5% of the total assets of the Entity as per Audited Financial Statements, whichever is lower. Details of investments in a Related Party and/or amounts due from a Related Party to be set out separately. The details shall include, as a minimum: i. The date of the transaction; ii. The name of the Related Party; iii. The relationship between the Entity and the Related Party; iv. The amount of the transaction and terms of the transaction; v. The rationale for entering into the transaction.	Not applicable	There were no Non- recurrent Related Party Transactions exceeded 10% of the Equity or 5% of the Total Assets (2022/23)

STATEMENT OF COMPLIANCE

COMPLIANCE REQUIREMENTS ON CORPORATE GOVERNANCE RULE 7.10 OF THE LISTING RULES

The Continuing Listing Rule Section 7.10 of the Colombo Stock Exchange mandates companies listed on the Colombo Stock Exchange to publish a table in the Annual Report, confirming compliance with the Corporate Governance rules as at the date of the Annual Report. The Rule addresses the following aspects:

1. Non-Executive Directors
2. Independent Directors
3. Disclosures relating to Directors
4. Remuneration Committee
5. Audit Committee

Listing Rule Reference	Listing Rule - (Description)	Status of Compliance	Details/ Reference
7.10.1 Non - Executive Directors			
7.10.1 (a)	Two or one third of the Directors, whichever is higher, should be Non-Executive Directors	Complied	Refer the Pages 38 to 43
7.10.2 Independent Directors			
7.10.2 (a)	Two or one third of Non-Executive Directors, whichever is higher, should be independent	Complied	Refer the Pages 38 to 43
7.10.2 (b)	Each Non-Executive Director should submit a declaration of independence/non independence in the prescribed format	Complied	The Independent Directors have submitted written declarations of their independence
7.10.3 (a)	Names of Independent Directors should be disclosed in the Annual Report	Complied	Refer the Pages 38 to 43
7.10.3 (b)	In the event a Director does not qualify as independent as per the rules on corporate governance but if the Board is of the opinion that the Director is nevertheless independent, it shall specify the basis of the determination in the Annual Report	Not applicable	Not applicable
7.10.3 (c)	A brief resume of each Director should be published in the Annual Report including the areas of expertise	Complied	Refer the Pages 38 to 43
7.10.3 (d)	A brief resume of any new Director appointed to the Board should be provided to the Exchange for dissemination to the public	Complied	Refer the Pages 38 to 43
7.10.4 Criteria for Defining Independence			
7.10.4 (a-h)	Requirements for meeting the criteria to be an Independent Director	Complied	Independence of the Directors has been determined based on listing rules 7.10.4 (a-h)
7.10.5 Remuneration Committee			
7.10.5 (a)	The Remuneration Committee shall comprise a minimum of two Independent Non-Executive Directors or a majority of Independent Non-Executive Directors, whichever is higher	Complied	Refer the Page 185

Listing Rule Reference	Listing Rule - (Description)	Status of Compliance	Details/ Reference
7.10.5 (c)	The Annual Report shall set out:		
	(i) The names of the Directors that comprise the Remuneration Committee	Complied	Refer the Page 185
	(ii) A statement of Remuneration Policy	Complied	Refer the Page 185
	(iii) Aggregate remuneration paid to Executive and Non-Executive Directors	Complied	Refer the Note 12 to Financial Statements
7.10.6 Audit Committee			
7.10.6 (a)	(i) The Audit Committee shall comprise a minimum of two Independent Non-Executive Directors, or a majority of Independent Non-Executive Directors, whichever is higher	Complied	Refer the Pages 183 to 184
	(ii) The Chief Executive Officer and Chief Financial Officer shall attend Audit Committee meetings	Complied	Refer the Pages 183 to 184
	(iii) The Chairman or one member of the Committee should be a member of a recognised professional accounting body	Complied	Refer the Pages 183 to 184
7.10.6 (b)	The functions of the Audit Committee;		
	Overseeing of the preparation, presentation and adequacy of disclosures in the financial statements in accordance with SLFRS/ LKAS	Complied	Refer the Pages 183 to 184
	Overseeing the compliance with financial reporting requirements, information requirements as per laws and regulations	Complied	Refer the Pages 183 to 184
	Ensuring the internal and risk management controls, are adequate, to meet the requirements of the SLFRS/LKAS	Complied	Refer the Pages 183 to 184
	Assessment of the independence and performance of the Entity's External Auditors	Complied	Refer the Pages 183 to 184
	Make recommendations to the Board pertaining to External Auditors	Complied	Refer the Pages 183 to 184
7.10.6 (c)	The Annual Report shall set out;		
	(i) The names of the Directors who comprise the Audit Committee	Complied	Refer the Pages 183 to 184
	(ii) The Audit Committee shall make a determination of the independence of the Auditors and disclose the basis for such determination	Complied	Refer the Pages 183 to 184
	(iii) A report by the Audit Committee setting out the manner of compliance of the functions set out in Section 7.10 of the Listing Rules	Complied	Refer the Pages 183 to 184

STATEMENT OF COMPLIANCE

REPORT ON COMPLIANCE WITH THE RULES ON THE CONTENT OF THE ANNUAL REPORT AS PER SECTION 9.3.2 OF THE LISTING RULES (RELATED PARTY TRANSACTIONS)

The Related Party Transactions Review Committee (RPTR) has been appointed by the Board of Directors of the Company to ensure compliance with the rules and regulations governing related party transactions.

Listing Rule Reference	Listing Rule - (Description)	Status of Compliance	Details/ Reference
9.2 Related Party Transactions Review Committee			
9.2.1	Review of Related Party Transaction (RPT)	Complied	Refer the Page 188
9.2.2	The Committee should comprise a combination of Non-Executive Directors and Independent Non-Executive Directors, One Independent Non-Executive Director shall be appointed as Chairman	Complied	Refer the Page 188
9.3.2	Disclosures in the Annual Report		
	In the case of Non-recurrent Related Party Transactions, if aggregate value of the non-recurrent Related Party Transactions exceeds 10% of the Equity or 5% of the Total Assets, whichever is lower, of the Listed Entity as per the latest Audited Financial Statements the required information in the rule must be presented in the Annual Report	Not applicable There were no Non- recurrent Related Party Transactions exceeded 10% of the Equity or 5% of the Total Assets (2022/23)	
	In the case of Recurrent Related Party Transactions, if the aggregate value of the recurrent Related Party Transactions exceeds 10% of the gross revenue/income (or equivalent term in the Income Statement and in the case of group entity consolidated revenue) as per the latest Audited Financial Statements, the Listed Entity must disclose the aggregate value of recurrent Related Party Transactions entered into during the financial year in its Annual Report. The name of the Related Party and the corresponding aggregate value of the Related Party Transactions entered into with the same Related Party must be presented with the required information.	Complied	Refer the Note 40.6
	Annual Report shall contain a report compiled by the Related Party Transaction Review Committee including followings: → Names of the Directors who are in the committee → Statement with regard to Related party transactions reviewed during the financial year → Number of times the committee has met during the financial year → Policies and procedures adopted by the RPT Committee	Complied	Refer the Page 188
	A declaration by the Board of Directors in the Annual Report as an affirmative statement of the compliance with these Rules pertaining to Related Party Transactions or a negative statement in the event the Entity has not entered into any Related Party Transaction/s.	Complied	Annual Report of the Board of Directors (page 138 to 140)

REPORT ON THE STATUS OF COMPLIANCE WITH SECTION 168 OF THE COMPANIES ACT NO. 07 OF 2007 IS PRESENTED BELOW.

Reference to the Companies Act	Listing Rule - (Discription)	Status of Compliance	Details/ Reference
Section 168 (1) (a)	The nature of the business of the Company together with any change thereof during the accounting period	Complied	Refer the page 138.
Section 168 (1) (b)	Signed Financial Statements of the Company for the accounting period completed in accordance with Section 151 and 152	Complied	Financial Statements of the Group and the Company for the year ended 31 March 2023 have been prepared in accordance with the requirements of the Sri Lanka Accounting Standards and comply with the requirements of the Companies Act No. 07 of 2007 which were duly certified by the Chief Financial Officer (the person responsible for the preparation of the Financial Statements) and were approved by two members of the Board as appearing on pages from 208-296 form an integral part of this Report.
Section 168 (1) (c)	Auditors' Report on the Financial Statements of the Company	Complied	Refer pages 205 to 207 for the "Independent Auditors' Report"
Section 168 (1) (d)	Accounting policies of the Company and any change therein	Complied	Note to the Financial Statements: Significant Accounting Policies adopted in the preparation of the Financial Statements of the Group and the Company are given on pages from 213 to 294. There were no changes to the Accounting Policies adopted.
Section 168 (1) (e)	Particulars of the entries made in the Interests Register of the Company during the accounting period.	Complied	The Company maintains the Interest Registers. All Directors have made declarations as required by Sections 192 (1) and (2) of the Companies Act aforesaid and all related entries were made in the Interest Registers during the year under review. The Interest Registers are available for inspection by shareholders or their authorised representatives as required by Section 119 (1) (d) of the Companies Act No. 07 of 2007.
Section 168 (1) (f)	Remuneration and other benefits paid to Directors of the Company during the accounting period	Complied	Refer Note 12 to the Financial Statements on page 229. Further, refer the Remuneration Committee Report on page 185.

STATEMENT OF COMPLIANCE

Reference to the Companies Act	Listing Rule - (Discription)	Status of Compliance	Details/ Reference
Section 168 (1) (g)	Total amount of donations made by the Company during the accounting period	Complied	Refer Note 12 to the Financial Statements on page 229.
Section 168 (1) (h)	Information on Directorate of the Company during and at the end of the accounting period	Complied	Refer the Pages 38 to 43.
Section 168 (1) (i)	Separate disclosure on amounts payable to the Auditors as Audit Fees and Fees for other services rendered during the accounting period by the Company	Complied	Note 12 to the Financial Statements on page 229.
Section 168 (1) (j)	Auditors' relationship or any interest with the Company	Complied	Refer the Page 205 to 207 for Auditors' Report.
Section 168 (1) (k)	Acknowledgement of the contents of this Report/Signatures on behalf of the Board	Complied	Refer the Page from 138 to 140.

AUDIT COMMITTEE REPORT

CHARTER OF THE COMMITTEE

The Board Audit Committee (BAC) assists the Board in the discharge of its responsibilities by overseeing financial reporting, internal/ external audits and internal control practices. The BAC Charter clearly defines the Terms of Reference (TOR) of the Committee and regulates the composition, functions and responsibilities of the BAC. The Committee shall have the power to conduct or authorise investigations into any matters within the Committee's scope of responsibilities. The Committee shall have unrestricted access to members of management and other employees of the Group, as well as all information relevant to the carrying out of its responsibilities.

COMPOSITION

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

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

Ms. Minette Perera
Chairperson –
Independent Non-Executive Director

Mr. Nishan Fernando
Independent Non-Executive Director

Mr. Ramesh Schaffter
Non-Independent Non-Executive Director

Secretary to the Committee

Mr. Kapila Perera
Chief Risk Officer

Brief profiles of the members of the Board appointed Audit Committee are given on Pages 38 to 43 of the Annual Report.

MEETINGS

Four audit committee meetings were held during the year under review. 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 2022/23 is as follows.

Membership Status	Name of Director	Attendance in FY2023 (Attended/Eligible to Attend)
Chairperson	Ms. Minette Perera	4/4
Members	Mr. Nishan Fernando	3/4
	Mr. Ramesh Schaffter	3/4
Secretary	Mr. Kapila Perera	4/4

Regular Attendees by Invitation

Mr. Dilshan Wirasekara (Managing Director)	4/4
Mr. Mangala Jayashantha (Chief Financial Officer)	4/4
Ms. Harshanee Deshapriya (Head of Legal)	4/4
Ms. Nisansala Kothalawala (Senior Manager – Risk and Compliance)	4/4

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;
- Providing an avenue of communication among the external auditors, internal auditors, management and the Board; and
- Review the integrity and adequacy of Group's internal control process.

FINANCIAL REPORTING SYSTEM

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

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

AUDIT COMMITTEE REPORT

SIGNIFICANT ACCOUNTING JUDGEMENTS CONSIDERED DURING THE YEAR

The following issues were addressed, and the judgements were taken by the committee during the year under review.

- Recognition of Deferred Tax Asset
- Carrying Value of Investments in Group Companies
- Adequacy of provisions related to Investment in Kanrich Finance Limited
- Adequacy of Impairment provision in line with IFRS 9
- Tax related matters

INTERNAL AUDIT / CONSULTANCY SERVICE

The Internal Audit/Consultancy function of the Group, except First Capital Treasuries PLC and First Capital Asset Management Limited has been outsourced to M/s. PricewaterhouseCoopers. M/s Ernst & Young Consulting Services (Pvt) Ltd has been assigned as the consultant to the Board Audit Committee and to conduct benchmark review of internal controls covering the operations of First Capital Treasuries PLC and First Capital Asset Management Limited and reporting there on. Control weaknesses/ gaps highlighted in the audit reports were examined by the Committee and follow up action taken by the management on the audit recommendations / leading practices were also reviewed. The committee reviewed the effectiveness of the internal audit/consultancy function and the scope and procedures 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 2022/23 were also reviewed with the External Auditors prior to release.

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

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

Having determined the independence of the auditor and 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 2024, subject to the approval of the shareholders at the Annual General Meeting.

RISK MANAGEMENT AND INTERNAL CONTROLS

The Committee reviewed major financial risk exposures and the guidelines and policies which management has put in place to govern the process of monitoring, controlling and reporting such exposures. The Committee also reviewed the pending legal matters relating to the Group and its impact to the Group emphasising on the risks embedded. The Group has a separate policy on Incident and Near miss reporting procedure and whistleblowing procedures to avoid the financial and reputation risk involved and the Committee is briefed on the significant incidents raised.

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

15 August 2023

REMUNERATION COMMITTEE REPORT

COMPOSITION OF THE COMMITTEE

The Remuneration Committee was appointed by the Board of Directors of the company. As at 31 March 2023, the committee comprised the following directors.

Mr. Chandana de Silva
Independent Non-Executive Director
(Chairman of the committee)

Mr. Ramesh Schaffter
Non Independent Non-Executive Director
(Member)

Dr. Nishan De Mel
Independent- non-Executive Director
(Member)

Brief profiles of the members of the Board appointed Remuneration Committee are given on pages 38 to 43 of the Annual Report.

SCOPE OF THE REMUNERATION COMMITTEE

The scope of the Remuneration committee covers the company's remuneration and benefits, competency development of employees, especially the key drivers of the business, and succession planning.

KEY RESPONSIBILITIES OF THE REMUNERATION COMMITTEE

- Review and recommend a remuneration and incentive scheme, including any proposed equity incentive awards including terminal benefits/pension rights for the Managing Director/ CEO and KMPs.
- Review proposed increments and market adjustments to compensation to ensure appropriate rates in relation to market/industry and the compensation philosophy of the company.
- Approve annual increments, bonuses, incentives and any other compensation changes for the Managing Director/ CEO and the Senior Management team including KMPs, based on corporate and individual performance against set targets and goals.
- Ensure the remuneration and benefits are set on a fair and equitable basis.
- Ensure a proper mechanism is in place for management development and succession planning and periodic reviews of the same.
- Review market data on compensation and benefits and approve periodic recommendations made by the management.
- Communication with shareholders on the remuneration policy and the committee's work (on behalf of the Board) through a Remuneration committee report.
- Participate in the recruitment and selection process of the KMPs based on the recommendations made by Managing Director/ CEO.
- Recommend appropriate service contracts for Executive Directors.
- Approve the terms of any compensation package in the event of early termination of the contract of an Executive Director.
- Provide direction on disciplinary matters that involves an employee that could create a significant impact to the company.

COMMITTEE MEETINGS

The Remuneration committee convened four times during the period under review.

OTHER MATTERS

The Remuneration committee is authorised by the Board to seek appropriate professional advice inside and outside the company as and when it considers this necessary.

(Sgd.)
Mr. Chandana de Silva
Chairman – Remuneration Committee

15 August 2023

ENTERPRISE RISK MANAGEMENT COMMITTEE REPORT

The Enterprise Risk Management Committee (ERMC) is responsible for establishing and maintaining a comprehensive Enterprise-wide Risk Management System for identifying, assessing and managing risk to assist the FCG's Corporate Management Team in managing risk with reasonable assurance in a dynamic business environment.

CHARTER OF THE COMMITTEE

The Enterprise Risk Management Committee was formed in May, 2012. The Committee was formed by the Board of Directors based on the requirement mentioned in "Code of Best Practice on Corporate Governance" to conduct a review of the risks facing the Company and the effectiveness of the system of internal controls. Although the responsibility was mentioned under Audit Committee, ERMC was formed independently considering the gravity of attention required in monitoring and assessing risk regularly for the Group. The charter of the ERMC was approved by the Board of Directors and is reviewed periodically. As part of the annual review process, the Committee last reviewed the charter in August 2022.

COMPOSITION OF THE COMMITTEE

Name of the Board Subcommittee Member	Designation	Membership Status
Mr. Nishan Fernando	Independent Non-Executive Director	Chairman
Mr. Dilshan Wirasekara	Managing Director	Member
Mr. Tharusha Ekanayake	Chief Operating Officer	Member
Mr. Mangala Jayashantha	Chief Financial Officer	Member
Ms. Sujani Sellahewa	Deputy General Manager – Operations	Member
Mr. Kapila Perera	Chief Risk Officer	Secretary to the Committee

KEY RESPONSIBILITIES AND SCOPE OF WORK OF THE COMMITTEE

- Overall responsibility for the Enterprise Risk Management process, including developing and implementing the processes and procedures to identify, assess, respond to and report on the extreme/high/ significant risks identified in the risk assessment process.
- Monitor the risk management process which involves the systematic application of policies, procedures and practices to the activities of communicating and consulting, establishing the context and assessing, treating, monitoring, reviewing, recording and reporting risk.
- Ensure proper risk management by recommending to the board ownership, roles, responsibilities, and accountabilities related to risk management.
- Promote the Enterprise Risk Management model to the Corporate Management Team and educate them on the enterprise risk management process.
- Ensure that risk management is integrated into all organisational activities and should demonstrate leadership and commitment.
- Ensure that the risk management framework remains appropriate to the context of the organisation.
- Review and recommend the charter of the ERMC for approval of the Board.
- Review periodic reports on the ERMC's discharge of their responsibilities listed in its charter.
- Work with business units on monitoring and reporting to ensure compliance with the regulatory standards and reporting of the risks identified and prioritised by the Committee, as well as those risks which are not included in the scope of the ERMC.
- Work with business units regarding their internal control aspect and ensuring that a dynamic monitoring, reporting and remedial process is in place.
- Report to the Audit Committee and the Board of Directors regarding
  - The progression of enterprise risk management and its implementation.
  - Identifying of significant and material risk exposures across FCG.
  - Consolidated enterprise risk management plan encompassing analysis and recommendations.
- Request budget allocation for consulting, training, software, or other expenses determined necessary.
- Submit a risk assessment report/ risk register on quarterly basis to the Board of Directors
- Take prompt corrective action to mitigate the effects of specific risks in the case such risks are at levels beyond the prudent levels decided by the Committee/Board on the basis of the company's policies and regulatory and supervisory requirements
- Ensured staffs are trained adequately on compliance related laws, regulations, policies and procedures as a tool in mitigating the Bank's compliance risk by educating employees and maintaining their ongoing awareness. The programmes include both formal training courses and ongoing communications
- Review and approve periodic Compliance Reports to the regulators (SEC, CBSL, CSE etc.) which requires approval of the Board of Directors.

COMMITTEE MEETINGS

ERM Committee held 11 meetings during the year under review. The proceedings of the Committee meetings have been reported to the Board Audit Committee and the Board Meetings.

Membership Status	Name of Director	Attendance in FY2023 (Attended/Eligible to Attend)
Chairman	Mr. Nishan Fernando (Group Chairman)	10/11
Members	Mr. Dilshan Wirasekara (Group Managing Director)	11/11
	Mr. Tharusha Ekanayake (Chief Operating Officer)	11/11
	Mr. Mangala Jayashantha (Chief Financial Officer)	11/11
	Ms. Sujani Sellahewa (DGM – Operations)	11/11
Secretary	Mr. Kapila Perera (Chief Risk Officer)	11/11

Regular Attendees by Invitation:

Mr. Anjelo Simmons (Chief Dealer)	11/11
Mr. Jaliya Wijeratne (Chief Executive Officer – First Capital Equities (pvt) Ltd)	11/11
Ms. Nisansala Kothalawala (Senior Manager – Risk & Compliance)	11/11

OTHER RESPONSIBILITIES OF THE COMMITTEE

ERMC also supports the Board of Directors in fulfilling its oversight responsibilities relating to compliance matters. In this capacity, the Committee reviews the implementation of compliance programs, policies and procedures that are designed to respond to the various compliance and regulatory risks of the Group. The Committee is also responsible to review and refer for action to any subcommittee of Board matters that are either specifically referred to the attention of the Committee or that comes to the attention of the Committee from Board filings that impact systemic risks to the Company, with a clear objective of eliminating repeat findings or managing forward risks.

(Sgd.)
Mr. Nishan Fernando
Chairman – Enterprise Risk Management Committee

15 August 2023

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
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 Related Party Transactions Review Committee are given on pages 38 to 43 of the Annual Report.

The Company Secretary functions as the Secretary to the Committee.

SCOPE

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

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

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

POLICIES AND PROCEDURES

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

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

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

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

MEETINGS

The Committee held four 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 2022/23 is as follows.

Membership Status	Name of Director	Attendance in FY2023 (Attended/Eligible to Attend)
Chairperson	Ms. Minette Perera	4/4
Members	Mr. Nishan Fernando	3/4
	Mr. Dinesh Schaffter	2/2
	Mr. Ramesh Schaffter*	1/2

* Mr. Ramesh Schaffter was appointed to the Committee in place of Mr. Dinesh Schaffter w.e.f. 15 September 2022

DURING THE YEAR UNDER REVIEW

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

There were no recurrent related party transactions that exceeded the thresholds that required the immediate market disclosure or shareholder approval as required under Section 9 of the Continuing Listing Requirements of the CSE. Recurrent related party transactions that require disclosure in the Annual Report are given in Note 40.6 of the Financial Statements.

DECLARATION BY THE BOARD OF DIRECTORS

A declaration by the Board of Directors relating to compliance under the listing rules is given on pages 177 to 180 of the Annual Report.

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

15 August 2023

REPORT OF THE BOARD NOMINATION COMMITTEE

The principal role of the Board Nomination Committee is to proactively manage the composition of the Board which is under the delegated authority of the Board of Directors of the company. The committee is also charged with oversight of succession plans for the Managing Director/ Chief Executive Officer and other key positions of the organisation.

CHARTER OF THE COMMITTEE

The Committee has been empowered to discuss the issues under its purview and report back to the Board of Directors with recommendations, enabling the Board to take relevant decisions, define and establish the nomination process for Non-Executive Directors (NEDs), lead the process of Board appointments and make recommendations to the Board on the appointment of Non-Executive Directors.

In addition, the committee focuses on the following objectives in discharging its responsibilities:

- Review the composition of the Board and ensure that there is an appropriate balance between Executive, Non-Executive and Independent Directors.
- Assess the skills and knowledge required in the Board for the Board to discharge its duties effectively and strategically.
- Periodically assess the extent to which the required skills are represented at the Board.
- Prepare a clear description of the role and capabilities required for appointments.
- Identify and recommend suitable candidates for appointments to the Board.
- Ensure, on appointment to the Board, Non-Executive Directors receive a formal letter of appointment specifying clearly the expectations in terms of time commitment, involvement outside of the formal Board meetings, participation in committees, amongst others.
- Ensure that every appointee undergoes an induction to the Group.
- Ensure that the appointment of the Chairperson and the Executive Directors is a collective decision by the Board.
- Self-assessment of the Nomination Committee and its members.

COMPOSITION OF THE COMMITTEE

During the year under review, the Board Nomination Committee comprised of the following members. The Committee met two times during the year 2022/23.

Name of the Board Subcommittee Member	Membership Status	Attendance in 2022/23 (Attended/ Eligible to Attend)
Mr. Nishan Fernando	Chairman (Independent Non-Executive Director)	2/2
Dr. Nishan de Mel	Member (Independent Non-Executive Director)	2/2
Ms. Manjula Mathews	Member (Non-Independent Non-Executive Director)	2/2

COMMITTEE STRUCTURE DIVERSITY

Type of Directorship	Composition (%)
Non-Executive	100%
Executive	0%
Total	100%

SECRETARY TO THE NOMINATION COMMITTEE

Janashakthi Corporate Services Limited serves as the Secretary to the Nomination Committee.

PROFESSIONAL ADVICE

The Committee has the authority to seek external professional advice on matters within its purview whenever required.

THE YEAR AHEAD

The Committee will continue to review the skills and knowledge required by the Board, minimise key individual dependency risk and identify and groom suitable candidates to key positions of the organisation. The committee will also ensure that the Company is in compliance with its stipulated framework and is in compliance with the regulations issued by the Colombo Stock Exchange (CSE) on Board composition.

CONCLUSION

The Committee continues to work closely with the Board of Directors in relation to the structure, size and composition of the Board ensuring diversity and balance of skills, knowledge and experience. The Committee is satisfied that the representation of skills, knowledge and experience on the Board is appropriate for the Company's current needs at Board level.

(Sgd.)
Nishan Fernando
Chairman -
Board Nomination Committee

15 August 2023

INVESTMENT, ASSET AND LIABILITY COMMITTEE REPORT

The Investment Asset and Liability Committee (IALCO) has the delegated authority of the Board of Directors to make strategic and operational investment decisions and is primarily responsible for the investment strategy and the asset and liability management of the Group companies. Investment decisions on debt, equity, and other related investment proposals are being evaluated by the Committee for the best interest of the Group. The Committee also evaluates the liquidity positions of the Group regulatory compliances related to Investment decisions while enhancing the shareholder value.

COMPOSITION OF THE COMMITTEE

Name of the Board Subcommittee Member	Designation	Membership Status
Dr. Nishan de Mel	Non-Executive Independent Director	Chairman
Mr. Nishan Fernando	Non-Executive Independent Director	Member
Mr. Dilshan Wirasekara	Managing Director/ Chief Executive Officer	Member
Ms. Manjula Mathews	Non-Executive Non-Independent Director	Member

KEY RESPONSIBILITIES AND SCOPE OF WORK OF THE COMMITTEE

- Developing the investment strategy of the group based on the strategic plan
- Review, Evaluate and approve Investment decisions relating to the investment strategy
- Ensure adherence to the regulatory and Internal compliance levels and policies in making investment and borrowing decisions
- Reviews the performance of the existing portfolios
- Advise and recommend investment decisions for the best interests of the stakeholders

COMMITTEE MEETINGS

- Investment Committee held 24 meetings during the year under review. The proceedings of the Committee meetings have been escalated to the Board Meetings.

Name of the Board Subcommittee Member	Membership Status	Attendance in 2022/23 (Attended/ Eligible to Attend)
Mr. Dinesh Schaffter	Former Chairman	15/17
Dr. Nishan de Mel	Chairman	22/24
Mr. Nishan Fernando	Member	23/24
Mr. Dilshan Wirasekara	Member	24/24
Ms. Manjula Mathews	Member	06/07

METHODOLOGY ADOPTED BY THE COMMITTEE

The committee evaluates the business environment and captures the changes in micro and macro factors in making decisions that will be best suited to the business unit prevailing under the given conditions. The committee would also instruct executive officers from time to time on investment paradigms for enhancing shareholder returns.

The committee meets bi-weekly to evaluate the strategy and risks associated with the future and past investment decisions. Also, the committee evaluated the progress of the investment decisions made by the committee in past and measured the performance of the portfolios carried out by each business unit in the Group. The performance report of each business unit with key performance indicators is presented to the Investment Committee to make better decisions and to the evaluation of past decisions.

(Sgd.)
Dr. Nishan de Mel
Chairman -
Investment Asset and Liability Committee

15 August 2023

DIRECTORS' STATEMENT ON INTERNAL CONTROL

The Board is responsible for maintaining a sound system of internal controls to safeguard shareholders' investments and company assets. The Board has delegated the function of monitoring the adequacy of internal controls to the Board Audit Committee among other duties. The function is further delegated to the Enterprise Risk Management Committee to monitor the same more frequently.

The main function of the Enterprise Risk Management (ERM) process is to identify the principal risks impacting the business and take mitigating actions. The Management of the company identifies the risks that affect the business and reports matters to relevant sub-committees. The senior management, based on the ERM framework, Risk and Compliance division with the advice of Senior management implements policies on risk and control. The risk and compliance division are accountable to the Board for monitoring and providing assurance as to the effectiveness of internal controls. The company has commissioned M/s EY, as independent internal auditors, to ensure the effectiveness of the internal control systems. As a result of their activities, several processes have been enhanced during the year under review.

The Board has implemented the following to obtain reasonable assurance that proper systems of internal controls are in place;

- The delegation of authority has been revisited with the recent changes to the organisation structure and relevant changes were made to ensure system and internal controls.
- The effectiveness of the internal audit function was monitored and appointed M/s EY as the internal auditor for all subsidiary companies.
- Board Audit Committee (BAC), Enterprise Risk Management Committee (ERMC), and independent Internal Auditor ensure reviewing and reporting on the internal control environment of the company.
  - The minutes of the BAC and ERMC meetings are tabled at regular Board meetings. The report of the BAC and ERMC are provided in the annual report.
  - The BAC reviews and approves the internal audit plan for the year. The audit plan is structured on a matrix based on key risk areas including the adequacy of internal controls. Delivery dates of action plans are regularly monitored, and any delays are highlighted and rectified.
  - During the year under review the audit committee reviewed nine audit reports and four management letters submitted by both internal and external auditors. The reports covered key findings with management comments and actions taken to rectify any control weaknesses. Control weaknesses identified in previous reviews were also tracked to ensure that the management has taken the necessary action to eliminate or minimise any risks.
- On Information Technology (IT) controls, the Board has initiated multiple mechanisms.
  - IT system audits including vulnerability and penetration testing assessments were carried out to ensure the integrity of financial information, data security, and adequate access controls are in place with regard to the processing of data.
  - During the year, cyber security was considered an area of focus and a penetration testing assessment was conducted to ensure the safety of critical assets of the company in this context.
- The company's ERM Framework was updated based on the latest ISO 31000 – 2018 standards and the same was reviewed and approved by the Board of Directors.
  - An ongoing process is in place for identifying, evaluating, and managing the risks faced by the company. This is performed at each department level in detail. A summary of the same along with an analysis of emerging risks are tabled and presented to the ERMC monthly.
  - A summary of the key risks is updated on a risk grid and reported to the BAC on a quarterly basis.
  - The process continued to be effective during the year under review.
- The BAC reviewed and approved the Internal Audit scope which includes specifically ensuring the effective design and implementation of internal controls;
  - The effectiveness of the internal controls is measured based on the repetition of the control weaknesses or improvement areas that have been highlighted in the audit reports.
  - Improvements in line with industry and / or non-industry best practices are also implemented on an ongoing basis.
  - BAC continued to monitor the progress of the bottom-up compliance sign off process which strengthened the control environment and provide comfort to the senior management and the Board of Directors that staff at all functions are aware and conducts business transactions as per the rules and procedures.
  - Risk and Compliance division review the process and system gaps frequently and policies and processes are being implemented and updated in order to mitigate the risks identified based on such assessments.

CONCLUSION

The Board having implemented the above is aware that such systems are designed to mitigate rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable and not absolute assurance against material misstatements of loss.

(Sgd.)
Mr. Dilshan Wirasekara
Managing Director/ CEO

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

(Sgd.)
Mr. Nishan Fernando
Chairman

15 August 2023

ENTERPRISE RISK MANAGEMENT REPORT

CONNECTED VALUE DRIVERS

Effective risk management underpins the successful delivery of our strategy and longer-term sustainability of the business. Risk conduct and values are central to our business culture and are embedded in our approach to enterprise risk management.

RISK CULTURE

First Capital's risk culture is well established, grounded in the long-held values that underpin corporate philosophy. Our risk profile is consistent with the business model and core businesses of Government Securities, Corporate Finance and Advisory, Asset Management, and Stock Brokering. We have minimal exposure to non-core businesses and assets. As a provider of both fund-based and fee-based services, we take calculated risks in order to achieve targeted returns. Our robust credit fundamentals and financial position is reflected in our credit rating of A (Stable) by Lanka Rating Agency.

The role of the Board is to promote the long-term interests of First Capital, considering the Group's specific and broader responsibilities to its stakeholders and the society. The Board is committed to oversight of the Group's performance, risk management, engagement with regulators and culture. In line with long term strategy, the Board promotes the creation, growth and protection of value. The Board is ultimately responsible for the framework, including oversight of its operation by Management.

The operation of the enterprise risk management model is overseen as delegated by the Board, through the amalgam of the Enterprise Risk Management Committee, Board Audit Committee, Investment, Asset and Liability Committee, Related Party Transactions Review Committee, Nominations Committee and the Remuneration Committee.

RISK APPETITE FRAMEWORK

Our risk appetite represents the nature and amount of risk that First Capital is willing to accept in pursuit of strategy. Risk appetite is consistent with our strategic intent and with achieving quality and resilience of our income streams; maintaining our legitimacy and reputation; and being agile in navigating market conditions.

The Board's risk appetite statements straddle strategic, financial and non-financial risks and may be quantitative or qualitative in nature as applicable to the risk considered. The Board reviews strategic objectives and risk appetite at least annually. Our risk appetite policy is built on rigorous and comprehensive procedures and conservative capital management.

STRESS TESTING AND ANALYTICS

Stress testing is a key measure of aggregate risk appetite, calibrated to First Capital's ability to withstand severe stress. Stress testing is an integral component of our risk management framework and a main input in assessing the impact of interest rate and market risk on group portfolio values, capital adequacy, earnings and net asset positions in addition to its utility in flagging any potential threat to regulatory requirements/limits.

Stress testing scenarios are designed using a set of scenario objectives, which are reviewed annually by the Risk and Compliance division. These metrics provide a basis for analysis and communication of risk, for explicit consideration of the risk profile, raising awareness of risks and facilitating debate and action in view of potential future risks.

The Risk and Compliance division engages in continuous monitoring and upgrading of techniques used for interest rate risk assessment. Risk mitigation actions are identified and communicated to relevant business units. The robust middle office function ensures adherence to limits, the flagging of off-market rates applied to transactions and such exceptions are duly escalated for necessary approval. Middle office is empowered to review internal limits with the change of market conditions and provide analytical reports to the Management.

We are supported by market leading in-house research in analysing the dynamics of the economic, political, and social environment to forecast the scenarios impacting our investments and to mitigate the risks encountered, in a cohesive manner. Research insights enable us to stress test our exposures in order to initiate timely mitigation measures.

'RISK CULTURE' AS A VALUE DRIVER

We create value through disciplined service delivery and the responsible management of our assets, achieving sustainable growth through the value drivers of Service Focus, Employee Focus, Risk Culture, Financial Sustainability and Societal Impact.

The Risk Culture value driver encompasses our conduct, culture, frameworks, processes and the overall risk governance mechanism which upholds and facilitates enterprise risk management. We carefully assess and manage material risks that impact us and opportunities embedded in such risks, as levers for value creation through our value drivers.

The Risk and Compliance division provides inputs, suggestions, solutions and remedial actions from a risk conduct and risk management perspective, to enhance the efficiency of the administrative process followed by the executive team in key decision making and corporate strategic planning.

By introducing risk-based-thinking early on, the division enables a smooth transition to execution of strategy by eliminating reactionary responses to risk. Without following the traditional compliance process which is postmortem in nature, we manage risk and lay down policies and procedures at the inception to effectively mitigate compliance risk while executing strategy.

STRATEGY AND RESOURCE ALLOCATION

Based on the strategy of being proactive in assessing and analysing risk at the ignition level, First Capital invested in HR and IT resources that enables a robust risk management framework. The Group has taken actions to improve the risk management and compliance awareness of all staff members through internal and external workshops. The Risk and Compliance division is resourced by eight knowledgeable professionals with expertise in business operations, products, and risk. The First Capital core application system is strengthened by incorporating necessary modifications that facilitate segregation of duties and compensating controls and enables the monitoring of risk parameters.

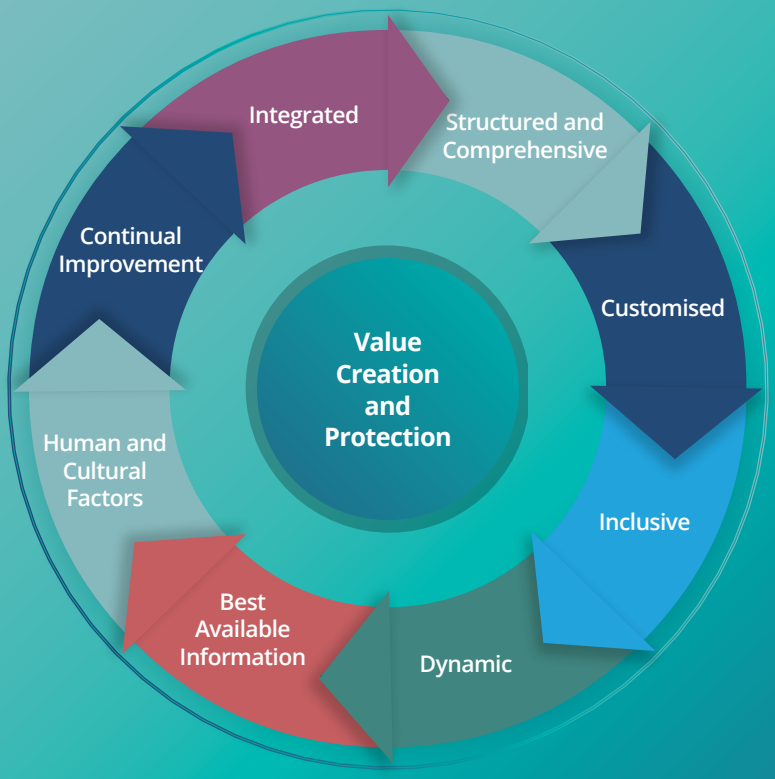
OUR ENTERPRISE RISK MANAGEMENT FRAMEWORK

First Capital's risk management framework is the totality of systems, structures, policies, processes and people within the Group that identify, measure, monitor, report and control or mitigate internal and external sources of material risk. Material risks are those that could have a material impact, financial or non-financial, on the Group.

Our enterprise risk management framework is based on ISO 31000:2018-Risk Management, which provides benchmark guidelines, principles and processes for managing risk. The framework provides the governance structure and approach to the First Capital risk management discipline, directing us towards sound risk conduct. No material changes were made to the framework this year and the focus remained on the several key strategic initiatives and the maturity of implementation.

ENTERPRISE RISK MANAGEMENT REPORT

COMPONENTS OF THE ENTERPRISE RISK MANAGEMENT FRAMEWORK



RISK MANAGEMENT PRACTICES

Through the enterprise risk management framework we continue to elicit higher levels of certainty and visibility about potential risks and clarity regarding how these risks are mitigated. It also ensures that information about risk derived from the risk management process is adequately reported and used as a basis for decision making and accountability at all relevant institutional levels. This requires an integrated approach in all business areas to enable an effective risk management process from identification through to mitigation.

Integrating enterprise risk management into an institution is in itself a dynamic and iterative process, customised to the institution's needs and culture. We will continue to enhance our risk awareness, process and integration with compliance risk requirements business-wide in a dynamic regulatory setting. As we mature, our business continuity plans, strategy and risk management activities we intend to gain an improved resilience to adverse risk events imminent in the current operating context.

THREE LINES OF DEFENCE

First Capital's approach to risk management adopts the 'three lines of defence' model, which sets risk ownership responsibilities as functionally independent from oversight and assurance:

1st Line of defence

The primary responsibility for risk management lies with each business unit. The risk owner is the first line of defence. All staff throughout the Group are expected to manage risks in accordance with the risk management framework.

2nd Line of defence

The second line of defence is made up of the Enterprise Risk Management Committee (ERMC) and the independent Risk and Compliance division which provide independent and objective review and challenge, oversight, monitoring and reporting in relation to First Capital's material risk.

The ERMC is a Board sub-committee chaired by an independent non-executive director (The Chairman) that ensures principal and emergent material risks as well as events and outcomes which may significantly impact business continuity, profitability and reputation are identified, assessed and responded to through appropriate controls whilst apprising the Board in this regard.

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

One of the salient features of First Capital is its segregated middle office. The division consists of staff members who are competent and experienced in validating all Group transactions based on prevailing market rates/prices, economic conditions and counterparty quality. The middle office validates transaction risks across the Group for price, limits, and approvals, where any exceptions encountered are escalated for higher approval.

The Investment, Asset and Liability Committee whilst directing investment strategy of the Group takes a consistent approach to investment as well as asset and liability management across the business, determining limits and the controls applicable on predominantly market risks included under its general mandate.

3rd Line of defence

The Internal and External Auditors, provides independent and objective risk-based assurance on the compliance with, and effectiveness of, First Capital's financial and risk management framework. Internal Auditors convey assurance through their review reports to the Board Audit Committee on a semi-annual basis. The Committee reviews the financial reporting and audit process, the systems of internal control and the Group's procedures for monitoring statutory and regulatory compliance alongside the rule-regime in place.

ENTERPRISE RISK MANAGEMENT REPORT

MATERIAL RISKS FACED BY FIRST CAPITAL IN FY2023

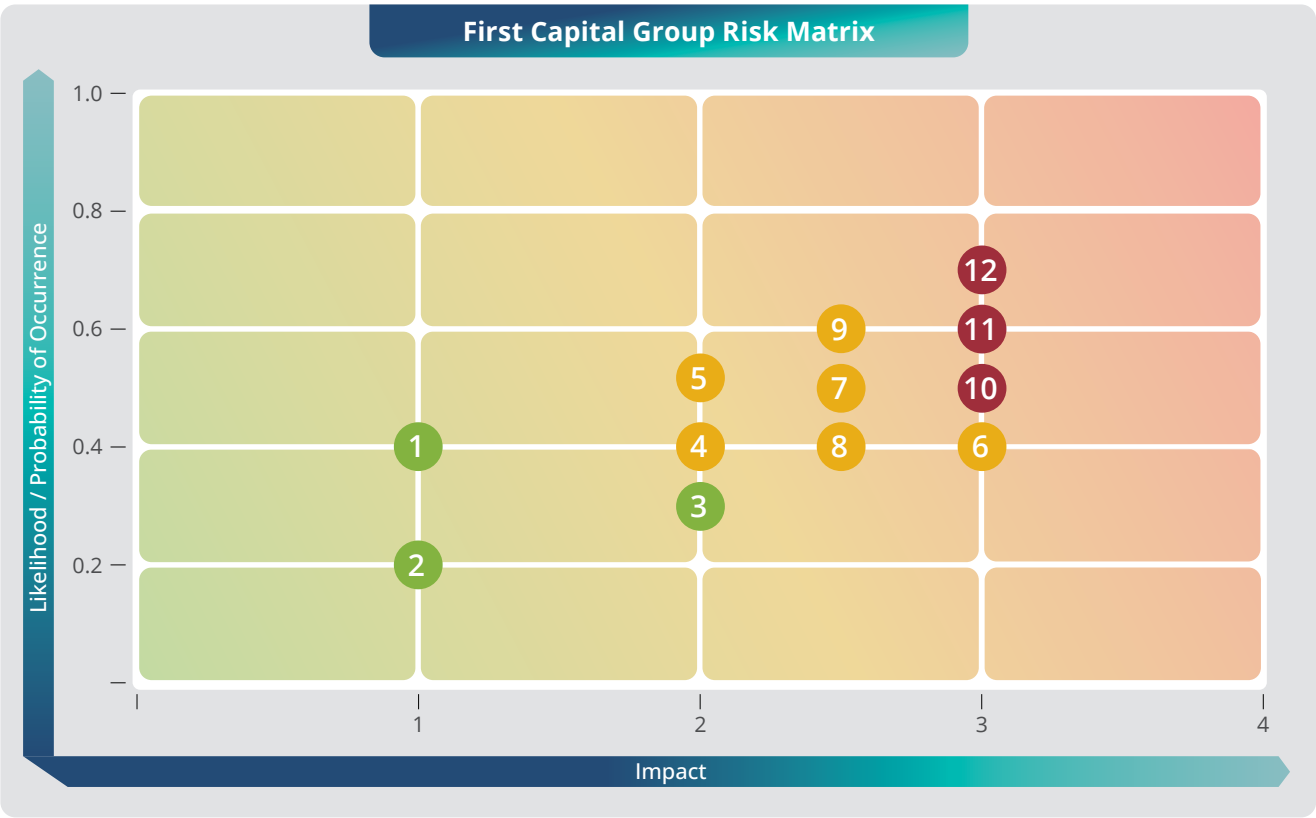
RISK AND OPPORTUNITY MATRIX

Our risk and opportunity matrix provides the impact and likelihood ratings that are utilised for risk assessments. It also provides interpretative guidance on categorisation of impact and likelihood to foster institutional uniformity in classifying, rating and prioritising risks.

Risk ratings are monitored periodically and subject to change based on overall variations in impact to the Group and percentage of likelihood.

Risk rating matrix

Depending on the results obtained, risks will be positioned in the matrix given below;



1	Equity Market Risk	5	Credit Risk	9	Interest Rate Risk
2	Regulatory and Compliance Risk	6	Operational Risk	10	Information and Cyber Security Risk
3	Business Continuity Risk	7	Strategic Risk	11	Political and Policy Risk
4	Liquidity Risk	8	Reputation Risk	12	Macro-economic Risk

RISK AND OPPORTUNITY ASSESSMENT

Risk	Identification	Assessment (including risk grading)	Control measures	Risk Rating FY2023	Risk Rating FY2022
Interest Rate Risk	Portfolio sensitivity as a percentage of net asset value of the portfolio; → Stress testing results on impact to capital adequacy.	Probability: Possible Impact: Medium, based on the sensitivity measurement and stress testing results.	Portfolio composition was adjusted based on the direction of interest rates, internal controls and the risk appetite of the Company which is regularly reviewed by the Investment, Asset and Liability Committee. We conducted continuous forecasting and assessed the likelihood of occurrence, taking optimal mitigatory action.	Medium	Low
Equity Market Risk	Portfolio sensitivity as a percentage of net asset value.	Probability: Possible Impact: Low, as sensitivity changes against the market index (ASPI) change is negligible.	Monitoring of stop loss limits and managing the portfolio composition accordingly.	Low	Low
Liquidity Risk	Interest spread.	Probability: Possible Impact: Medium, as the Company maintains a satisfactory level of contingency funding.	Suitable funding arrangements were selected in order to maintain the spread within the levels stipulated by the Management. We monitored liquidity levels according to internal requirements. Contingency funding lines are in place.	Medium	Low
Credit Risk	Collateral of loans and exposure to counterparties; → Credit exposure of Stock Brokering clients; → Related party exposure.	Probability: Possible Impact: Medium, as the Company maintains a moderate level of exposures	Required approvals on loans were obtained from the relevant authorities according to the Investment Policy Guideline of the Company. Client accounts of the Stock Brokering business were monitored by the Risk and Compliance division and non-compliances against the internally set limit were regularised in order to avoid regulatory non-compliance. Internal limit structure was strictly adhered to.	Medium	Medium

ENTERPRISE RISK MANAGEMENT REPORT

Risk	Identification	Assessment (including risk grading)	Control measures	Risk Rating FY2023	Risk Rating FY2022
Regulatory and Compliance Risk	Compliance of laws rules and directives issued by the CBSL, the CSE, the SEC, the FIU, and other statutory bodies, if not complied, could result in loss of licenses and penalties being imposed, resulting in reputational loss and loss of profits to the Company.	Probability: Remote Impact: Low	Comprehensive Board-approved suite of compliance policies are in place and these are reviewed on an annual basis. Adherence to internal controls and regulatory requirements by the business units and monitoring of the same by the Risk and Compliance division. The Compliance function tracked and reviewed compliance with regulatory guidelines.	Low	Medium
Concentration Risk	Exposure to the counterparties in investments and borrowings.	Probability: Possible Impact: Low	Internally set counterparty limit structure was followed by the business units and monitored by the Risk and Compliance division. Limit structures are reviewed regularly to adopt timely changes. Unhealthy concentrations were reported to the Board of Directors and Board sub-committees.	Low	Medium
Operational Risk	Operational effectiveness.	Probability: Low Impact: High, as operational risk directly impacts the reputation of the Company through its varied sub-components.	Incident and near-miss policy was in place to escalate operational misconduct or control lapses to the Management and the Board of Directors.	Medium	High
Reputation Risk	Non-compliances and low level of service quality.	Probability: Low Impact: High	Service standards were increased in all business units. All business units engaged in improving service quality. Integrated risk management was in place and the Risk and Compliance division reviewed and monitored all processes and regulatory compliances. Indirect reputational risk was carefully analysed and monitored. Staff at various levels engaged stakeholders as requisite, to assuage their legitimate concerns, throughout the year.	Medium	Medium

Risk	Identification	Assessment (including risk grading)	Control measures	Risk Rating FY2023	Risk Rating FY2022
Macroeconomic Risk	Impact of macro-economic factors on operations.	Probability: Medium Impact: High	Macroeconomic aspects were continuously monitored, analysed and forecasted in identifying the impact to the Company. Measures were taken to lower or mitigate specific risks that are implicitly impacted.	High	High
Information and Cyber Security Risk	Risk of losing data and threat of passing sensitive information to a third party	Probability: Medium Impact: High	All IT controls were strengthened including IT infrastructure and systems. Continuous education was provided to staff on cyber security risks. Vulnerability assessments and audits were carried out together with external consultants. Monitored the status of antivirus systems on a continuous basis.	High	Medium
Political and Policy Risk	Assessment of political stability and potential or actual change in policies	Probability: Medium Impact: High	Forecasting of political and policy risk and escalating to the Board of Directors to effect timely change in business strategy.	High	High
Business Continuity Risk	Threats to conducting business without disruption	Probability: Low Impact: Medium	Ensured minimal disruption to the normal course of business during COVID-19 pandemic. Took measures to ensure uninterrupted operations under conditions of fuel shortage in the country by keenly managing the maintenance of fuel reserves.	Low	High
Strategic Risk	Results being significantly different from the strategy and business plan as a result of changes in the business environment and risks associated with strategic decisions.	Probability: Low Impact: High	Management Committee meetings are held fortnightly to review business performance. Monthly Board review and quarterly Board meetings are held to review the business performance against budgeted. Also, updates of the initiatives of the Strategic Plan are also being reviewed. Investment, Asset Liability Committee reviews the status of the investment positions of the Group at the meetings held fortnightly.	Medium	Medium

ENTERPRISE RISK MANAGEMENT REPORT

Board Audit Committee (BAC)

- Overall monitoring and reviewing effectiveness of ERM Framework
- Identify principal risks and ensure the implementation of appropriate system to manage these risks
- Review the integrity and adequacy of FCG's internal control process

Enterprise Risk Management Committee (ERMC)

- Ensure the risk management process is transparent to stakeholders
- Ensure risk and risk management are incorporated into the strategic planning process, performance measurement systems, and day-to-day operations
- Ensure understanding of risk tolerance and how risk management affects daily decisions are cascaded from the Board of Directors to line managers
- Ensure all significant risks are prudently identified, analysed, evaluated, and treated

Related Party Transaction Review Committee (RPT)

- Overall monitoring of Related party transactions and exposures
- Ensure such transactions are conducted in line with the regulatory guidelines and other standards applicable

Investment, Asset, and Liability Committee (IALCO)

- Overall monitoring of risk exposures related to Investments and liquidity positions
- Ensure such transactions are conducted in line with the Board approved investment policy

Remuneration Committee (REMCO)

- Responsibility for selecting suitable HR resources to manage the business
- Overall responsibility for reviewing and approving remuneration

Nomination Committee (NC)

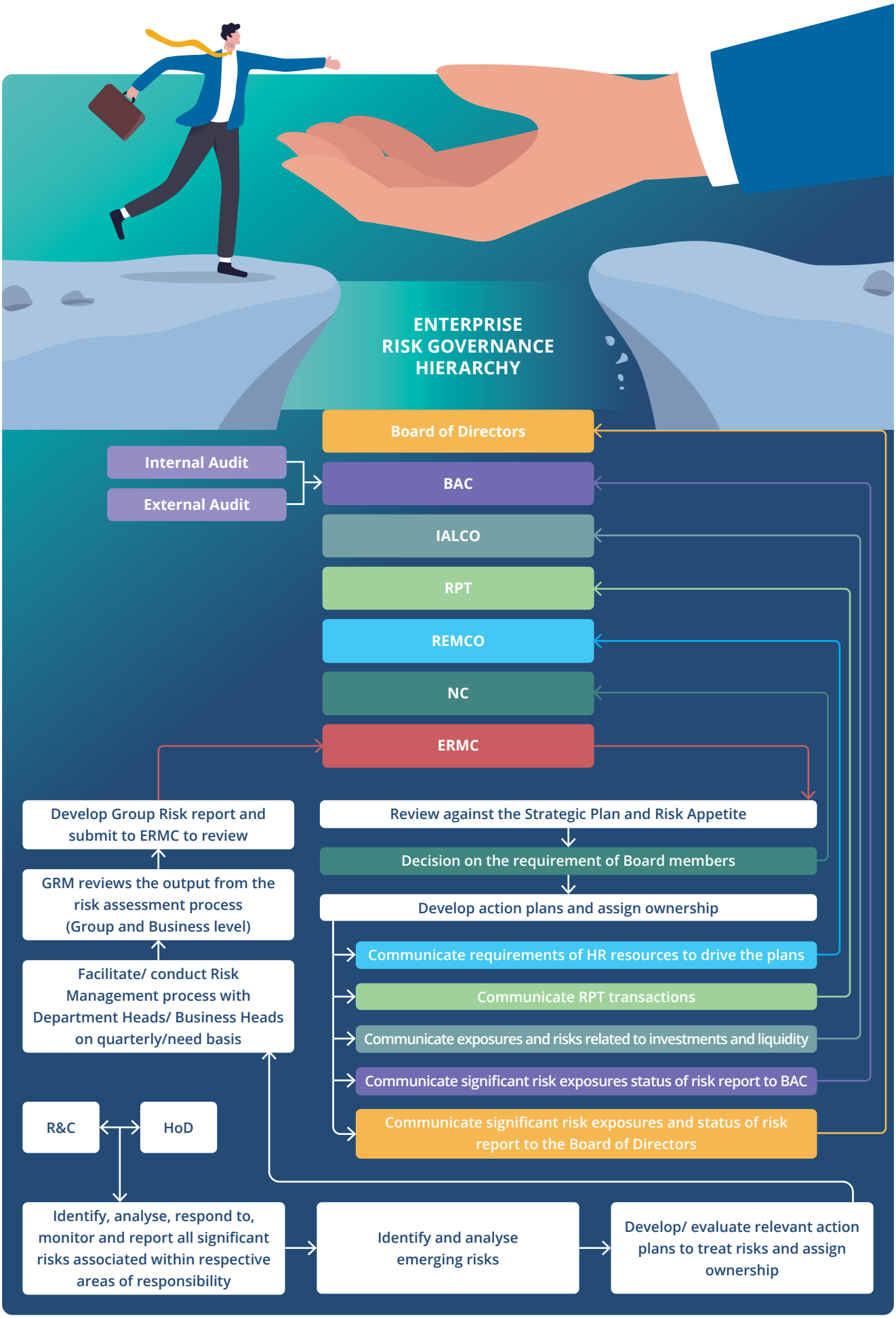
- Overall responsibility for recruiting candidates to fill senior board positions and approving the organisation's corporate governance policies, procedures, and guidelines

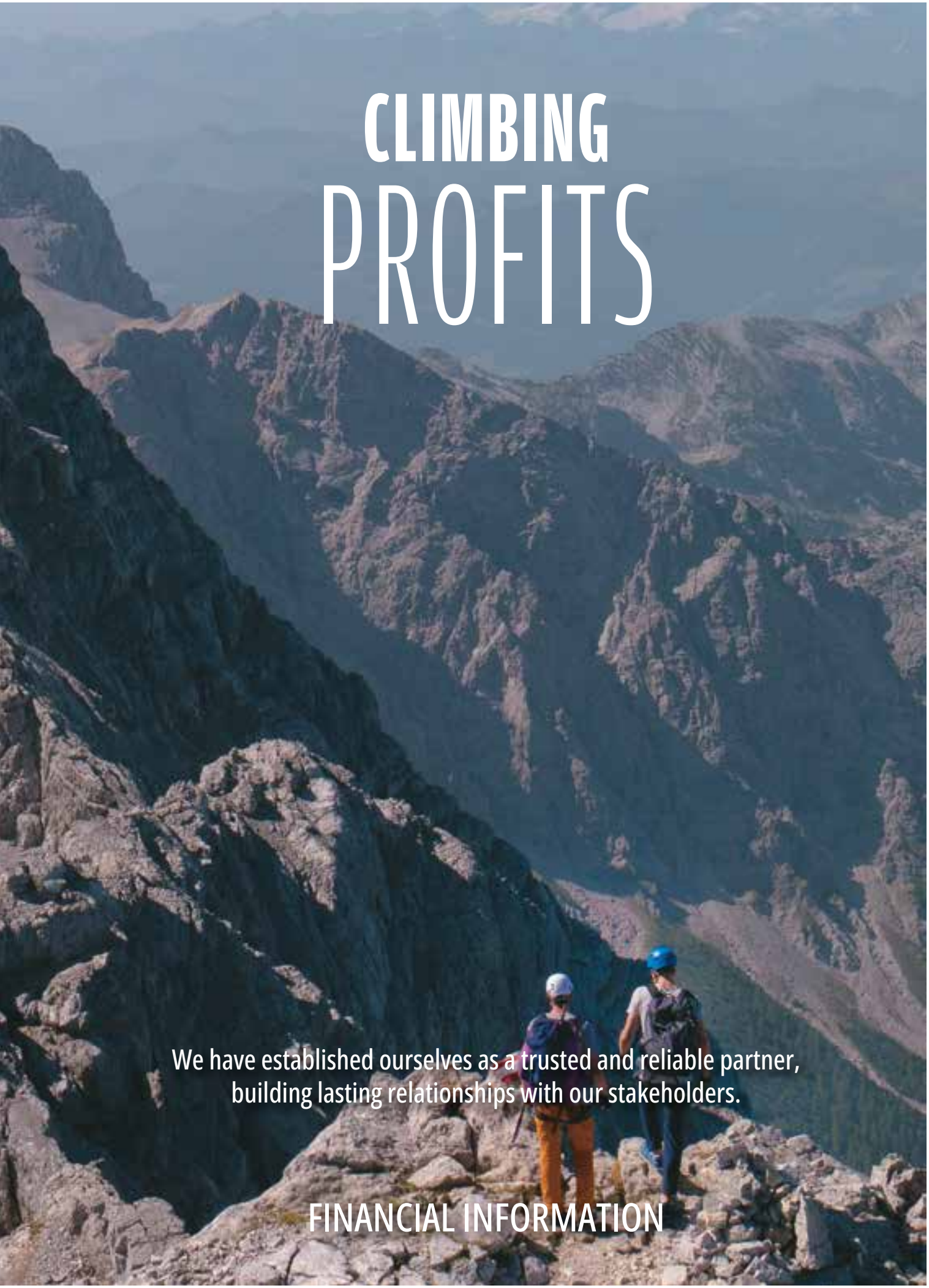
Head of Departments (HoD)

- Identify, analyse, respond to, monitor, and report all significant risks associated with respective areas of responsibility

Group Risk and Compliance Division (R&C)

- Promote cross-functional sharing of risk information
- Providing guidance and tools relevant to subsidiaries - Risk management function
- Monitor compliance with ERM Framework and Regulatory requirements
- Coordinate and promote Risk management culture and implementation
- Review the internal Controls of FCG


ENTERPRISE RISK GOVERNANCE HIERARCHY
Board of Directors
Internal Audit
External Audit
BAC
IALCO
RPT
REMCO
NC
ERMC
Develop Group Risk report and submit to ERMC to review
GRM reviews the output from the risk assessment process (Group and Business level)
Facilitate/ conduct Risk Management process with Department Heads/ Business Heads on quarterly/need basis
Review against the Strategic Plan and Risk Appetite
Decision on the requirement of Board members
Develop action plans and assign ownership
Communicate requirements of HR resources to drive the plans
Communicate RPT transactions
Communicate exposures and risks related to investments and liquidity
Communicate significant risk exposures status of risk report to BAC
Communicate significant risk exposures and status of risk report to the Board of Directors
R&C
HoD
Identify, analyse, respond to, monitor and report all significant risks associated within respective areas of responsibility
Identify and analyse emerging risks
Develop/ evaluate relevant action plans to treat risks and assign ownership



CLIMBING PROFITS

We have established ourselves as a trusted and reliable partner, building lasting relationships with our stakeholders.

FINANCIAL INFORMATION

FINANCIAL CALENDAR 2022/23

Interim Financial Reports in terms of Rule 7.4 of the Colombo Stock Exchange (CSE) were issued as follows.

Reports	Date of Release
1st Quarter 2022/23 Interim Financial Report (Unaudited)	16 August 2022
2nd Quarter 2022/23 Interim Financial Report (Unaudited)	15 November 2022
3rd Quarter 2022/23 Interim Financial Report (Unaudited)	15 February 2023
4th Quarter 2022/23 Interim Financial Report (Unaudited)	30 May 2023

INDEPENDENT AUDITOR'S REPORT

KPMG
(Chartered Accountants)
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INDEPENDENT AUDITOR'S REPORT 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 31st March 2023, the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies set out on pages 208 to 296.

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 31st March 2023, and of their financial performance and their cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

Basis for Opinion

We conducted our audit in accordance with Sri Lanka Auditing Standards (SLAuSs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Group in accordance with the Code of Ethics issued by CA Sri Lanka ("Code of Ethics"), and we have fulfilled our other ethical responsibilities in accordance with the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

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

1. Carrying amount of financial assets

Refer to the significant accounting policy in note 4.5 and explanatory notes 17, 18 and 19 to the financial statements.

Risk Description

As at 31st March 2023, the Group's financial assets portfolio consists of quoted and unquoted equity investments, debentures, investment in unit trusts, short term investments, corporate debt securities, treasury bills and treasury bonds measured at fair value and amortised cost amounted to Rs. 65,068 Mn. Further, these financial assets make up 98% of total assets by value and is considered to be the key driver of the Group's capital and revenue performance.

Further, as the Group's business operations are sensitive to the market conditions, the carrying amount of financial assets is considered to be an area of higher risk for the current financial year considering the uncertainties and volatilities existed during the year that are still prevailing. Due to frequent changes in the macroeconomic environment, the composition of the investment portfolio of the Group and the observability of the market data were affected making the investment decisions and measurement more challenging and significant.

Accordingly, due to their materiality in the context of the financial statements as a whole and the uncertain and volatile macroeconomic environment, the carrying amount of financial assets are considered to be an area which had a great effect on our overall audit strategy and allocation of resources in planning and completing our audit.

Our Response

Our audit procedures included:

- Obtaining an understanding of and assessing the design, implementation and operating effectiveness of the management's key internal controls over identification, measurement and management of valuation risk as well as evaluating the methodologies and input parameters used by the Group in determining fair values.

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

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
T. J. S. Rajakarier FCA
Ms. S.M.B. Jayasekara FCA
G. A. U. Karunaratne FCA
R. H. Rajan FCA
A.M.R.P. Alahakoon ACA
W. J. C. Perera FCA
W. K. D. C. Abeyrathne FCA
R.M.D.B. Rajapakse FCA
M.N.M. Shameel FCA
Ms. P.M.K. Sumanasekara FCA

Principals: S.R.I. Perera FCMA(UK), LLB, Attorney-at-Law, H.S. Goonewardene ACA, Ms. F.R Ziyard FCMA (UK), FTII

INDEPENDENT AUDITOR'S REPORT

- Comparing observable inputs against independent sources and externally available market data and re-performing independent valuations considering the macroeconomic environment.
- Making inquiries of the management on the market conditions and reviewing the minutes of the enterprise risk management committee meetings.
- Testing mathematical accuracy and verifying the appropriateness and completeness of the data used.
- Evaluating the appropriateness of the impairment methodology adopted by the Group in accordance with SLFRS 9 and challenging the key assumptions and evaluating the reasonableness of the key judgments and methodology used by the management.
- Obtaining consultation from internal specialists on appropriateness and results of the valuation models.
- Obtaining and agreeing with the third-party confirmations for an outstanding financial instruments.
- Assessing the adequacy of the disclosures in the financial statements in accordance with the relevant accounting standards

2. Recognition of gains/ losses on sales and interest income of financial assets

Refer to the significant accounting policy in notes 4.10 and explanatory notes 6 and 7 to the financial statements.

Risk Description

As described in notes 6 and 7, the Group has recognised a consolidated direct income of Rs. 14,280 Mn during the year. The gains/ losses on sales and interest income on financial assets amounted to Rs. 13,887 Mn which constituted 97% 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 on financial assets as an important element in the preparation of budgets and measuring management performance. Further, during the year, business operations of the Group was significantly affected due to the changes in the uncertain and volatile macroeconomic environment and policy decisions throughout the year. This has resulted a significant increase in total direct income which was mainly due to the significant increase in interest income. These factors could create situations for gains/ losses on sales and interest income to be recognised in contrary to the recognition criteria.

Considering above factors, we identified recognition of gains/ losses on sales and interest income on financial assets as a key audit matter because it is a significant audit risk which elevated with the prevailing uncertain and volatile macroeconomic environment which may result in non-recurring and unusual impact on the direct income and also it being one of the key performance indicators of the Group and therefore there is an inherent risk of misstatement of the timing of recognition by management to meet specific targets or expectations

Our Responses

Our audit procedures included:

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

Other Information

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

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

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

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

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with Sri Lanka Accounting Standards, and for such internal control as management determines is necessary to enable the

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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 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 auditor's report that includes our opinion.

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

As part of an audit in accordance with SLAuSs, we exercise professional judgment and maintain professional scepticism 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's and the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

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

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

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Chartered Accountants

16 August 2023

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the Year ended 31 March,	Note	Group 2023 Rs. '000	Group 2022 Rs. '000	Company 2023 Rs. '000	Company 2022 Rs. '000
Income	6	14,296,944	2,273,088	3,741,216	961,516
Direct income	7	14,279,729	2,209,954	3,741,216	961,369
Direct expenses	8	(9,587,212)	(1,899,557)	(2,928,094)	(783,153)
Net trading income		4,692,517	310,397	813,122	178,216
Other income	9	17,215	63,134	-	147
Gain/ (Loss) on fair valuation of financial assets recognised through profit or loss - measured at fair value	10	921,234	(190,477)	(181,697)	(40,849)
		5,630,966	183,054	631,425	137,514
Operating expenses					
Personnel expenses	11.1	(858,346)	(414,363)	(73,046)	(38,181)
Premises, equipment and establishment expenses	11.2	(56,447)	(59,675)	(14,788)	(11,351)
Other operating expenses	11.3	(769,954)	(416,107)	(132,754)	(43,391)
Provision for impairment of financial assets at amortised cost		(120,443)	(63,453)	(51,850)	(2,834)
		(1,805,190)	(953,598)	(272,438)	(95,757)
Operating profit/ (loss)		3,825,776	(770,544)	358,987	41,757
Share of profit/ (loss) from equity accounted investee (net of tax)	23	-	-	2,120,081	(556,389)
Profit/ (Loss) before tax	12	3,825,776	(770,544)	2,479,068	(514,632)
Income tax (expense)/ reversal	13.1	(1,178,512)	118,272	(127,324)	(16,628)
Profit/ (Loss) for the year		2,647,264	(652,272)	2,351,744	(531,260)
Other comprehensive income					
Items that will never be reclassified to profit or loss					
Actuarial (gain)/ loss on retirement benefit obligations	33	(15,348)	22,939	-	-
Gain/ (Loss) on financial assets fair value through other comprehensive income	18.1	82,138	(5,638)	-	-
Tax effect on other comprehensive income	13.1	4,604	(4,601)	-	-
Share of other comprehensive income from equity accounted investees (net of tax)	23	-	-	71,656	11,868
Other comprehensive income		71,394	12,700	71,656	11,868
Total comprehensive income / (loss) for the year		2,718,658	(639,572)	2,423,400	(519,392)
Profit/ (Loss) attributable to:					
Equityholders of the parent		2,341,528	(608,405)	2,351,744	(531,260)
Non - controlling interests	49	305,736	(43,867)	-	-
		2,647,264	(652,272)	2,351,744	(531,260)
Total comprehensive income/ (loss) attributable to:					
Equityholders of the parent		2,413,184	(596,537)	2,423,400	(519,392)
Non - controlling interests	49	305,474	(43,035)	-	-
		2,718,658	(639,572)	2,423,400	(519,392)
Basic earnings/ (loss) per share (Rs.)	14	5.78	(1.50)	5.81	(1.31)

Figures in brackets indicate deductions.

The notes disclosed on pages 213 to 296 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at,	Note	Group 31.03.2023 Rs. '000	Group 31.03.2022 Rs. '000	Company 31.03.2023 Rs. '000	Company 31.03.2022 Rs. '000
ASSETS					
Cash at banks and in hand	15.1	110,372	526,987	18,321	39,417
Derivative financial instruments	16	51,194	5,190	-	-
Financial assets recognised through profit or loss -measured at fair value	17	53,726,232	30,066,729	1,735,025	3,220,443
Financial assets - fair value through other comprehensive income	18	116,773	34,635	-	-
Financial assets at amortised cost	19	11,225,039	9,059,275	9,397,239	8,784,857
Amounts due from related companies	30	66	750	20,309	8,473
Trade and other receivables	20	1,026,095	1,423,170	923,598	10,161
Non - current assets held for sale	21	42,416	42,416	-	-
Taxes receivable	22	36,415	72,126	-	56,811
Investment in subsidiary	23	-	-	4,412,989	3,482,855
Deferred tax asset	24	125,182	122,497	16,848	986
Property, plant and equipment and right of use assets	25	43,860	38,322	19,770	17,437
Intangible assets	26	122,545	122,532	2,960	5,281
TOTAL ASSETS		66,626,189	41,514,629	16,547,059	15,626,721
LIABILITIES					
Bank overdrafts	15.2	448,194	1,245,741	192,627	1,245,696
Derivative financial instruments	27	153,586	2,622	-	-
Securities sold under re-purchase agreements	28	46,330,589	23,799,838	-	-
Short term borrowings	29	7,080,975	8,139,888	7,215,752	8,250,158
Amounts due to related companies	30	4,652	5,571	945	2,096
Trade and other payables	31	1,450,376	959,271	77,999	47,543
Taxes payable	22	746,012	78,132	34,905	-
Long term borrowings	32	902,217	-	902,217	-
Retirement benefit obligations	33	53,063	37,404	-	-
Borrowings on debentures	34	2,775,692	2,780,890	2,027,452	2,030,553
TOTAL LIABILITIES		59,945,356	37,049,357	10,451,897	11,576,046
EQUITY					
Stated capital	35	227,500	227,500	227,500	227,500
Risk reserve	36	1,497,150	1,239,478	1,497,150	1,239,478
Retained earnings		4,586,330	2,881,654	4,586,330	2,881,654
Fair valuation reserve	37	(215,818)	(297,957)	(215,818)	(297,957)
Equity attributable to the equityholders of the parent		6,095,162	4,050,675	6,095,162	4,050,675
Non - controlling interests	49	585,671	414,597	-	-
TOTAL EQUITY		6,680,833	4,465,272	6,095,162	4,050,675
TOTAL EQUITY AND LIABILITIES		66,626,189	41,514,629	16,547,059	15,626,721
Net assets per share (Rs.)		15.05	10.00	15.05	10.00

Figures in brackets indicate deductions.

The notes disclosed on pages 213 to 296 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
Managing Director/ Chief Executive Officer

Nishan Fernando
Chairman

15 August 2023
Colombo

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY - GROUP

For the year ended 31 March 2023	Note	Group						
		Attributable to equityholders of parent						
		Stated Capital	Risk Reserve	Retained Earnings	Fair Valuation Reserve	Total	Non-controlling Interest	Total Equity
		Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Balance as at 1 April 2021		227,500	1,308,818	3,326,168	(292,419)	4,570,067	252,412	4,822,479
Total comprehensive income for the year								
Loss for the year		-	-	(608,405)	-	(608,405)	(43,867)	(652,272)
Other comprehensive income/ (loss) for the year		-	-	17,506	(5,638)	11,868	832	12,700
Total comprehensive loss		-	-	(590,899)	(5,638)	(596,537)	(43,035)	(639,572)
Transactions with equityholders								
Distribution to equityholders		-	-	-	-	-	-	-
Adjustment due to change in share ownership	23.1	-	(69,340)	146,385	100	77,145	205,220	282,365
Total transactions with equityholders		-	(69,340)	146,385	100	77,145	205,220	282,365
Transfers to risk reserve		-	-	-	-	-	-	-
Balance as at 31 March 2022		227,500	1,239,478	2,881,654	(297,957)	4,050,675	414,597	4,465,272
Balance as at 1 April 2022		**227,500**	**1,239,478**	**2,881,654**	**(297,957)**	**4,050,675**	**414,597**	**4,465,272**
Impact on surcharge tax	22.3	-	-	(378,913)	-	(378,913)	(39,149)	(418,062)
Adjusted balance as at 1 April 2022		**227,500**	**1,239,478**	**2,502,741**	**(297,957)**	**3,671,762**	**375,448**	**4,047,210**
Total comprehensive income for the year								
Profit for the year		-	-	2,341,528	-	2,341,528	305,736	2,647,264
Other comprehensive income/ (loss) for the year		-	-	(10,482)	82,138	71,656	(262)	71,394
Total comprehensive income for the year		**-**	**-**	**2,331,046**	**82,138**	**2,413,184**	**305,474**	**2,718,658**
Transactions with equityholders								
Distribution to equityholders								
Dividend paid to shareholder with NCI*	49	-	-	-	-	-	(99,659)	(99,659)
Adjustment due to change in share ownership	23.1	-	(1,326)	11,541	1	10,216	4,408	14,624
Total distribution to equityholders		**-**	**(1,326)**	**11,541**	**1**	**10,216**	**(95,251)**	**(85,035)**
Transfers to risk reserve		-	258,998	(258,998)	-	-	-	-
Balance as at 31 March 2023		**227,500**	**1,497,150**	**4,586,330**	**(215,818)**	**6,095,162**	**585,671**	**6,680,833**

* Non controlling interest

Figures in brackets indicate deductions.

The notes disclosed on pages 213 to 296 form an integral part of these consolidated financial statements.

STATEMENT OF CHANGES IN EQUITY - COMPANY

For the year ended 31 March 2023	Note	Company				
		Stated Capital	Risk Reserve	Retained Earnings	Fair Valuation Reserve	Total
		Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Balance as at 1 April 2021		227,500	1,308,818	3,326,168	(292,419)	4,570,067
Total comprehensive income for the year						
Loss for the year		-	-	(531,260)	-	(531,260)
Other comprehensive income/ (loss) for the year		-	-	17,506	(5,638)	11,868
Total comprehensive loss		-	-	(513,754)	(5,638)	(519,392)
Transactions with equityholders						
Distribution to equityholders		-	-	-	-	-
Adjustment due to change in share ownership	23.1	-	(69,340)	69,240	100	-
Total distribution to equityholders		-	(69,340)	69,240	100	-
Transfers to risk reserve		-	-	-	-	-
Balance as at 31 March 2022		227,500	1,239,478	2,881,654	(297,957)	4,050,675
Balance as at 1 April 2022		**227,500**	**1,239,478**	**2,881,654**	**(297,957)**	**4,050,675**
Impact on surcharge tax	22.3	-	-	(378,913)	-	(378,913)
Adjusted balance as at 1 April 2022		**227,500**	**1,239,478**	**2,502,741**	**(297,957)**	**3,671,762**
Total comprehensive income for the year						
Profit for the year		-	-	2,351,744	-	2,351,744
Other comprehensive income/ (loss) for the year		-	-	(10,482)	82,138	71,656
Total comprehensive income		**-**	**-**	**2,341,262**	**82,138**	**2,423,400**
Transactions with equityholders						
Distribution to equityholders						
Adjustment due to change in share ownership	23.1	-	(1,326)	1,325	1	-
Total distribution to equityholders		**-**	**(1,326)**	**1,325**	**1**	**-**
Transfers to risk reserve		-	258,998	(258,998)	-	-
Balance as at 31 March 2023		**227,500**	**1,497,150**	**4,586,330**	**(215,818)**	**6,095,162**

Figures in brackets indicate deductions.

The notes disclosed on pages 213 to 296 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

Accounting policy

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 at banks and in hand comprise cash in hand, balances with banks as presented in the Statement of Financial Position. and are subject to an insignificant risk of changes in value.

		Group		Company	
For the year ended 31 March		2023	2022	2023	2022
	Note	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Cash flows from operating activities					
Interest receipts and gains realised		13,990,965	2,120,115	3,733,111	957,997
Interest payments and other direct cost		(9,301,365)	(1,784,505)	(2,917,673)	(760,133)
Other receipts		17,215	98,353	-	114
Cash payments to employees and suppliers		(1,806,249)	(626,258)	(208,435)	(81,808)
Operating profit before changes in operating assets and liabilities		2,900,566	(192,295)	607,003	116,170
Increase in financial assets - fair value through profit or loss		(22,633,310)	(2,210,922)	1,303,721	(2,649,491)
Increase in financial assets - at amortised cost		(2,044,819)	(2,083,335)	(656,126)	248,567
(Increase)/ Decrease in trade and other receivables		397,075	(508,434)	(2,007)	(8,881)
(Increase)/ Decrease in group balance receivables		683	154	(11,836)	21,274
Increase/ (Decrease) in trade and other payables		491,105	57,066	30,455	1,080
Increase/ (Decrease) in group balances payables		(919)	(1,329)	(1,151)	2,039
Increase/ (Decrease) in short term borrowings		(1,070,219)	1,476,460	(1,045,712)	1,586,730
Increase in securities sold under re-purchase agreements		22,251,012	3,482,249	-	-
Cash generated from/ (used in) operations		291,174	19,614	224,347	(682,512)
Tax paid	22	(728,686)	(735,490)	(80,210)	-
Gratuity paid	33	(11,948)	(1,564)	-	-
Net cash generated from/(used in) operating activities		(449,460)	(717,440)	144,137	(682,512)
Cash flows from investing activities					
Purchase of property, plant, equipment and intangible assets	25 & 26	(32,093)	(17,694)	(12,164)	(8,745)
Proceeds on sale of property, plant, equipment		144	942	-	357
Dividend receipts		47,376	50,721	-	-
Net disposal proceeds from equity stake in subsidiary	23.1	14,624	282,365	-	-
Net cash generated from/ (used in) investing activities		30,051	316,334	(12,164)	(8,388)
Cash flows from financing activities					
Dividend paid		-	(506,250)	-	(506,250)
Dividend paid to shareholders with non-controlling interest	49	(99,659)	-	-	-
Proceeds from long term borrowings	32	1,000,000	-	1,000,000	-
Repayment of long term borrowings	32	(100,000)	(50,000)	(100,000)	(50,000)
Net cash generated from/ (used in) financing activities		800,341	(556,250)	900,000	(556,250)
Net increase / (decrease) in cash and cash equivalents for the year		380,932	(957,356)	1,031,973	(1,247,150)
Cash and cash equivalents at the beginning of the year		(718,754)	238,602	(1,206,279)	40,871
Cash and cash equivalents at the end of the year		(337,822)	(718,754)	(174,306)	(1,206,279)

Figures in brackets indicate deductions.

The notes disclosed on pages 213 to 296 form an integral part of these financial statements.

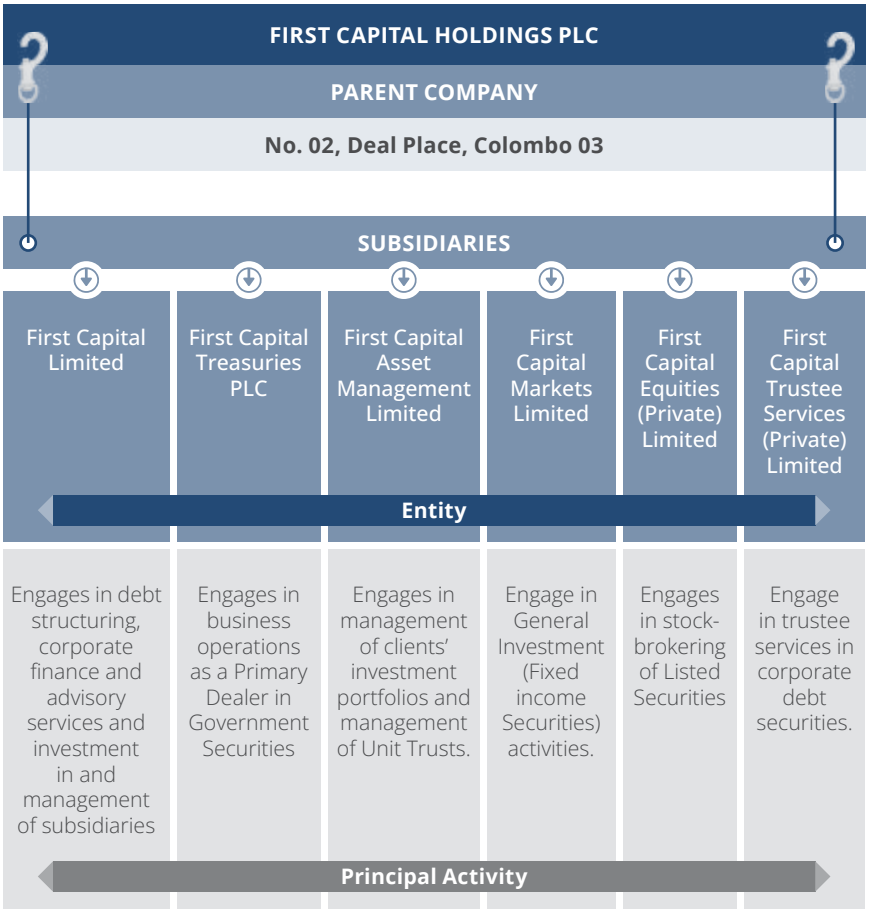
NOTES TO THE FINANCIAL STATEMENTS

1. REPORTING ENTITY

First Capital Holdings PLC ("the Company/ FCH,") is a public limited liability company incorporated and domiciled in Sri Lanka on 23 March 1992. The registered office and place of business of the Company is No. 2, Deal Place, Colombo 03. The shares of the Company have a primary listing on the Colombo Stock Exchange. The staff strength of the Group as at 31 March 2023 is 106 (2022 – 90).

The Consolidated Financial Statements for the year 2022/23 includes 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 of the Company and Group



The registered office and place of business of subsidiary companies is No. 2, Deal Place, Colombo 03.

2. BASIS OF PREPARATION

2.1. Statement of Compliance

The Consolidated Financial Statements of the Group and the separate Financial Statements of the Company as at 31 March 2023 comprises of –

- The Statement of Profit or Loss and Statement of Comprehensive Income providing information on the performance for the year under review (Refer pages 208).
- Statement of Financial Position providing the information on the financial position of the Company and the Group as at the year end (Refer page 209).
- Statement of Changes in Equity providing the movement in the shareholders' funds during the year under review for the Company and the Group (Refer pages 210 to 211).
- Notes to the Financial Statements, which comprise of the Accounting Policies and other explanatory notes and information (Refer pages 213 to 296).

Financial Statements 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. The Group did not adopt any inappropriate accounting treatment, which are not in compliance with the requirements of the SLFRSs and LKASs and regulations governing the preparation and presentation of the Financial Statements.

Further, the tax liability arising from the Surcharge Tax Act No: 14 of 2022 has been accounted as recommended by the Statement of Alternative Treatment (SoAT) issued by the Institute of Chartered Accountants of Sri Lanka as disclosed under the note 22.3.

NOTES TO THE FINANCIAL STATEMENTS

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 2023 were authorised for issue by the Board of Directors on 15 August 2023.

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	Page Number
Investment in subsidiaries	Equity method of accounting	4.3.3	217
Derivative financial assets/ liabilities	Fair value	4.5.3	220
Financial assets measured at fair value though profit or loss	Fair value	17	233
Financial assets measured at fair value though other comprehensive income	Fair value	18	237
Financial assets at amortised cost	Amortised cost	19	238
Right of use of assets	Discounted future lease rental payments	31.1	256
Retirement benefit obligations	Projected unit credit method	33	258

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.

Critical Accounting Estimate/ Judgment	Disclosure Note	Page Number
Going concern	3	216
Classification of financial assets and liabilities	4.5.2	219
Non-current assets held for sale	4.7	222
Fair value of financial instruments	4.5.11	221
Useful lives of intangible assets	26	251
Useful lives of property, plant and equipment	25	248
Retirement benefit obligation	33	257
Deferred tax on unutilised tax losses	13	230
Impairment losses on financial assets	4.5.7	221
Impairment of non-financial assets	4.6	222
Provisions for liabilities, commitments and contingencies	41	267

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.

2.6.1 Determination of Fair Values

'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 and the Company has access at that date. The fair value of a liability reflects its non-performance risk. Several of the Group's and the Company's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities.

2.6.2 Fair Value of Non-Financial Assets

The fair value used by the Group and the Company in the measurement of non-financial assets is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market that is accessible by the Group and the Company for the asset or liability. The fair value of an asset or a liability is measured using the assumptions that market participants would act in their economic best interest when pricing the asset or liability.

A fair value measurement of a non-financial asset takes into account a market participants ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use. The Group and the Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

2.6.3 Useful Lives of Depreciable Assets

Management reviews its estimation of the useful lives of depreciable assets at each reporting date based on the expected utility of the assets. Uncertainties in these estimates relate to technical obsolescence that may change the useful life of certain property, plant and equipment.

2.6.4 Business Combination

Management applies its judgment to determine whether the control indicators set out in the SLFRS 3 "Business Combination". Management uses valuation techniques in determining the fair values of the various elements of a business combination. The fair value of contingent consideration is dependent on the outcome of many variables that affect future profitability.

2.6.5 Defined Benefit Obligation

The cost of the defined benefit plans are determined using an actuarial valuation. Management's estimate of the defined benefit obligation is based on a number of critical underlying assumptions such as mortality rates, discount rate and anticipation of future salary increases. Variation in these assumptions may significantly impact the defined benefit obligation amount and the annual defined benefit expense.

2.6.6 Fair Value of Financial Instruments

Management applies valuation techniques to determine the fair value of financial instruments where active market quotes are not available. This requires management to develop estimates and assumptions based on market inputs, using observable data that market participants would use in pricing the instrument. Where such data is not observable, management uses its best estimate. Estimated fair values of financial instruments may vary from the actual prices that would be achieved in an arm's length transaction at the reporting date.

2.6.7 Provisions for Liabilities, Commitments and Contingencies

The Group receives legal claims in the normal course of business. Management has made judgements as to the likelihood of any claim succeeding in making provisions the time of concluding legal claims is uncertain, as is the amount of possible outflow of economic benefits. Timing and cost ultimately depends on the due processes in respective legal jurisdictions."

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.

NOTES TO THE FINANCIAL STATEMENTS

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 Thousands, 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, favourable and unfavourable, 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 of the Company and its group companies have made an assessment of its ability to continue as a going concern and is satisfied that it has the resources to continue in business for the foreseeable future. Furthermore, the Board of Directors is not aware of any material uncertainties that may cast significant doubt upon the ability of the Group to continue as a going concern.

The Company and it's group companies are fully conscious and have evaluated the impacts of the deteriorated economic environment, followed with a sovereign default by the country and the volatility in interest rates and the exchange rates during the year 2022/23 and beyond and have assessed the impacts on capital, profitability and liquidity. The Company and it's Group have adequate level of financial and other resources to face the uncertainties via economic unrest and therefore the impact on the business operations is expected to be minimal. The prevailing economic uncertainties do not have a significant impact on the liquidity, valuation of assets and solvency of the Company.

Therefore, the Financial Statements of the Group continue to be prepared on a going concern basis.

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 New and Amended Standards and Interpretations

The amendment to Accounting Standards LKAS 8, LKAS 37, LKAS 16, SLFRS 3, SLFRS 9, SLFRS 7, SLFRS 13 and SLFRS 16 do not have a material effect on the Group's Financial Statements.

4.2 Summary of Significant Accounting Policies

The accounting policies set out below have been applied consistently for all periods presented in the financial statements by the Group and the Company unless otherwise indicated.

Accounting Policy	Note	Page Number
Significant accounting policies - General		
Financial Instruments	4.5	219
Significant accounting policies - Recognition of income and expenses		
Income	6	225
Direct income	6	225
Other income	6	225
Gain/ (Loss) on fair valuation of financial assets recognised through profit or loss - measured at fair value	6	225
Operating expenses	11	228
Share of profit/ (loss) from equity accounted investee (net of tax)	23	246
Income tax expenses	13	230
Basic EPS	14	232
Dividend Per Share	38	260

Accounting Policy	Note	Page Number
Significant accounting policies - Recognition of assets and liabilities		
Cash at banks and in hand / Bank overdrafts	15	232
Derivative financial instruments (assets)	16	233
Financial assets recognised through profit or loss - measured at fair value	17	233
Financial assets - fair value through other comprehensive income	18	237
Financial assets at amortised cost	19	238
Non - current assets held for sale	21	244
Investment in subsidiary	23	246
Deferred tax asset	24	247
Property, plant and equipment and right of use assets	25	248
Intangible assets	26	251
Retirement benefit obligations	33	257
Non - controlling interests	49	294

4.3 Basis of Consolidation

4.3.1 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.

4.3.2 Business Combinations

Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the Group.

As required by SLFRS 3 - Business Combinations and amendments to SLFRS 3, when the Group acquires a business, it assesses the financial assets and liabilities assumed under classifications or designations on the basis of the contractual terms, economic conditions, its operating or accounting policies and other pertinent conditions that exist as at the acquisition date. The Group applies Definition of a Business (Amendments to SLFRS 3) to business combinations whose acquisition dates are on or after 1 January 2020 in assessing whether it had acquired a business or a group of assets.

The Group measures goodwill at the acquisition date as:

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

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss. The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss.

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

4.3.3 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 (Note 23).

4.3.4 Step Acquisitions

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

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

NOTES TO THE FINANCIAL STATEMENTS

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.

4.3.5 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.

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.

4.3.6 Acquisitions of Non-Controlling Interest

Acquisition of non-controlling interest is accounted for as transactions with equityholders. Therefore, no goodwill is recognised as a result of such transactions. A list of Subsidiaries within the Group is provided on page 213.

4.3.7 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.

4.3.8 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.

4.3.9 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.

4.3.10 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.

4.3.11 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.

4.3.12 Unconsolidated Structured Entities

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

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

4.4 Foreign Currency

4.4.1 Foreign Currency Transactions

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

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

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary

items in a foreign currency that are measured in terms of historical cost are translated using the exchange rate at the date of the transaction. Foreign currency differences arising on retranslation are recognised in Statement of Profit or Loss.

4.5 Financial Instruments

4.5.1 Initial Recognition, Classification and Subsequent Measurement

4.5.1.1 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.

4.5.1.2 Initial Measurement of Financial Instruments

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

4.5.2 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.

4.5.2.1 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.

4.5.2.2 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

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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.

4.5.3 Derivatives recorded at fair value through profit or loss

4.5.3.1 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.

4.5.3.2 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.

4.5.4 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.

4.5.5 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 (Page 253).

4.5.5.1 Recognition and Measurement of Financial Liabilities

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

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

4.5.5.1.1 Classification and Subsequent Measurement of Financial Liabilities

The subsequent measurement of financial liabilities depends on their classification.

4.5.6 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.

4.5.7 Impairment of Financial Assets

4.5.7.1 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.

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.

4.5.7.2 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.

4.5.8 Derecognition of Financial Assets and Financial Liabilities

4.5.8.1 Financial Assets

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

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

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

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

4.5.8.2 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.

4.5.9 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.

4.5.10 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.

4.5.11 Fair Value Measurement

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

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.

4.6 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 (Note 21).

4.8 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.

4.8.1 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 (Note 24).

4.8.2 Value Added Tax on Financial Services (VAT on FS)

VAT on Financial Services is calculated in accordance with the amended VAT Act No. 7 of 2003 and subsequent amendments thereto. VAT on financial services is computed on the prescribed rate. The Company is required to pay VAT on Financial Services on the VAT liable turnover at the rate of 18%.

4.8.3 Advance Income Tax (AIT) on Dividends

Dividends distributed out of profits after tax attracted a tax of 14% till 30 September 2022 and 15% with effect from 1 October 2022 charged in the hands of the dividend recipient. No Advance Income Tax (AIT) was mandatorily imposed until 30 September 2022 whereas 15% AIT (similar to Withholding Tax) is mandatorily imposed on dividends distributed with effect from 1 January 2023. Therefore, any dividends distributed after 1 January 2023 shall be subject to 15% AIT where shareholders shall receive dividends net of AIT. AIT deducted on dividends shall be final tax and will attract no further tax in the hands of the shareholders. With the introduction of the Inland Revenue (Amendment) Acts No. 10 of 2021and No. 45 of 2022, any dividends paid out of the dividends received, shall be exempted from income tax net of the cost of funds. In addition, if a resident company pays the dividend to a non-resident person (including a company) such would be totally exempt from income tax.

4.8.4 Social Security Contribution Levy (SSCL)

The Social Security Contribution Levy (SSCL) Act No. 25 of 2022, has been passed in the parliament imposing a new levy on the turnover of persons. The SSCL comes into operations with effect from 1 October 2022. Since SSCL is a turnover based direct tax, it has two tax bases.

1. Value Addition attributable to financial services.
2. Turnover liable for General VAT (Turnover not liable for financial services).

The Value Addition attributable for Financial Services shall be derived with the application of the turnover ratio distinguishing General VAT and VAT on Financial Services. Tax fraction 2.5/120.5 is applied in computing SSCL. In addition, turnover, liable for General VAT too shall be chargeable with SSCL. The Company is required to pay SSCL on the General VAT liable turnover at the rate of 2.5%.

4.8.5 Advance Income Tax (AIT) and Withholding Tax (WHT)

Advance Income Tax (AIT) which has similar attributes to the Withholding Tax has been re-introduced with the introduction of Inland Revenue (Amendment) Act No. 45 of 2022 effecting from 1 of January 2023. AIT shall be charged on the interest paid or credited from all interest bearing deposit accounts denominated in Sri Lankan Rupees at the rate of 5% on such interest payments or credits. Interest received on interest bearing foreign currency accounts, "Special Deposit Accounts" and Diplomatic accounts are exempted from AIT. Withholding Tax has been reintroduced on Services Fees paid to Individuals and the Rent paid any person under the Inland Revenue (Amendment) Act No. 45 of 2022 effecting from 1 January 2023. If any individual including a sole proprietorship is paid with a service related fees as provided under the Section 85 - (1C) of the Inland Revenue (Amendment) Act No. 45 of 2022, the Withholding Tax agent or the service recipient has to deduct Withholding Tax at the rate of 5% on the total gross amount if such payment exceeds LKR 100,000.00 per calendar month. Withholding Tax has re-introduced on Rent expenses paid to any person if such aggregate gross rent income surpasses or equal to LKR 100,000.00 for a calendar month at the rate of 10%.

4.8.6 Surcharge Tax

As per the Provisions of the Surcharge Tax Act No. 14 of 2022 if the aggregate of the taxable income of the holding company and all subsidiaries in a group of companies, for the Year of Assessment 2020/21, exceed LKR 2,000 Mn, each company in the group of companies is liable to pay Surcharge Tax calculated at 25% on the taxable income (after deducting profit from dividends received from subsidiaries included in the taxable income). Details of "Surcharge Tax" are given in Note 22.3.

4.9 Borrowings

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

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

4.10 Gain/(Loss) on Disposal of Financial Assets – Fair Value through Other Comprehensive Income

Gain/(loss) on Disposal of Financial assets 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.

NOTES TO THE FINANCIAL STATEMENTS

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 2023. 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 Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to Sri Lanka Accounting Standard LKAS 12 – "Income Taxes")

The amendments narrow the scope of the initial recognition exemption to exclude transactions that give rise to equal and offsetting temporary differences – e.g. leases and decommissioning liabilities. The amendments apply for annual reporting periods beginning on or after 1 April 2022. For leases and decommissioning liabilities, the associated deferred tax asset and liabilities will need to be recognised from the beginning of the earliest comparative period presented, with any cumulative effect recognised as an adjustment to retained earnings or other components of equity at that date. For all other types of transactions, the amendments apply to transactions that occur after the beginning of the earliest period presented. There will be no impact on retained earnings on adoption of the amendments.

5.2 Classification of liabilities as current or non-current (Amendments to LKAS 1) - effective for annual periods beginning on or after 1 January 2023.

The amendment specifies the requirements for classifying liabilities as current or noncurrent. The amendments clarify what is meant by a right to defer settlement, that a right to defer must exist at the end of the reporting period, that classification is unaffected by the likelihood that an entity will exercise its deferral right, that only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification and disclosures. All of the above amendments are effective for annual reporting periods beginning on or after 1 January 2023.

5.3 Other New Accounting Pronouncements

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

- Disclosure of accounting policies (Amendments to LKAS 1 and SLFRS Practice Statement 2) - effective for annual periods beginning on or after 1 January 2023

The amendments provide guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies and adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures.

- Definition of accounting estimates (Amendments to LKAS 8) - effective for annual periods beginning on or after 1 January 2023

The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, they clarify how entities use measurement techniques and inputs to develop accounting estimates. The amended standard clarifies that the effects on an accounting estimate of a change in an input or a change in a measurement technique are changes in accounting estimates if they do not result from the correction of prior period errors.

6 INCOME

Accounting policy

Income represents the Direct Income and Other income earned by the Group during the year. Direct Income mainly comprise interest income, trading gains/ losses and fee income.

Income is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The specific recognition criteria, for each type of Gross Income are given under the respective notes.

For the Year ended 31 March,	Note	Group 2023 Rs. '000	Group 2022 Rs. '000	Company 2023 Rs. '000	Company 2022 Rs. '000
Direct income	7	14,279,729	2,209,954	3,741,216	961,369
Other income	9	17,215	63,134	-	147
		14,296,944	2,273,088	3,741,216	961,516

Accounting policy

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.

Gain/(loss) on sale of financial assets measured at fair value though profit or loss

Gain/(loss) on Sale of Financial Assets measured at fair value through profit or loss comprises realised trading gains on disposal of government securities, quoted shares and debentures, are presented in direct income as sale of financial assets at fair value through profit or loss in the statement of profit or loss and other comprehensive income.

Gain/(Loss) on sale of financial assets measured at amortised cost

Gain/ (loss) on sale of financial assets measured at amortised cost comprises realised gain on disposal of government securities, securitised papers and commercial papers are presented in direct income as sale of financial asset measured at amortised cost.

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Accounting policy

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 assets at fair value through profit or loss in the statement of profit or loss and other comprehensive income.

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.

Dividend Income

Dividend income from equity investments is recognised in profit or loss on an accrual basis when the Group'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 assets based on the underlying classification of the equity investment.

7 DIRECT INCOME

	Group		Company	
For the Year ended 31 March,	2023 Rs. '000	2022 Rs. '000	2023 Rs. '000	2022 Rs. '000
Interest income on financial assets recognised through profit or loss - measured at fair value	10,207,104	1,591,882	551,961	130,007
Interest income on financial assets at amortised cost	3,305,538	727,207	3,151,041	799,409
Gain/ (Loss) on sale of financial assets recognised through profit or loss - measured at fair value	1,633,276	(794,567)	17,917	9,844
Loss on sale of financial assets at amortised cost	(1,258,594)	-	-	-
Fee and commission income	155,224	195,811	20,297	22,109
Brokering income	189,715	438,637	-	-
Dividend income	47,466	50,984	-	-
	14,279,729	2,209,954	3,741,216	961,369

7.1 Timing of Income Recognition

	Group		Company	
For the Year ended 31 March,	2023 Rs. '000	2022 Rs. '000	2023 Rs. '000	2022 Rs. '000
Income/ (Loss) generated at a point in time	673,303	(260,554)	38,214	31,953
Income generated over the period	13,606,426	2,470,508	3,703,002	929,416
	14,279,729	2,209,954	3,741,216	961,369

8 DIRECT EXPENSES

For the Year ended 31 March,	Group		Company	
	2023 Rs. '000	2022 Rs. '000	2023 Rs. '000	2022 Rs. '000
Interest expenses on re-purchase agreements	6,423,929	999,461	674	36
Interest expenses on corporate debt securities	2,825,004	567,487	2,700,899	575,003
Brokerage cost	13,274	9,459	1,550	1,687
Interest expenses on listed debentures	303,936	293,869	213,318	203,419
Other direct expenses	21,069	29,281	11,653	3,008
	9,587,212	1,899,557	2,928,094	783,153

9 OTHER INCOME

For the Year ended 31 March,	Group		Company	
	2023 Rs. '000	2022 Rs. '000	2023 Rs. '000	2022 Rs. '000
Gain on disposal of property, plant and equipment	142	147	-	33
Exchange gain	38	54,921	-	-
Miscellaneous income	17,035	8,066	-	114
	17,215	63,134	-	147

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

Accounting policy

Gain/(loss) on fair valuation of financial assets – fair value through profit or loss

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

For the Year ended 31 March,	Group		Company	
	2023 Rs. '000	2022 Rs. '000	2023 Rs. '000	2022 Rs. '000
Government securities	1,192,204	(81,779)	6,977	(4,416)
Debentures	(259,328)	(51,788)	(196,145)	(36,433)
Listed shares	61,122	(177,021)	-	-
Unit trusts	32,196	119,034	7,471	-
Derivative financial instruments - Government securities	(104,960)	1,077	-	-
	921,234	(190,477)	(181,697)	(40,849)

Gain/ (Loss) on fair valuation of financial assets has been accounted for in accordance with the SLFRS 9.

NOTES TO THE FINANCIAL STATEMENTS

11 OPERATING EXPENSES

Accounting policy

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.

11.1 Personnel expenses

	Group		Company	
For the Year ended 31 March,	2023 Rs. '000	2022 Rs. '000	2023 Rs. '000	2022 Rs. '000
Salaries	268,249	227,143	29,603	26,800
Bonus	396,808	-	25,079	-
Employer's contribution to EPF & ETF	41,604	35,275	4,644	4,120
Retirement benefit cost	12,259	12,100	-	-
Commission	24,236	76,287	-	-
Staff welfare	1,385	1,868	32	56
Other personnel expenses	113,805	61,690	13,688	7,205
	858,346	414,363	73,046	38,181

11.2 Premises, equipment and establishment expenses

Building maintenance	15,811	25,580	3,558	772
Depreciation and amortisation	22,166	24,623	7,778	6,741
Electricity	4,772	3,307	725	480
Miscellaneous expenses	13,698	6,165	2,727	3,358
	56,447	59,675	14,788	11,351

11.3 Other operating expenses

Professional services expenses	45,446	58,863	8,387	10,200
Sales promotion expenses	41,237	27,503	5,917	1,263
Value added taxation/ nation building taxation on financial services	523,433	246,702	101,496	22,260
Communication and information technology expenses	58,408	27,543	4,564	1,231
Travelling expenses	7,609	8,408	1,290	5,806
Fund transfer charges/ bank charges	28,901	23,112	2,440	840
Social security contribution levy	46,918	-	7,846	-
Donations	2,989	7,814	516	1,448
Specific allowance for impairment of trade and other receivables	11,603	163	249	163
Miscellaneous expenses	3,410	15,999	49	180
	769,954	416,107	132,754	43,391

12 Profit/ (Loss) before tax

Profit/ (Loss) before taxation is stated after charging all expenses including the following :

For the Year ended 31 March,	Note	Group 2023 Rs. '000	Group 2022 Rs. '000	Company 2023 Rs. '000	Company 2022 Rs. '000
Directors' emoluments		220,102	54,650	20,862	8,317
Auditors' remuneration - Audit services		2,425	2,102	560	485
Auditors' remuneration - Other services		3,191	300	2,011	-
Salaries		268,249	227,143	29,603	26,800
Depreciation of property, plant and equipment & right of use assets	25	21,118	22,818	9,831	8,593
Amortisation of intangible assets	26	5,422	6,179	2,321	2,522
Employer's contribution to EPF & ETF		41,604	35,275	4,644	4,120
Retirement benefit cost	33	12,259	12,100	-	-
Legal fees		7,219	4,097	-	398
Donations		2,989	7,814	516	1,448
Specific allowance for impairment of trade and other receivables		11,603	163	249	163
Provision for impairment of financial assets at amortised cost		120,443	63,453	51,850	2,834

NOTES TO THE FINANCIAL STATEMENTS

13 TAXATION

Accounting policy

Tax Expense

Tax expense comprises current and deferred tax. 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.

Current tax expense

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

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

According to Inland Revenue (Amendment) Act No. 45 of 2022, income tax rate applicable for companies has been changed to 30% with effect from 1 October 2022 (Previously it was 14% (First Capital Treasuries PLC) and 24% in all other companies in the Group.

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.

Uncertainty Over Income Tax Treatments

The Group accounts for the uncertainty over tax treatments under IFRIC 23.

An 'uncertain tax treatment' is a tax treatment for which there is uncertainty over whether the relevant taxation authority will accept the tax treatment under tax law.

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

The Companies in the Group are liable to pay income tax at the rate of 24% and 30% for 1st half of year 2022/23 and 2nd half of year 2022/23 respectively except First Capital Treasuries PLC which was liable to pay 14% and 30% for 1st half of year 2022/23 and 2nd half of year 2022/23 respectively in accordance with the Inland Revenue Act No. 24 of 2017 and subsequent amendments thereto.

13.1 Income tax expenses:

For the Year ended 31 March,	Note	Group 2023 Rs. '000	Group 2022 Rs. '000	Company 2023 Rs. '000	Company 2022 Rs. '000
Recognised in Profit or Loss					
Current tax expenses		(971,222)	(128,741)	(143,186)	(18,612)
(Under)/Over provision for taxes		(42,993)	139,143	-	1,035
Deferred tax recognised/ (reversed)	24	(1,919)	107,870	15,862	949
Taxes on dividend		(162,378)	-	-	-
		(1,178,512)	118,272	(127,324)	(16,628)
Recognised in Other Comprehensive Income					
Deferred tax assets recognised/ (reversed) during the year	24	4,604	(4,601)	-	-
		(1,173,908)	113,671	(127,324)	(16,628)
Reconciliation of accounting profit to income tax					
Profit/ (Loss) before taxation		3,825,776	(770,544)	2,479,068	(514,633)
Less : Income from other sources		(32,726)	(115,775)	-	(33)
Less : Exempted income		85,153	152,253	(2,115,864)	556,390
Add : Disallowable expenses		1,071,286	551,068	178,573	42,292
Less : Allowable expenses		(23,710)	(24,737)	(7,241)	(6,465)
Adjusted profit for the year		4,925,779	(207,735)	534,536	77,551
Add: Other Income		32,725	-	-	-
Add: Investment Income		-	25,610	-	-
Add: Adjusted business losses		152,661	719,719	-	-
Total statutory income		5,111,165	537,594	534,536	77,551
Tax loss claimed during the year		(708,801)	-	-	-
Taxable income		4,402,364	537,594	534,536	77,551
Income tax expense					
Tax at 14%		(246,946)	-	-	-
Tax at 15%		(162,378)	-	-	-
Tax at 24%		(86,880)	(396)	(63,638)	-
Tax at 30%		(475,018)	(128,345)	(79,548)	(18,612)
		(971,222)	(128,741)	(143,186)	(18,612)

13.2 Accumulated tax losses

Balance at the beginning of the year	771,276	7,387,098	-	-
Loss incurred during the year	152,661	719,719	-	-
Loss utilised during the year	(708,801)	-	-	-
Adjustment with respect of previous year	37,352	260,277	-	-
Under utilisation of loss for past tax assessments	-	113,704	-	-
Loss disallowed by Inland Revenue Department	-	(7,709,522)	-	-
Balance at the end of the year	252,488	771,276	-	-

NOTES TO THE FINANCIAL STATEMENTS

14 EARNINGS/ (LOSS) PER SHARE

Accounting policy

The Group presents Basic 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. The effect on sub-division of shares which was executed on 27 April 2022 has been adjusted retrospectively (Note 35).

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

	Note	Group		Company	
For the Year ended 31 March,		2023	2022	2023	2022
Profit/ (Loss) attributable to equityholders of the parent (Rs. '000)		2,341,528	(608,405)	2,351,744	(531,261)
Weighted average number of ordinary shares in issue	35	405,000,000	405,000,000	405,000,000	405,000,000
Basic earnings/ (loss) per share (Rs.)		5.78	(1.50)	5.81	(1.31)

There were no potentially dilutive ordinary shares outstanding at anytime during the year, hence diluted earnings/ (loss) per share is equal to the basic earnings/ (loss) per share.

15 CASH AND CASH EQUIVALENTS

Accounting policy

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.

			Group		Company	
	As at,	Note	31.03.2023 Rs. '000	31.03.2022 Rs. '000	31.03.2023 Rs. '000	31.03.2022 Rs. '000
15.1	**Favourable cash & cash equivalents balance**					
	Cash in hand	45.4.1	294	293	-	-
	Cash at banks	45.4.1	110,078	526,694	18,321	39,417
			110,372	526,987	18,321	39,417
15.2	**Unfavourable cash & cash equivalent balances**					
	Bank overdraft		448,194	1,245,741	192,627	1,245,696
			448,194	1,245,741	192,627	1,245,696

16 DERIVATIVE FINANCIAL INSTRUMENTS

Accounting policy

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.

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.

	Group		Company	
As at,	31.03.2023 Rs. '000	31.03.2022 Rs. '000	31.03.2023 Rs. '000	31.03.2022 Rs. '000
Forward sale contracts	12,276	1,900	-	-
Forward purchase contracts	38,918	3,290	-	-
	51,194	5,190	-	-

17 FINANCIAL ASSETS RECOGNISED THROUGH PROFIT OR LOSS -MEASURED AT FAIR VALUE

Accounting policy

A financial asset is classified at fair value through Profit or Loss if it is classified as held for trading or is designated as such upon initial recognition. Financial assets are designated at fair value through Profit or Loss if the Group manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Group's documented risk management or investment strategy. Upon initial recognition, transaction costs are recognised in Profit or Loss as incurred.

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

Following assets represent financial assets at fair value though profit or loss,

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

		Group		Company	
As at,	Note	31.03.2023 Rs. '000	31.03.2022 Rs. '000	31.03.2023 Rs. '000	31.03.2022 Rs. '000
Listed shares	17.1	631,893	735,279	-	-
Government securities	17.2	51,395,192	27,473,623	642,020	2,472,961
Debentures	17.3	1,092,105	1,425,996	588,260	747,482
Investment in unit trusts	17.4	607,042	431,831	504,745	-
		53,726,232	30,066,729	1,735,025	3,220,443

NOTES TO THE FINANCIAL STATEMENTS

17 FINANCIAL ASSETS RECOGNISED THROUGH PROFIT OR LOSS -MEASURED AT FAIR VALUE (CONTD.)

17.1 Listed shares - Group

As at,	No. of shares		Fair Value		Cost	
	31.03.2023	31.03.2022	31.03.2023 Rs. '000	31.03.2022 Rs. '000	31.03.2023 Rs. '000	31.03.2022 Rs. '000
Janashakthi Insurance Company PLC	13,099,471	13,099,471	348,446	294,738	324,708	324,708
National Development Bank PLC	1,686,614	1,584,684	75,729	88,267	156,221	149,090
John Keells Holdings PLC	933,177	933,177	130,644	135,311	148,260	148,260
Orient Finance PLC	2,138,299	2,138,299	19,031	27,798	32,671	32,671
Commercial Bank of Ceylon PLC	-	1,534,207	-	96,195	-	124,950
Melstacorp PLC	-	85,575	-	3,517	-	4,631
Royal Ceramics Lanka PLC	-	249,456	-	10,153	-	8,076
Tokyo Cement Company (Lanka) PLC	-	500,000	-	13,150	-	33,980
Access Engineering PLC	1,175,000	1,175,000	16,685	17,625	28,200	28,200
Dipped Products PLC	1,493,063	1,493,063	41,358	48,525	86,083	86,083
Total			631,893	735,279	776,143	940,649

As at,	Note	Market Value		Face value	
		31.03.2023 Rs. '000	31.03.2022 Rs. '000	31.03.2023 Rs. '000	31.03.2022 Rs. '000
17.2 Government securities - Group					
Treasury bills	17.2.a	2,597,628	26,372,441	2,817,574	26,849,819
Treasury bonds	17.2.a	48,797,564	1,101,182	55,932,350	1,171,084
		51,395,192	27,473,623	58,749,924	28,020,903
Government securities - Company					
Treasury bills	17.2.a	642,020	2,472,961	650,000	2,500,000
		642,020	2,472,961	650,000	2,500,000

17.2.a Securities pledged as collateral

Out of the government securities classified as financial assets recognised through profit or loss-measured at fair value, the following amounts had been pledged as collateral for re-purchase agreements entered into by the Group.

As at,	Group			
	Market Value		Face value	
	31.03.2023 Rs. '000	31.03.2022 Rs. '000	31.03.2023 Rs. '000	31.03.2022 Rs. '000
Treasury bills	769,319	20,809,592	842,680	21,265,113
Treasury bonds	44,627,276	3,331,928	51,153,175	3,514,607
	45,396,595	24,141,520	51,995,855	24,779,720

The company did not have borrowings on re-purchase agreements as of 31 March 2023 and 31 March 2022.

17.3 Debentures

As at,	Note	Group 31.03.2023 Rs. '000	Group 31.03.2022 Rs. '000	Company 31.03.2023 Rs. '000	Company 31.03.2022 Rs. '000
Listed Debentures	17.3.1	831,579	972,234	588,260	747,482
Unlisted Debentures	17.3.2	260,526	453,762	-	-
		1,092,105	1,425,996	588,260	747,482

17.3.1 Listed Debentures

As at,	Group 31.03.2023 Rs. '000 Note 17.3.1.a	Group 31.03.2022 Rs. '000	Company 31.03.2023 Rs. '000 Note 17.3.1.a	Company 31.03.2022 Rs. '000
LOLC Holdings PLC	245,363	485,194	245,363	485,194
Softlogic Capital PLC	50,054	31,459	-	-
Asia Asset Finance PLC (Maturity 2023)	193,265	193,293	-	-
Asia Asset Finance PLC (Maturity 2026)	342,897	262,288	342,897	262,288
	831,579	972,234	588,260	747,482

17.3.1.a Listed Debentures as 31 March 2023

	Number of Debentures	Invested Date	Maturity Date	Coupon Rate	Credit Rating	Fair Value Rs. '000
Group						
Softlogic Capital PLC	28,660	19 December 2019	19 December 2024	15.00%	BBB-	22,535
Softlogic Capital PLC	35,000	30 December 2022	19 December 2024	15.00%	BBB-	27,519
Asia Asset Finance PLC (Maturity 2023)	2,000,000	5 October 2020	5 October 2023	10.28%	A-	193,265
Asia Asset Finance PLC (Maturity 2026)	2,826,500	20 August 2021	20 August 2026	33.29%	A-	342,897
LOLC Holdings PLC	4,783,000	24 February 2021	24 February 2031	12.00%	A	245,363
						831,579
Company						
Asia Asset Finance PLC (Maturity 2026)	2,826,500	20 August 2021	20 August 2026	33.29%	A-	342,897
LOLC Holdings PLC	4,783,000	24 February 2021	24 February 2031	12.00%	A	245,363
						588,260

NOTES TO THE FINANCIAL STATEMENTS

17 FINANCIAL ASSETS RECOGNISED THROUGH PROFIT OR LOSS -MEASURED AT FAIR VALUE (CONTD.)

17.3.2 Unlisted Debentures

As at,	Group		Company	
	31.03.2023 Rs. '000 Note 17.3.2.a	31.03.2022 Rs. '000	31.03.2023 Rs. '000	31.03.2022 Rs. '000
Group				
Janashakthi Limited	62,871	211,809	-	-
Kelsey Homes (Pvt) Limited	197,655	241,953	-	-
	260,526	453,762	-	-

17.3.2.a Unlisted Debentures as 31 March 2023

	Number of Debentures	Invested Date	Maturity Date	Coupon Rate	Credit Rating	Fair Value Rs. '000
Janashakthi Limited	720,000	28 December 2020	28 December 2023	12.25%	BB	62,871
Kelsey Homes (Pvt) Limited	2,338,500	10 June 2021	10 June 2024	11.50%	N/A	197,655
						260,526

17.3.3 Securities pledged as collateral

Debentures classified as financial assets recognised through profit or loss - measured at fair value amounting to Rs. 193 Mn have been pledged as collateral for re-purchase agreements and margin facility entered into by the Group (31 March 2022 - Rs. 364 Mn) .

The company did not have borrowings on re-purchase agreements as of 31 March 2023 and 31 March 2022.

17.4 Investment in unit trusts

As at,	Group		Company	
	31.03.2023 Rs. '000	31.03.2022 Rs. '000	31.03.2023 Rs. '000	31.03.2022 Rs. '000
First Capital Equity Fund	67,342	59,045	-	-
First Capital Money Market Fund	539,700	306,137	504,745	-
First Capital Wealth Fund	-	9,999	-	-
Softlogic Money Market Fund	-	56,650	-	-
	607,042	431,831	504,745	-

18 FINANCIAL ASSETS - FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

Accounting policy

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

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

		Group		Company	
As at,	Note	31.03.2023 Rs. '000	31.03.2022 Rs. '000	31.03.2023 Rs. '000	31.03.2022 Rs. '000
Equity investments of Kanrich Finance Limited	18.1	116,773	34,635	-	-
		116,773	34,635	-	-

18.1 Investment in Kanrich Finance Limited

	Group		Company	
As at,	31.03.2023 Rs. '000	31.03.2022 Rs. '000	31.03.2023 Rs. '000	31.03.2022 Rs. '000
Balance at the beginning of the year	34,635	40,273	-	-
Gain/ (Loss) on fair valuation	82,138	(5,638)	-	-
Balance at the end of the year	116,773	34,635	-	-

First Capital Limited holds 8,270,077 ordinary shares acquired at Rs. 40 per share in Kanrich Finance Limited which is equivalent to 10% stake and the said investment is classified under Financial assets measured at fair value through other comprehensive income.

The Group designated the investment shown above as equity securities at Fair value through other comprehensive income because these equity securities represent investment that the Group intends to hold for medium to long term for strategic purpose.

No strategic investment were disposed during the year 2022/23 and there were no any transfer cumulative gain or loss within equity related to these investments. Please refer to Note 43 (c).

NOTES TO THE FINANCIAL STATEMENTS

19 FINANCIAL ASSETS AT AMORTISED COST

Accounting policy

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

(a) the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and

(b) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

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

Recognition and Measurement of ECL

The Group measures loss allowances at an amount equal to lifetime ECL, except for the following, for which are measured as 12-month ECL: debt investment securities that are determined to have low credit risk at the reporting date; and other financial instruments on which credit risk has not increased significantly since their initial recognition. The Group considers a debt investment security to have low credit risk when its credit risk rating is equivalent to the definition of "investment grade". The Group does not apply the low credit risk exemption to any other financial instruments. 12-month ECL are the portion of ECL that result from default events on a financial instrument that are possible within the 12 months after the reporting date.

The Group assesses financial assets under three stages in determining ECL.

- stage 1 :
financial instruments that have not had a significant increase in credit risk since initial recognition. For these assets, a 12-months ECL is recognised.

- stage 2 :
financial instruments that have experienced a significant increase in credit risk since initial recognition but for which the exposure is not yet defaulted. For these assets, lifetime ECLs are recognised, representing the expected credit losses that result from all possible default events over the expected life of the financial asset.

- stage 3 :
financial instruments which are deemed to be credit impaired. This is where a credit loss has already been suffered on the assets. For these assets, lifetime ECLs are recognised, representing the expected credit losses that result from all possible default events over the expected life of the financial asset.

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

- financial assets that are not credit impaired at the reporting date: as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive);
- financial assets that are credit impaired at the reporting date: as the difference between the gross carrying amount and the present value of estimated future cash flows;
- undrawn loan commitments: as the present value of the difference between the contractual cash flows that are due to the Group if the commitment is drawn down and the cash flows that the Group expects to receive; and
- financial guarantee contracts: the expected payments to reimburse the holder less any amounts that the Group expects to recover

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 "Stage3 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.

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.

As all staff loans granted at below market interest rates are recognised at fair value, the difference between the fair value and the amount disbursed was treated as a Day 1 difference. The Day 1 difference is classified as 'unamortised staff cost' and is amortised over the loan period by using the Effective Interest Rate (EIR). The staff loans are subsequently measured at amortised costs.

As at,	Note	Group 31.03.2023 Rs. '000	Group 31.03.2022 Rs. '000	Company 31.03.2023 Rs. '000	Company 31.03.2022 Rs. '000
Government securities		-	2,368,982	-	-
Corporate debt securities	19.1	4,507,711	2,262,299	346,166	895,370
Investments under re-sale agreements	19.2	1,332,683	1,086,846	-	477,689
Investments in fixed deposits	19.3	149,953	40,842	136,037	28,031
Short term lending	19.4	5,160,565	3,237,533	8,915,036	7,383,767
Long term lending	19.5	-	-	-	-
Staff loan		74,127	62,773	-	-
		11,225,039	9,059,275	9,397,239	8,784,857

19.1 Corporate debt securities

Investment in commercial papers		3,856,764	705,168	-	-
Investment in securitised papers		651,960	1,564,196	346,378	899,020
Provision for impairment	19.1.1	(1,013)	(7,065)	(212)	(3,650)
		4,507,711	2,262,299	346,166	895,370

19.1.a Securities pledged as Collateral

Investment in Securitised Papers classified as financial assets at amortised cost amounting to Rs. 230 Mn have been pledged as collateral for re-purchase agreements and margin facility entered into by the Group (31 March 2022- Rs. 415 Mn).

Investment in Commercial Papers classified as financial assets at amortised cost amounting to Rs. 2,148 Mn have been pledged as collateral for re-purchase agreements and margin facility entered into by the Group (31 March 2022- Nil).

The company did not have borrowings on re-purchase agreements as of 31 March 2023 and 31 March 2022.

19.1.1 Movement in provision for expected credit loss on corporate debt securities

As at,	Note	Group 31.03.2023 Rs. '000	Group 31.03.2022 Rs. '000	Company 31.03.2023 Rs. '000	Company 31.03.2022 Rs. '000
Balance as at the beginning of the year		(7,065)	(3,825)	(3,650)	(2,259)
Reversal/ (Charge) for the year		6,052	(3,240)	3,862	(1,391)
Balance as at the end of the year	19.1.1.a	(1,013)	(7,065)	(212)	(3,650)

19.1.1.1 Group -

This represents expected loss on corporate debt securities classified as "Stage 1" amounting to Rs. 1,013,396 (2022 - "Stage 1" - Rs. 7,013,068 and "Stage 2" - Rs. 52,116) respectively in accordance with SLFRS 9.

Company -

This represents expected loss on corporate debt securities classified as "Stage 1" amounting to Rs. 212,107 (2022 - Stage 1 - 3,649,780) in accordance with SLFRS 9.

NOTES TO THE FINANCIAL STATEMENTS

19 FINANCIAL ASSETS AT AMORTISED COST (CONTD.)

19.1.1.1.a Movement in Impairment during the year

	Group		Company	
	2023 Rs. '000	2022 Rs. '000	2023 Rs. '000	2022 Rs. '000
Stage 1				
Balance as at 1 April	(7,013)	(3,516)	(3,650)	(2,259)
Net impairment (charge)/ reversal for the year	6,000	(3,497)	3,438	(1,391)
Balance as at 31 March	(1,013)	(7,013)	(212)	(3,650)
Stage 2				
Balance as at 1 April	(52)	(309)	-	-
Net impairment (charge)/ reversal for the year	52	257	-	-
Balance as at 31 March	-	(52)	-	-

19.2 Investments under re-sale agreements

		Group		Company	
As at,	Note	31.03.2023 Rs. '000	31.03.2022 Rs. '000	31.03.2023 Rs. '000	31.03.2022 Rs. '000
Government securities	19.2.a	1,275,032	1,048,616	-	477,689
Corporate debt securities		57,651	38,230	-	-
		1,332,683	1,086,846	-	477,689

19.2.a Securities received as Collateral by the Group

	Group			
	Market Value		Face values	
As at,	31.03.2023 Rs. '000	31.03.2022 Rs. '000	31.03.2023 Rs. '000	31.03.2022 Rs. '000
Treasury bills	260,975	460,731	264,720	470,327
Treasury bonds	1,251,789	683,892	1,522,110	733,005
	1,512,764	1,144,623	1,786,830	1,203,332

19.2.a Securities received as Collateral by the Company

	Company			
	Market Value		Face values	
As at,	31.03.2023 Rs. '000	31.03.2022 Rs. '000	31.03.2023 Rs. '000	31.03.2022 Rs. '000
Treasury bills	-	331,809	-	336,781
Treasury bonds	-	191,939	-	202,400
	-	523,748	-	539,181

19.2.a.1 The Group is entitled to repledge the same for borrowings (repos). Fair value of collateral amounting to Rs. 352.15 Mn has been repledged for the borrowings (repos) as at 31 March 2023 and the Group is required to return the said collateral to the respective counterparties with the settlement of outstanding (reverse repos).

19.3 Investments in fixed deposits

As at,	Note	Group 31.03.2023 Rs. '000	Group 31.03.2022 Rs. '000	Company 31.03.2023 Rs. '000	Company 31.03.2022 Rs. '000
Fixed deposits	19.3.1	154,963	45,845	141,044	33,033
Provision for impairment	19.3.2	(5,010)	(5,003)	(5,007)	(5,002)
		149,953	40,842	136,037	28,031

19.3.1 Group investments in fixed deposits amounting to Rs. 143 Mn (Company - Rs. 136 Mn) have been pledged as collateral for banking facilities (As at 31 March 2022 - Group Rs. 38.9 Mn, Company - Rs. 33 Mn).

19.3.2 Movement in provision for expected credit loss on fixed deposits

As at,	Note	Group 31.03.2023 Rs. '000	Group 31.03.2022 Rs. '000	Company 31.03.2023 Rs. '000	Company 31.03.2022 Rs. '000
Balance as at the beginning of the year		(5,003)	(5,001)	(5,002)	(5,001)
Charge for the year		(7)	(2)	(5)	(1)
Balance as at the end of the year	19.3.2.1	(5,010)	(5,003)	(5,007)	(5,002)

19.3.2.1 Group -

This represents expected loss on investment in fixed deposits classified as "Stage 1" and "Stage 3" amounting to Rs. 10,378 and Rs. 5,000,000 (2022 - "Stage 1" - Rs. 2,503 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. 6,827 and Rs. 5,000,000 (2022 - "Stage 1" - Rs. 2,012 and "Stage 3" - Rs. 5,000,000) respectively in accordance with SLFRS 9.

19.3.2.1.a Movement in Impairment during the year

	Group 2023 Rs. '000	Group 2022 Rs. '000	Company 2023 Rs. '000	Company 2022 Rs. '000
Stage 1				
Balance as at 1 April	(3)	(1)	(2)	(1)
Net impairment charge for the year	(7)	(2)	(5)	(1)
Balance as at 31 March	(10)	(3)	(7)	(2)
Stage 3				
Balance as at 1 April	(5,000)	(5,000)	(5,000)	(5,000)
Net impairment (charge)/ reversal for the year	-	-	-	-
Balance as at 31 March	(5,000)	(5,000)	(5,000)	(5,000)

NOTES TO THE FINANCIAL STATEMENTS

19 FINANCIAL ASSETS AT AMORTISED COST (CONTD.)

19.4 Short term lending

As at,	Note	Group 31.03.2023 Rs. '000	Group 31.03.2022 Rs. '000	Company 31.03.2023 Rs. '000	Company 31.03.2022 Rs. '000
Short term lending (gross)		5,377,001	3,385,861	8,973,120	7,386,568
Provision for impairment	19.4.1	(216,436)	(133,800)	(58,084)	(2,801)
Less : Interest suspension during the year		-	(14,528)	-	-
		5,160,565	3,237,533	8,915,036	7,383,767

19.4.1 Movement in provision for expected credit loss on short term lending

Balance as at the beginning of the year		(133,800)	(69,914)	(2,801)	(1,359)
Charge for the year		(82,636)	(63,886)	(55,283)	(1,442)
Write off during the year		-	-	-	-
Balance as at the end of the year	19.4.1.1	(216,436)	(133,800)	(58,084)	(2,801)

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. 55,235,370, Rs. 43,080,667 and Rs.118,119,678 respectively (2022 - "Stage 1" - Rs. 13,617,685 "Stage 2" - Rs. 2,062,574 and "Stage 3" - Rs. 118,119,678) in accordance with SLFRS 9.

Company

This represents expected loss on short term lending classified as "Stage 1" and "Stage 2" amounting to Rs. 8,113,498 and Rs. 49,970,873 respectively (2022 - "Stage 1"- Rs. 2,010,246 and "Stage - 2" - Rs. 790,837) in accordance with SLFRS 9.

19.4.1.1.a Movement in Impairment during the year

	Group 2023 Rs. '000	Group 2022 Rs. '000	Company 2023 Rs. '000	Company 2022 Rs. '000
Stage 1				
Balance as at 1 April	(13,618)	(9,568)	(2,010)	(1,359)
Net impairment charge for the year	(41,617)	(4,050)	(6,103)	(651)
Balance as at 31 March	(55,235)	(13,618)	(8,113)	(2,010)
Stage 2				
Balance as at 1 April	(2,063)	(1,213)	(791)	-
Net impairment charge for the year	(41,019)	(850)	(49,180)	(791)
Balance as at 31 March	(43,082)	(2,063)	(49,971)	(791)
Stage 3				
Balance as at 1 April	(118,119)	(59,133)	-	-
Net impairment charge for the year	-	(58,986)	-	-
Balance as at 31 March	(118,119)	(118,119)	-	-

19.5 Long term lending

As at,	Group		Company	
	31.03.2023 Rs. '000	31.03.2022 Rs. '000	31.03.2023 Rs. '000	31.03.2022 Rs. '000
Long term lending (gross)	-	363,436	-	-
Provision for impairment	-	-	-	-
Transferred to short term lending	-	(363,436)	-	-
	-	-	-	-

19.5.1 Movement in Impairment during the year

	Group		Company	
	2023 Rs. '000	2022 Rs. '000	2023 Rs. '000	2022 Rs. '000
Stage 1				
Balance as at 1 April	-	(3,675)	-	-
Net impairment reversal for the year	-	3,675	-	-
Balance as at 31 March	-	-	-	-

20 TRADE AND OTHER RECEIVABLES

	Note	Group		Company	
		2023 Rs. '000	2022 Rs. '000	2023 Rs. '000	2022 Rs. '000
Trade receivables	20.1	560,150	925,049	-	-
Other receivable	20.2	465,945	498,121	923,598	10,161
		1,022,595	1,423,170	923,598	10,161

20.1 Trade receivables

Margin trading debtors	20.1.a	-	-	-	-
Stock broking debtors	20.1.b	560,150	925,049	-	-
		560,150	925,049	-	-

20.1.(a) Margin trading debtors

Margin trading debtors	63,508	63,508	-	-
Less : provision for impairment	(63,508)	(63,508)	-	-
	-	-	-	-

20.1.(b) Stock broking debtors

Stock broking debtors	560,150	925,049	-	-
Less : provision for impairment	-	-	-	-
	560,150	925,049	-	-

NOTES TO THE FINANCIAL STATEMENTS

20 TRADE AND OTHER RECEIVABLES (CONTD.)

20.2 Other receivable

As at,	Note	Group 31.03.2023 Rs. '000	Group 31.03.2022 Rs. '000	Company 31.03.2023 Rs. '000	Company 31.03.2022 Rs. '000
Rent deposit		725	270	-	-
Dividend receivable		90	11,738	911,430	-
Deposit with CSE		4,540	11,040	-	-
Advance paid for land and premises	42	77,300	77,300	-	-
Fee receivable		12,259	2,886	5,414	694
Prepayment		20,931	15,190	3,503	2,297
Coupon receivable		-	12,697	-	-
Advance paid for building	42	230,000	220,000	-	-
Guarantee claims receivables		62,240	86,250	-	-
Miscellaneous		57,860	60,750	3,251	7,170
		465,945	498,121	923,598	10,161

21 NON-CURRENT ASSETS HELD FOR SALE - GROUP

Accounting policy

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.

As at,	Note	Group 31.03.2023 Rs. '000	Group 31.03.2022 Rs. '000	Company 31.03.2023 Rs. '000	Company 31.03.2022 Rs. '000
Investments in equities	21.1	42,416	42,416	-	-
		42,416	42,416	-	-

21.1 Investments in equities - Group

As at,	No. of shares	31.03.2023 Rs. '000	31.03.2022 Rs. '000
Ceyspence (Private) Limited	2,861,856	71,432	71,432
Ceyaki Shipping (Private) Limited	3,116,600	29,928	29,928
		101,360	101,360
Less : provision for impairment		(58,944)	(58,944)
		42,416	42,416

This represents equity investments in shipping business made by First Capital Limited. All these businesses are in the process of liquidation and stated at their realisable values as at the reporting date. A provision of Rs. 58.94 Mn has been accounted for the estimated liability on income tax, settlement of creditors and the impairment of investment to reflect the recoverable amount.

22 TAXES RECEIVABLE/ PAYABLE

As at,	Note	Group 31.03.2023 Rs. '000	Group 31.03.2022 Rs. '000	Company 31.03.2023 Rs. '000	Company 31.03.2022 Rs. '000
Tax receivable	22.1	36,415	72,126	-	56,811
Tax payable	22.2	746,012	78,132	34,905	-

22.1 Taxes receivables

	Note	Group 2023 Rs. '000	Group 2022 Rs. '000	Company 2023 Rs. '000	Company 2022 Rs. '000
Balance as at 1 April		72,126	88,798	56,811	74,388
Over/ (Under) provision with respect to previous year		-	3,553	-	1,035
Payment made during the year		-	530	-	-
Provision for income tax		(35,711)	(20,755)	(56,811)	(18,612)
Balance at the end of the year		36,415	72,126	-	56,811

22.2 Taxes payables

Balance as at 1 April		78,132	840,696	-	-
Impact on surcharge tax	22.3	418,062	-	28,740	-
(Over)/ Under provision for the previous year		42,993	(135,590)	-	-
Provision for the year		935,511	107,986	86,375	-
Payment made during the year		(728,686)	(734,960)	(80,210)	-
Balance at the end of the year		746,012	78,132	34,905	-

22.3 Surcharge tax

	Group Rs. '000	Company Rs. '000
Surcharge tax levied under Surcharge Act	(418,062)	(28,740)
Share of Surcharge tax from subsidiaries	-	(350,173)
Tax payable	(418,062)	(378,913)

As per the Surcharge Tax Act No. 14 of 2022, which was enacted on 8 April 2022, the applicable tax liability shall be deemed to be an expenditure in the financial statements for the year 2020/21. Accordingly, the applicable tax liability has been accounted for as a prior year adjustment in statement of changes in equity.

NOTES TO THE FINANCIAL STATEMENTS

23 INVESTMENT IN SUBSIDIARY - COMPANY

Accounting policy

Investment in subsidiary are accounted 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 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.

	No. of shares		Value of shares	
As at,	31.03.2023	31.03.2022	31.03.2023 Rs. '000	31.03.2022 Rs. '000
Investment in subsidiary - Company				
First Capital Limited				
Balance at the beginning of the year	11,700,005	11,700,005	3,482,855	4,027,376
Impact on surcharge tax	-	-	(350,173)	-
Adjusted balance as at the beginning of the year	11,700,005	11,700,005	3,132,682	4,027,376
Share of profit/ (loss) during the year	-	-	2,120,081	(556,389)
Share of other comprehensive income during the year	-	-	71,656	11,868
Dividends	-	-	(911,430)	-
Balance at the end of the year	11,700,005	11,700,005	4,412,989	3,482,855
Holding percentage	100%	100%	100%	100%

23.1 Sale of shares of First Capital Treasuries PLC (subsidiary)

The Company divested equity stake held in First Capital Treasuries PLC during year 2022/23 and 2021/22 as follows.

	2022/23 Rs. '000	2021/22 Rs. '000
Net sales proceeds from sale of equity stake of First Capital Treasuries PLC		
Sale Proceeds	14,790	300,105
Less: expense (inclusive of tax)	(166)	(17,740)
Net sales proceeds	14,624	282,365
Net increase in NCI as a result of sale of equity stake of First Capital Treasuries PLC		
Net assets of First Capital Treasuries PLC - prior to the sale	5,203,418	4,104,390
Divested stake	0.08%	5%
Net increase in non-controlling interest	4,408	205,220
Net gain on sale of equity stake in First Capital Treasuries PLC		
Net sales proceeds	14,624	282,365
Less: Net assets sold	(4,408)	(205,220)
Net gain on sale of equity stake of First Capital Treasuries PLC	10,216	77,145
Adjustment due to share ownership change (Company)		
Risk reserve	(1,326)	(69,340)
Retained earnings	1,325	69,240
Fair valuation reserve	1	100

24 DEFERRED TAX ASSET

Accounting policy

Deferred Tax Assets

Management applies significant judgment to the extent the deferred tax assets can be recognised based on an assessment of the probability of the Group's future taxable income against which the deferred tax assets can be utilised. In addition, significant judgment is required in assessing the impact of any legal or economic limits or uncertainties in various future tax jurisdictions.

		Group		Company	
	Note	2023 Rs. '000	2022 Rs. '000	2023 Rs. '000	2022 Rs. '000
Balance at 1 April		122,497	19,228	986	37
Impact of change in income tax rate recognised in profit or loss	13.1	111,436	13	247	-
Impact of change in income tax rate recognised in other - comprehensive income	13.1	3,401	(1,984)	-	-
Recognised/ (Charged) in other comprehensive income	13.1	1,203	(2,617)	-	-
Recognised/ (Charged) in statement of profit and loss	13.1	(113,355)	107,857	15,615	949
Balance as at 31 March		125,182	122,497	16,848	986

Deferred tax asset is recognised by considering the current tax losses of which, the amount in the opinion of the Directors, will be available to allow the benefit of the loss to be realised in accordance with LKAS 12 and provisions of Inland Revenue Act No. 24 of 2017. The income tax rate of 24% was increased to 30% with effect from 01 October 2022 with the legalisation of the Inland Revenue (Amendment) Act, No. 45 of 2022 during the current period. therefore the deferred tax asset at the year end has been computed on the basis of 30%. Deferred tax asset on the loss of fair valuation of investment in Kanrich Finance Limited (Note 18.1) has not been recognised considering the uncertainty in timing of the realisation.

24.1 The provision for deferred tax is attributable to the following;

As at,	31.03.2023		31.03.2022	
	(Taxable)/ Deductible temporary difference Rs. '000	Tax effect Rs. '000	(Taxable)/ Deductible temporary difference Rs. '000	Tax effect Rs. '000
Group				
On Property, Plant and Equipment	(6,493)	(1,948)	(4,117)	(988)
On Leasehold assets	301	90	(1,208)	(290)
On Provision for impairment of Financial assets	218,037	65,411	97,017	23,284
On Retirement Benefit Obligations	53,063	15,919	37,404	7,821
On Accumulated tax losses	152,366	45,710	661,930	92,670
	417,274	125,182	791,026	122,497
Company				
On Property, Plant and Equipment	(2,445)	(733)	(2,463)	(591)
On Provision for impairment of Financial assets	58,303	17,491	6,453	1,549
On Leasehold assets	301	90	117	28
	56,159	16,848	4,107	986

Deferred tax asset has not been recognised in respect of the Group's tax losses as at 31 March 2023 amounting to Rs. 87.6 Mn (31 March 2022 - Rs. 87.6 Mn) due to the uncertainty in claiming such losses as a result of tax assessments raised (Company - Nil).

NOTES TO THE FINANCIAL STATEMENTS

25 PROPERTY, PLANT AND EQUIPMENT

Accounting policy

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.

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.

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.

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

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.

25 PROPERTY, PLANT AND EQUIPMENT - GROUP

2022/23	Office Equipment Rs. '000	Furniture Rs. '000	Fixtures and Fittings Rs. '000	Motor Vehicles Rs. '000	Right of Use Assets Rs. '000	Total 2023 Rs. '000
Cost						
As at 1 April 2022	78,442	10,539	26,834	22,115	35,077	173,007
Additions during the year	26,620	-	38	-	-	26,658
Disposals during the year	(8)	(244)	(23)	-	(26,502)	(26,777)
As at 31 March 2023	**105,054**	**10,295**	**26,849**	**22,115**	**8,575**	**172,888**
Accumulated depreciation/Accumulated impairment losses						
As at 1 April 2022	56,607	9,996	25,729	17,717	24,636	134,685
Charge for the year	8,546	356	734	4,374	7,108	21,118
Disposals during the year	(7)	(244)	(22)	-	(26,502)	(26,775)
As at 31 March 2023	**65,146**	**10,108**	**26,441**	**22,091**	**5,242**	**129,028**
Carrying values						
As at 31 March 2023	**39,908**	**187**	**408**	**24**	**3,333**	**43,860**

2021/22	Office Equipment Rs. '000	Furniture Rs. '000	Fixtures and Fittings Rs. '000	Motor Vehicles Rs. '000	Right of Use Assets Rs. '000	Total 2022 Rs. '000
Cost						
As at 1 April 2021	65,393	11,391	30,090	22,115	45,676	174,665
Additions during the year	13,729	-	-	-	6,438	20,167
Disposals during the year	(680)	(852)	(3,256)	-	(17,037)	(21,825)
As at 31 March 2022	78,442	10,539	26,834	22,115	35,077	173,007
Accumulated depreciation/ Accumulated impairment losses						
As at 1 April 2021	50,092	10,151	27,164	13,343	23,827	124,577
Charge for the year	6,928	590	1,400	4,374	9,526	22,818
Disposals during the year	(413)	(745)	(2,835)	-	(8,717)	(12,710)
As at 31 March 2022	56,607	9,996	25,729	17,717	24,636	134,685
Carrying values						
As at 31 March 2022	21,835	543	1,105	4,398	10,441	38,322

Based on the assessment of potential impairment carried out by the Group as at 31 March 2023, no provision was required to be made in the Financial Statements (Provision for impairment losses as at 31 March 2022 - Nil).

Group's Property, Plant and Equipment included fully-depreciated assets having a gross amount of Rs. 56.30 Mn as at 31 March 2023 (2022 Rs. 94.51 Mn).

There were no capitalised borrowing costs relating to the acquisition of Property, Plant and Equipment during the year (2022 - Nil).

There were no restrictions on the title of the Property, Plant and Equipment as at 31 March 2023 (2022 - Nil).

There were no items of Property, Plant and Equipment pledged as security as at 31 March 2023 (2022 - Nil).

There were no temporary idle items of Property, Plant and Equipment as at 31 March 2023 (2022 - Nil).

NOTES TO THE FINANCIAL STATEMENTS

25 PROPERTY, PLANT AND EQUIPMENT (CONTD.)

25 PROPERTY, PLANT AND EQUIPMENT - COMPANY

2022/23	Office Equipment Rs. '000	Furniture Rs. '000	Fixtures and Fittings Rs. '000	Motor Vehicles Rs. '000	Right of Use Assets Rs. '000	Total 2023 Rs. '000
Cost						
As at 1 April 2022	13,439	153	1,051	21,900	9,661	46,204
Additions during the year	12,126	-	38	-	-	12,164
Disposals during the year	-	-	-	-	(6,740)	(6,740)
As at 31 March 2023	**25,565**	**153**	**1,089**	**21,900**	**2,921**	**51,628**
Accumulated depreciation/ Accumulated impairment losses						
As at 1 April 2022	4,148	118	742	17,502	6,257	28,767
Charge for the year	3,717	23	181	4,374	1,536	9,831
Disposals during the year	-	-	-	-	(6,740)	(6,740)
As at 31 March 2023	**7,865**	**141**	**923**	**21,876**	**1,053**	**31,858**
Carrying values						
As at 31 March 2023	**17,700**	**12**	**166**	**24**	**1,868**	**19,770**

2021/22	Office Equipment Rs. '000	Furniture Rs. '000	Fixtures and Fittings Rs. '000	Motor Vehicles Rs. '000	Right of Use Assets Rs. '000	Total 2022 Rs. '000
Cost						
As at 1 April 2021	5,285	863	2,010	21,900	6,741	36,799
Additions during the year	8,572	-	-	-	2,920	11,492
Disposals during the year	(418)	(710)	(959)	-	-	(2,087)
As at 31 March 2022	13,439	153	1,051	21,900	9,661	46,204
Accumulated depreciation/ Accumulated impairment losses						
As at 1 April 2021	2,441	639	1,229	13,128	4,502	21,939
Charge for the year	2,026	109	329	4,374	1,755	8,593
Disposals during the year	(319)	(630)	(816)	-	-	(1,765)
As at 31 March 2022	4,148	118	742	17,502	6,257	28,767
Carrying values						
As at 31 March 2022	9,291	35	309	4,398	3,404	17,437

Based on the assessment of potential impairment carried out by the Company as at 31 March 2023, no provision was required to be made in the Financial Statements (2022 - Nil).

Company's Property, Plant and Equipment included fully-depreciated assets having a gross amount of Rs. 8.69 Mn as at 31 March 2023 (2022 - Rs. 1.30 Mn).

There were no capitalised borrowing costs relating to the acquisition of Property, Plant and Equipment during the year (2022 - Nil).

There were no restrictions on the title of the Property, Plant and Equipment as at 31 March 2023 (2022 - Nil).

There were no items of Property, Plant and Equipment pledged as security as at 31 March 2023 (2022 - Nil).

There were no temporary idle items of Property, Plant and Equipment as at 31 March 2023 (2022 - Nil).

26 INTANGIBLE ASSETS - GROUP

Accounting policy

Goodwill

Goodwill that arises on the acquisition of subsidiaries is presented with intangible assets. For the measurement of goodwill at initial recognition see Note 4.3.7. Subsequent to initial recognition, goodwill is measured at cost less accumulated impairment losses.

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.

Business License

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

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

Business License is measured at cost.

	Software Rs. '000	Business License (Note 26.1) Rs. '000	Goodwill (Note 26.2) Rs. '000	Total 2023 Rs. '000	Total 2022 Rs. '000
Gross value					
Balance as at 1 April	56,798	28,800	80,872	166,470	162,505
Additions during the year	5,435	-	-	5,435	3,965
Balance as at 31 March	**62,233**	**28,800**	**80,872**	**171,905**	166,470
Amortisation/ Impairment losses					
Balance as at 1 April	43,938	-	-	43,938	37,759
Amortisation during the year	5,422	-	-	5,422	6,179
Balance as at 31 March	**49,360**	**-**	**-**	**49,360**	43,938
Carrying Values as at 31 March 2023	**12,873**	**28,800**	**80,872**	**122,545**	
Carrying Values as at 31 March 2022	12,860	28,800	80,872		122,532

NOTES TO THE FINANCIAL STATEMENTS

26 INTANGIBLE ASSETS - GROUP (CONTD.)

Note 26.1

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

Note 26.2

For the purpose of impairment testing Goodwill has been allocated to following cash generating units (subsidiaries).

As at,	Gross Goodwill Rs. '000	Impairment provision Rs. '000	Carrying value 31.03.2023 Rs. '000	Carrying value 31.03.2022 Rs. '000
Subsidiary				
First Capital Limited	54,535	-	54,535	54,535
First Capital Equities (Private) Limited	26,337	-	26,337	26,337
	80,872	-	80,872	80,872

As required by LKAS 36 - "Impairment of Assets", goodwill is tested for impairment annually and assessed for any indications of impairment at each reporting date to ensure that the carrying amount does not exceed the recoverable amount. Accordingly, the management of the company conducted an assessment and concluded that there are no indications of impairment of the goodwill as at 31 March 2023.

Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use (VIU). The fair value less costs to sell calculation is based on available data from an active market, in an arm's length transaction, of similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a discounted cash flow model. The cash flows are derived from the budget for the next five years that will enhance the asset's performance of the cash generating unit being tested. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash inflows and the growth rate used for extrapolation purposes. The key assumptions used are given below;

→ Gross margins

The basis used to determine the value assigned to the budgeted gross margins is the gross margins achieved in the year preceding the budgeted year adjusted for projected market conditions.

→ Inflation

The basis used to determine the value assigned to the budgeted cost. inflation rate is based on projected economic conditions.

→ Discount rates

The discount rate used is the risk free rate, adjusted by the addition of an appropriate risk premium. The discount rate is considered at 18% (2021/22 - 16%) with the perspective of long term basis.

→ Volume growth

Volume growth has been budgeted on a reasonable and realistic basis by taking into account the industry position.

26 INTANGIBLE ASSETS - COMPANY

	Software Rs. '000	Total 2023 Rs. '000	Total 2022 Rs. '000
Gross value			
Balance as at 1 April	12,969	12,969	12,796
Additions during the year	-	-	173
Disposals during the year	-	-	-
Balance as at 31 March	12,969	12,969	12,969
Amortisation/ Impairment losses			
Balance as at 1 April	7,688	7,688	5,166
Amortisation during the year	2,321	2,321	2,522
Disposals during the year	-	-	-
Balance as at 31 March	10,009	10,009	7,688
Carrying Values as at 31 March 2023	2,960	2,960	
Carrying Values as at 31 March 2022	5,281		5,281

FINANCIAL LIABILITIES

Accounting policy

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

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.

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

27 DERIVATIVE FINANCIAL INSTRUMENTS

As at,	Group		Company	
	31.03.2023 Rs. '000	31.03.2022 Rs. '000	31.03.2023 Rs. '000	31.03.2022 Rs. '000
Forward purchase contracts	149,080	-	-	-
Forward sale contracts	4,506	2,622	-	-
	153,586	2,622	-	-

28 SECURITIES SOLD UNDER REPURCHASE AGREEMENTS

As at,	Group		Company	
	31.03.2023 Rs. '000	31.03.2022 Rs. '000	31.03.2023 Rs. '000	31.03.2022 Rs. '000
Against government securities	43,830,826	23,028,781	-	-
Against corporate debt instruments	2,499,763	771,057	-	-
	46,330,589	23,799,838	-	-

29 SHORT TERM BORROWINGS

As at,	Group		Company	
	31.03.2023 Rs. '000	31.03.2022 Rs. '000	31.03.2023 Rs. '000	31.03.2022 Rs. '000
Borrowings on corporate debt securities	5,781,163	7,059,357	5,915,940	7,169,627
Other short term borrowings	1,299,812	1,080,531	1,299,812	1,080,531
	7,080,975	8,139,888	7,215,752	8,250,158

30 AMOUNTS DUE FROM / DUE TO RELATED COMPANIES

As at,	Note	Group		Company	
		31.03.2023 Rs. '000	31.03.2022 Rs. '000	31.03.2023 Rs. '000	31.03.2022 Rs. '000
Amounts due from related companies	30.1	66	750	20,309	8,473
Amounts due to related companies	30.2	4,652	5,571	945	2,096

30.1 Amounts due from related companies

Janashakthi Limited	-	650	-	492
Kelsey Homes (Private) Limited	21	42	-	15
Nextventures Limited	-	13	-	13
Janashakthi Corporate Services Limited	45	45	45	45
First Capital Limited	-	-	8,050	1,927
First Capital Equities (Private) Limited	-	-	4,107	1,778
First Capital Treasuries PLC	-	-	4,692	3,111
First Capital Asset Management Limited	-	-	3,354	1,063
First Capital Trustee Services (Pvt) Limited	-	-	61	29
	66	750	20,309	8,473

30.2 Amounts due to related companies

As at,	Group		Company	
	31.03.2023 Rs. '000	31.03.2022 Rs. '000	31.03.2023 Rs. '000	31.03.2022 Rs. '000
Janashakthi Limited	4,652	512	945	-
Janashakthi Business Services Limited	-	5,059	-	-
First Capital Markets Limited	-	-	-	2,096
	4,652	5,571	945	2,096

31 TRADE AND OTHER PAYABLES

Accounting policy

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.

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.

Other Liabilities

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

As at,	Note	Group		Company	
		31.03.2023 Rs. '000	31.03.2022 Rs. '000	31.03.2023 Rs. '000	31.03.2022 Rs. '000
Trade payables		270,971	345,057	-	-
Accrued expenses		507,624	84,214	40,871	6,670
Advance against non-current assets held for sale		80,218	80,218	-	-
Provision for statutory liabilities		182,072	335,483	(3,128)	1,083
Dividend payable		84,029	38,176	36,650	36,689
WHT payable on dividend payment		177,327	-	-	-
Lease liabilities	31.1	1,909	2,185	1,909	2,185
Advanced received from clients		69,808	14,989	-	-
Staff insurance claim payable		-	6,800	-	-
Tax consultancy fee		2,939	15,000	120	-
Other liabilities		73,479	37,149	1,577	916
		1,450,376	959,271	77,999	47,543

NOTES TO THE FINANCIAL STATEMENTS

31 TRADE AND OTHER PAYABLES (CONTD.)

31.1 Lease Liabilities

Accounting policy

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.

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 31.1 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.

	Group		Company	
	2023 Rs. '000	2022 Rs. '000	2023 Rs. '000	2022 Rs. '000
Balance as at 1 April	2,185	10,702	2,185	618
Interest charged	291	1,053	291	180
Lease liability recognised during the year	-	2,297	-	2,297
Lease payments during the period	(567)	(11,867)	(567)	(910)
Balance as at 31 March	1,909	2,185	1,909	2,185

31.2 Amounts Recognised in Profit or Loss

Leases under SLFRS 16		Group		Company	
As at,	Note	31.03.2023 Rs. '000	31.03.2022 Rs. '000	31.03.2023 Rs. '000	31.03.2022 Rs. '000
Interest on lease liabilities		(291)	(1,053)	(291)	(180)
Depreciation on Right of Use assets	25	(7,108)	(9,526)	(1,536)	(1,755)
Income from sub-leasing right-of-use assets - presented in "other income"		-	5	-	-
31.3 Amounts Recognised in Statement of Cash Flows					
Total cash outflow for leases		(567)	(11,867)	(567)	(910)

32 LONG TERM BORROWINGS - GROUP/ COMPANY

Bank	As at 01.04.2022 Rs. '000	Facility obtained Rs. '000	Repayment Capital Rs. '000	Repayment Interest Rs. '000	Accrued interest Rs. '000	As at 31.03.2023 Rs. '000	Tenure of the Loan	Security offered
Hatton National Bank PLC	-	1,000,000	(100,000)	(255,866)	2,217	902,217	5 Years	Corporate guarantee of Janashakthi Limited

33 RETIREMENT BENEFIT OBLIGATIONS

Accounting policy

Defined Contribution Plan

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

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.

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.

Defined Benefit Plans

A defined benefit plan is a postemployment benefit plan other than a defined contribution plan.

Gratuity

Gratuity is a Defined Benefit Plan. The Group measures the present value of the promised retirement benefits for gratuity, which is a Defined Benefit Plan. The cost of providing benefits under the defined benefits plans is determined using the projected unit credit method. Gain or loss arising as a result of changes in assumption is recognised in other comprehensive income (OCI) in the period in which it arises.

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

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

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognised immediately in profit or loss. The Group recognises gains and losses on the settlement of a defined benefit plan when the settlement occurs.

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.

NOTES TO THE FINANCIAL STATEMENTS

33 RETIREMENT BENEFIT OBLIGATIONS (CONTD.)

As at,	Group		Company	
	31.03.2023 Rs. '000	31.03.2022 Rs. '000	31.03.2023 Rs. '000	31.03.2022 Rs. '000
Balance at the beginning of the year	37,404	55,369	-	-
Amount recognised in Profit or loss for the year				
Gratuity charge for the year	6,643	6,237	-	-
Impact of change in retirement age	-	(1,847)	-	-
Interest charge for the year	5,616	7,710	-	-
Amount recognised in Other comprehensive income for the year				
Actuarial (gain)/loss for the year	15,348	(22,939)	-	-
Transfers made during the year	-	(5,562)	-	-
Benefits paid during the year	(11,948)	(1,564)	-	-
Balance at the end of the year	53,063	37,404	-	-

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

33.1 The principal assumptions used are as follows:

As at,	2022/23	2021/22
Expected annual average salary increment:	10.00%	8.00%
Discount rate / interest Rate:	18.00%	16.00%
Staff turnover factor:	12.00%	10.00%
Retirement age of employees :	60 Years	60 Years

As per the guidelines issued by the Institute of Chartered Accountants of Sri Lanka, the discount rates have been adjusted to convert the coupon bearing yield to a zero coupon yield to match the characteristics of the gratuity payment liability and the resulting yield to maturity for the purpose of valuing Employee benefit obligations as per LKAS 19. Further, the salary increment rate of 10% is considered appropriate to be in line with the Company's targeted future salary increments when taking into account the current market conditions and inflation rate.

33.2 The expected benefit payout in the future years for retirement gratuity

As at,	Group		Company	
	31.03.2023 Rs. '000	31.03.2022 Rs. '000	31.03.2023 Rs. '000	31.03.2022 Rs. '000
Up to 1 year	-	-	-	-
1 - 5 years	-	-	-	-
5 - 10 years	4,193	5,953	-	-
Over 10 years	48,870	31,451	-	-
Total	53,063	37,404	-	-

The expected benefits are estimated, based on the same assumptions used to measure the retirement benefit obligation of the Group at the end of the year and include benefits attributable to estimated future employee service. The average duration of the defined benefit obligation is 18 years (2021/22 -18 years).

33.3 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.

As at,	2022/23 Rs. '000	2021/22 Rs. '000
Increase in discount rate by 2%	(7,197)	(5,189)
Decrease in discount rate by 2%	6,435	4,929
Increase in salary increment by 2%	5,926	5,252
Decrease in salary increment by 2%	(6,805)	(5,593)

34 BORROWING ON DEBENTURES

As at,	Note	Group 31.03.2023 Rs. '000	Group 31.03.2022 Rs. '000	Company 31.03.2023 Rs. '000	Company 31.03.2022 Rs. '000
Balance at the beginning of the year		2,780,890	2,763,001	2,030,553	2,010,395
Adjustment on inter-company sales		6,506	10,028	-	-
Accrual of interest		303,936	293,869	213,318	203,419
		3,091,332	3,066,898	2,243,871	2,213,814
Less: Settlement of interest (Coupon)		(315,640)	(286,008)	(216,419)	(183,261)
Balance at the end of the year	34.1	2,775,692	2,780,890	2,027,452	2,030,553
34.1 Debentures issued					
First Capital Holdings PLC		2,027,452	2,030,553	2,027,452	2,030,553
First Capital Treasuries PLC		748,240	750,337	-	-
		2,775,692	2,780,890	2,027,452	2,030,553

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 31.03.2023 Rs. '000	Carrying value 31.03.2023 Rs. '000	Carrying value 31.03.2022 Rs. '000	Allotment Date	Maturity Date	Rate of Interest	Frequency on interest
5 years	13,247,500	1,324,750	1,335,698	1,344,250	8-Feb-21	7-Feb-26	10% (AER - 10%)	Annually
5 years	6,752,500	675,250	691,754	686,303	8-Feb-21	7-Feb-26	Weekly AWPLR + 2% (Cap of 12% & Floor of 9%)	Annually
	20,000,000	2,000,000	2,027,452	2,030,553				

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 31.03.2023 Rs. '000	Carrying value 31.03.2023 Rs. '000	Carrying value 31.03.2022 Rs. '000	Allotment Date	Maturity Date	Rate of Interest	Frequency on interest
5 year	7,500,000	750,000	762,076	760,577	30-Jan-20	30-Jan-25	12.75% (AER-13.16%)	Semi-annually
	7,500,000	750,000	762,076	760,577				

Inter-Company investments in Listed Debentures of First Capital Treasuries PLC, face value amounting to Rs. 22.5 Mn including amortised interest cost has been eliminated (As at 31 March 2022 - Rs. 22.5 Mn).

NOTES TO THE FINANCIAL STATEMENTS

35 STATED CAPITAL

As at,	Group		Company	
	31.03.2023 Rs. '000	31.03.2022 Rs. '000	31.03.2023 Rs. '000	31.03.2022 Rs. '000
Ordinary shares of 405,000,000	227,500	227,500	227,500	227,500

Ordinary shares in the Company are recognised at the amount paid per ordinary share net of directly attributable issue costs. The shares of the Company are quoted on the Colombo Stock Exchange. The holders of ordinary shares are entitled to receive dividends declared from time to time and are entitled to one vote per share at General Meetings of the Company.

On 8 April 2022, the Shareholders of the Company resolved to execute a sub-division of shares without a change to the stated capital of Rs. 227,500,000/- by splitting every one (01) existing voting ordinary share into four (04) voting ordinary shares. The shares so divided rank equal and pari pasu in all respects with the existing shares from which the division arose. The sub-division was completed on 27 April 2022.

Number of shares prior to sub - division	101,250,000
Number of shares after sub - division	405,000,000

36 RISK RESERVE

As at,	Group		Company	
	31.03.2023 Rs. '000	31.03.2022 Rs. '000	31.03.2023 Rs. '000	31.03.2022 Rs. '000
Balance at the beginning of the year	1,239,478	1,308,818	1,239,478	1,308,818
Transfers made during the year	258,998	-	258,998	-
Adjustment due to change in share ownership	(1,326)	(69,340)	(1,326)	(69,340)
Balance at the end of the year	1,497,150	1,239,478	1,497,150	1,239,478

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

37 FAIR VALUATION RESERVE

As at,	Group		Company	
	31.03.2023 Rs. '000	31.03.2022 Rs. '000	31.03.2023 Rs. '000	31.03.2022 Rs. '000
Balance at the beginning of the year	(297,957)	(292,419)	(297,957)	(292,419)
Gain/(Loss) on financial assets fair value through other comprehensive income	82,138	(5,638)	82,138	(5,638)
Adjustment due to change in share ownership	1	100	1	100
Balance at the end of the year	(215,818)	(297,957)	(215,818)	(297,957)

The above reserve is relating to the First Capital Treasuries PLC's (subsidiary) equity investment in Lanka Financial Services Bureau Limited amounting to Rs. 2 Mn (at cost) and First Capital Limited's equity investment in Kanrich Finance Limited (subsidiary) amounting Rs. 331 Mn (at cost) which is accounted for "Financial Assets - fair value through other comprehensive income." Carrying value of the said investments as at 31 March 2023 is 116.8 Mn (31 March 2022 - Rs. 34.6 Mn).

38 DIVIDEND DECLARED AND PAID

Accounting policy

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

The Board of Directors of the Company declared an interim dividend of Rs. 2.25 per share amounting to Rs. 911.25 Mn for the year 2022/23 on 4 April 2023 (2021/22 - Nil).

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 Holding PLC 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	-	1,241
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	539,700	19,120
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	-	15,518
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	-	4,861
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	67,342	3,811

The carrying amounts of assets and liabilities held in unconsolidated structured entities by the Group and the Company are as follows.

As at 31 March	Note	Group 2023 Rs. '000	Group 2022 Rs. '000	Company 2023 Rs. '000	Company 2022 Rs. '000
Assets					
Financial assets recognised through profit or loss -measured at fair value	17.4	607,042	375,181	504,745	-
Trade and other receivables		3,385	7,948	-	-
		610,427	383,129	504,745	-
Liabilities					
Securities sold under re-purchase agreements		1,533,071	1,143,102	-	-
		1,533,071	1,143,102	-	-

Summarised financial performance of the above unit trusts for the year ended 31 March 2023 are as follows.

Name of the Fund	Income Rs. '000	Profit after tax for the year Rs. '000	Total Equity (Net Asset Value) Rs. '000	Net Asset per Unit Rs.
First Capital Wealth Fund	5,372	1,001	63,407	1,094
First Capital Money Market Fund	694,204	702,935	4,682,215	2,503
First Capital Gilt-Edged Fund	677,264	659,832	1,367,226	1,963
First Capital Fixed Income Fund	170,246	121,527	976,867	2,254
First Capital Equity Fund	18,058	12,683	104,458	1,772

Group had not provided financial or other support to an unconsolidated structured entity.

Unit Trust Funds (unconsolidated structured entities) managed by First Capital Asset Management Limited (subsidiary) have not been considered in the consolidation of financial statements since all Funds are treated "open-ended" as per the Explanatory Memorandum of the respective funds. There is no assurance on a static equity stake held by Group companies in said funds.

NOTES TO THE FINANCIAL STATEMENTS

40 RELATED PARTY DISCLOSURES

40.1 Directorships in other companies

The Directors of First Capital Holdings PLC are also Directors of the following companies (as of 31 March 2023).

Name of the company	Relationship	Mr. Nishan Fernando	Ms. Manjula Mathews	Mr. Dilshan Wirasekara	Ms. Minette Perera	Mr. Chandana Lal de Silva	Dr. Nishan De Mel	Mr. Ramesh Schaffter
Janashakthi Limited	Parent	-	Director	-	-	Chairman	-	Managing Director/ Group CEO
Janashakthi Insurance PLC	Subsidiary of the Parent	-	-	-	-	-	Director	-
Janashakthi Capital Limited	Subsidiary of the Parent	-	-	-	-	-	-	Director
Janashakthi Business Services (Private) Limited	Subsidiary of the Parent	-	-	-	-	-	-	Director
Janashakthi Corporate Services Limited	Subsidiary of the Parent	-	-	-	-	-	-	Director
Beckett Capital (Pvt) Ltd	Subsidiary of the Parent	-	-	-	-	-	-	Director
Orient Finance PLC	Subsidiary of the Parent	-	-	-	Director	-	-	-
First Capital Limited	Subsidiary	Chairman	Deputy Chairperson	Managing Director/ CEO	Director	Director	Director	-
First Capital Asset Management limited	Subsidiary	Chairman	Deputy Chairperson	Managing Director/ CEO	Director	Director	Director	-
First Capital Treasuries PLC	Subsidiary	Chairman	Deputy Chairperson	Managing Director	Director	Director	Director	Director
First Capital Markets Limited	Subsidiary	Chairman	Deputy Chairperson	Managing Director/ CEO	Director	Director	Director	-
First Capital Equities (Private) Limited	Subsidiary	Chairman	Deputy Chairperson	Managing Director	Director	Director	Director	-
First Capital Trustee Services (Private) Limited"	Subsidiary	-	Deputy Chairperson	Managing Director/ CEO	-	-	-	-
Kelsey Developments PLC	Related party through KMP	-	-	-	-	-	-	-
Kelsey Homes (Private) Limited	Related party through KMP	-	-	-	-	-	-	-
Kelsey Homes (Central Park) Limited	Related party through KMP	-	-	-	-	-	-	-

KMP - Key Management Personnel

Notes

- Mr. Eardley Perera who was a director of First Capital Group companies other than First Capital Treasuries PLC and First Capital Trustee Services (Pvt) Limited retired with effect from 1 September 2022.
- Mr. Dinesh Schaffter who was the Managing Director of First Capital Group companies passed away on 15 December 2022.
- Ms. Manjula Mathews was appointed to the Board of Directors of First Capital Group Companies with effect from 27 December 2022.

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	
	2022/23 Rs. '000	2021/22 Rs. '000	2022/23 Rs. '000	2021/22 Rs. '000
Statement of Profit or Loss and Other Comprehensive Income				
Interest income	732,658	74,643	-	-
Fee income	1,400	725	-	-
Brokerage income (Stock broking)	3,345	1,075	-	-
Gain realised on sale of corporate debt securities	-	-	-	-
Interest expense	-	-		
Reimbursement of expenses	58,764	43,682	5,842	5,242
Corporate Guarantee facility commission expenses	11,653	3,008	11,653	3,008
Corporate Guarantee facility commission income	10,060	1,500	10,060	1,500
Statement of Changes in Equity				
Dividend paid & declared	-	-	-	-
Statement of Financial Position				
Current account payable	4,652	512	945	-
Current account receivable	-	650	-	492
Short term lending	4,734,213	1,000,210	-	-
Investment in debentures	62,871	211,809	-	-
Transactions relating to Corporate Guarantees				
Corporate Guarantee provided	2,000,000	400,000	2,000,000	400,000
Corporate Guarantee received	2,050,000	1,050,000	2,050,000	1,050,000

40.3 Transactions with Subsidiaries

Nature of transaction	Group		Company	
	2022/23 Rs. '000	2021/22 Rs. '000	2022/23 Rs. '000	2021/22 Rs. '000
Statement of Profit or Loss and Other Comprehensive Income				
Interest income	-	-	3,075,332	734,292
Fee income	-	-	7,115	5,025
Interest expense	-	-	26,279	-
Dividend income	-	-	911,430	-
Corporate Guarantee facility commission expenses	-	-	955	2,881
Statement of Financial Position				
Short term lending	-	-	8,973,120	7,496,840
Current account payable	-	-	-	2,096
Current account receivable	-	-	20,264	7,908
Securities purchased under re-sale agreements (Against government securities)	-	-	-	477,689
Transactions relating to Corporate Guarantees				
Corporate Guarantee provided	-	-	250,000	250,000
Corporate Guarantee received	-	-	1,200,000	1,200,000

NOTES TO THE FINANCIAL STATEMENTS

40 RELATED PARTY DISCLOSURES (CONTD.)

40.4 Transactions with other related companies

Nature of transaction	Group		Company	
As at,	2022/23 Rs. '000	2021/22 Rs. '000	2022/23 Rs. '000	2021/22 Rs. '000
Statement of Profit or Loss and Other Comprehensive Income				
Interest income	58,415	201,712	-	-
Fee income	161	12,158	96	12,108
Brokerage income (Stock broking)	16,605	19,989	-	-
Benefit accrued from investment in Unit Trust	241,680	274,902	13,972	-
Gain realised on sale of government securities	12,174	285	-	-
Gain realised on sale of corporate debt securities	-	647	-	565
Interest expense	858,710	276,516	1,000	1,000
Secretarial fees	1,348	1,400	394	442
Management fee (Portfolio Management and Unit Trust)	56,550	151,419	-	
Statement of Financial Position				
Investment in debentures	197,655	241,953	-	-
Investment in securitised papers	-	75,390	-	-
Short term lending	-	1,069,831	-	-
Securities purchased under re-sale agreements (against government securities)	-	-	-	-
Securities sold under re-purchase agreements (against government securities)	1,744,284	2,133,289	-	-
Borrowing on listed debentures	264,108	263,593	10,083	10,067
Management fee receivable (Portfolio management)	3,667	833	-	-
Current account receivable	66	100	45	73
Current account payable	-	5,059	-	-
Investment in unit trust	1,414,253	2,388,560	504,744	-
Funds under management (Portfolio Management)	34,715,026	19,070,149	-	-

Outstanding trading investments/borrowings other than investment under resale agreements/borrowings on repurchase agreements with related parties including current account balances at year end are not secured. There are no guarantees involved in investments under resale agreements/borrowings on repurchase agreements. The said transactions have been collateralised through trading securities. The settlement of all transactions occurs in cash. No expenses have been recognised in the current year or prior year for bad or doubtful debts in respect of amounts owed by related parties.

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

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

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

a. The individual's domestic partner and children;

b. Children of the individual's domestic partner; and

c. Dependents of the Individual or the individual's domestic partner

Close Family Members are related parties to the Entity.

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

Nature of transaction	Group		Company	
	2022/23 Rs. '000	2021/22 Rs. '000	2022/23 Rs. '000	2021/22 Rs. '000
Statement of Profit or Loss and Other Comprehensive Income				
Interest income	30,829	60,997	-	-
Brokerage income (Stock brokering)	2,033	9,467	-	-
Management fee income (Portfolio Management)	5,540	6,859	-	-
Interest expense	994	2,411	-	-
Emoluments paid	220,102	54,650	20,862	8,317
Benefit accrued from investment in Unit Trust	12,155	14,942		
Consultancy fee	-	-	-	-
Statement of Changes in Equity				
Dividend paid by unit trust	-	-	-	-
Statement of Financial Position				
Management fee receivable (Portfolio Management)	505	732	-	-
Lending	45,803	561,513	-	-
Securities sold under re-purchase agreements (against government securities)	-	6,756	-	-
Securities sold under re-purchase agreements (against corporate debt securities)	2,046	31,417	-	-
Investments in unit trust	27,637	198,379	-	-
Funds under management (Portfolio Management)	899,395	1,347,170	-	-

NOTES TO THE FINANCIAL STATEMENTS

40 RELATED PARTY DISCLOSURES (CONTD.)

40.6 Disclosures in relation to related party transactions in accordance with the Continuing Listing Requirements of the Colombo Stock Exchange.

Recurrent transactions - Group

Name of the related party	Relationship	Nature of the transaction	Aggregate Value of Related Party transaction entered during the financial year Rs. '000	Aggregate value of Related Party Transactions as a % of Net Revenue/ Income	Terms and conditions of the Related Transactions
First Capital Holdings PLC (FCH) / Janashakthi Limited (JL)	Company/ Parent	Corporate Guarantee Facilities obtained from JL for FCH's banking facilities	2,050,000	14%	Corporate Guarantee facilities obtained at commercial terms.
First Capital Holdings PLC (FCH) / Janashakthi Limited (JL)	Company/ Parent	Corporate Guarantee Facilities provided by FCH for JL's borrowing via corporate debts	2,000,000	14%	Corporate Guarantee facilities provided at commercial terms.
First Capital Limited (FCL) / Janashakthi Limited (JL)	Subsidiary/ Parent	Loan Facility granted to JL by FCL	4,734,213	33%	Loan Facility granted 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 (FCH) / First Capital Limited (FCL)	Company/ Subsidiary	Short term lending granted by FCH to FCL	8,973,120	63%	Short term lending made at commercial terms.
First Capital Holdings PLC (FCH) / First Capital Limited (FCL)	Company/ Subsidiary	Interest income on Short term lending granted by FCH to FCL	2,889,287	20%	Interest income on Short term lending made at commercial terms.
First Capital Holdings PLC (FCH) / Janashakthi Limited (JL)	Company/ Parent	Corporate Guarantee Facilities obtained from JL for FCH's banking facilities	2,050,000	14%	Corporate Guarantee facilities obtained at commercial terms.
First Capital Holdings PLC (FCH) / Janashakthi Limited (JL)	Company/ Parent	Corporate Guarantee Facilities provided by FCH for JL's borrowing via corporate debts	2,000,000	14%	Corporate Guarantee facilities provided at commercial terms.

Accounting policy

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.

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 credit facilities of Janashakthi Limited (parent) and First Capital Limited (subsidiary) amounting to Rs. 2 Bn and Rs. 250 Mn respectively.

(b) The company's appeals on VAT on financial services related to year of assessment 2016/17 and 2017/18 (aggregate of Rs. 254 Mn) are being heard at the Tax Appeals Commissions. Further, the Department of Inland Revenue (IRD) raised an assessment on VAT on financial services for 2019/20 amounting to Rs. 181 Mn in February 2023. The company submitted an appeal against the said assessment.

Group

(c) First Capital Limited's (subsidiary) appeal on the assessment of VAT on financial services (2012/13) amounting to Rs. 9.3 Mn is being heard at the Court of Appeal. Further, the subsidiary has appealed against assessments on VAT on financial services (2013/14, 2014/15) amounting to Rs. 99.3 Mn to the Tax Appeals Commission. Hearing of the said appeals has not been concluded yet. Further, Department of Inland Revenue issued an assessment on VAT on financial services amounting to Rs. 15 Mn (2019/20) to the subsidiary. An appeal has been submitted against the said assessment.

The appeals against the said assessments (a) to (d) above) have been duly submitted. Based on the tax consultant's opinion, the Board of Directors of the Company is of the view that no liability would arise on the above stated tax matters as they are outside the scope of chargeability of taxes.

There were no material litigations or claims with respect to employee compensation. Further, the 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 2023.

NOTES TO THE FINANCIAL STATEMENTS

42 Commitments

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

Capital Commitments

First Capital Treasuries PLC (subsidiary) entered into an agreement to acquire three condominium units currently occupied by the company for a purchase consideration of Rs. 270 Mn. An advance payment of Rs. 230 Mn was made as of 31 March 2023.

First Capital Treasuries PLC entered into a sale and purchase agreement to acquire a property (land and premises) for a consideration of Rs. 382 Mn and an advance of Rs. 77.3 Mn was paid. However, in consequent to the seller failing to honour the terms of the agreement, legal proceedings were initiated against the seller and the District Court granted an interim order in favour of the Company, against the Seller disposing and alienating the property to any third party. The legal proceedings have not been concluded yet.

Other Commitments

There value of forward purchase contracts (Government Securities) as at 31 March 2023 is Rs. 2,730 Mn (31 March 2022 - Rs. 1,363 Mn) and the value of forward sales contracts (Government Securities) as at 31 March 2022 is Rs. 9,356 Mn (31 March 2022 - Rs. 1,209 Mn).

43 SUBSEQUENT EVENTS

Accounting policy

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

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

(a) On 4 April 2023, the Board of Directors of the Company declared an interim dividend of Rs. 2.25 per share amounting to Rs. 911.25 Mn for the year 2022/23.

(b) On 8 June 2023, People's Leasing and Finance PLC (PLC) entered into a share purchase agreement with Janashakthi Limited (parent company) to acquire an equity stake of 33% in First Capital Holdings PLC at a consideration of Rs. 4,958 Mn subject to the approval of Central Bank of Sri Lanka and any or all other regulatory authorities applicable to the two parties.

(C) On 25 July 2023, the shareholders of Kanrich Finance Limited and shareholders of Nation Lanka Finance PLC resolved to amalgamate the business entities of Kanrich Finance Limited and Nation Lanka Finance PLC (surviving entity after the amalgamation) at the extra ordinary general meetings. Accordingly, shareholders of Kanrich Finance Limited have been offered the ordinary shares of Nation Lanka Finance PLC.

44 ECONOMIC OUTLOOK AND THE BUSINESS IMPACT

The Economic activities for near term are expected to be induced by the favourable developments occurred since end of 1st quarter of 2023 followed by the reduction in policy rates by the Central Bank of Sri Lanka in May 2023 and July 2023. However, GDP growth for year 2023 is expected to be negatively impacted due to lower volume of economic activities as a result of contraction in private consumption.

The Economy is expected to recover in the medium to long term conditional on restoring reassurance on the implementation of proposed economic adjustment programme via the International Monetary Fund (IMF) and social coherence.

The Company has adequate level of financial and other resources to face the uncertainties via economic unrest and therefore the impact on the business operations is expected to be minimal. The prevailing economic uncertainties do not have a significant impact on the liquidity, valuation of assets and solvency of the Company.

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.

NOTES TO THE FINANCIAL STATEMENTS

45 FINANCIAL RISK MANAGEMENT (CONTD.)

Maturity Analysis of the Financial Assets and Financial Liabilities

Group - As at 31 March 2023	Carrying Amount Rs.'000	On Demand Rs.'000	Up to 3 Months Rs.'000	3 Months to 1 Year Rs.'000	1-3 Years Rs.'000	3-5 Years Rs.'000	Over 5 Years Rs.'000	Total Rs.'000
Assets								
Cash at banks and in hand	110,372	110,372	-	-	-	-	-	110,372
Derivative financial instruments	51,194	18,059	33,135	-	-	-	-	51,194
Financial assets recognised through profit or loss - measured at fair value	53,726,232	1,238,935	1,065,056	1,950,707	18,816,665	27,321,131	3,333,738	53,726,232
Financial assets - fair value through other comprehensive income	116,773	-	-	116,773	-	-	-	116,773
Financial assets at amortised cost	11,225,039	345,212	9,502,711	1,313,910	15,449	21,872	25,885	11,225,039
Other financial assets (Trade receivables - Net)	560,150	-	560,150	-	-	-	-	560,150
Amounts due from related companies	66	66	-	-	-	-	-	66
Total as at 31 March 2023	**65,789,826**	**1,712,644**	**11,161,052**	**3,381,390**	**18,832,114**	**27,343,003**	**3,359,623**	**65,789,826**
Liabilities								
Bank overdrafts	448,194	448,194	-	-	-	-	-	448,194
Derivative financial instruments	153,586	19,198	105,833	28,555	-	-	-	153,586
Securities sold under repurchase agreements	46,330,589	36,146,242	9,400,756	1,094,369	52,504	9,877	-	46,703,748
Short term borrowings	7,080,975	-	5,878,899	1,202,076	-	-	-	7,080,975
Amounts due to related companies	4,652	4,652	-	-	-	-	-	4,652
Other financial liabilities (Trade payables - Net)	1,090,977	1,090,977	-	-	-	-	-	1,090,977
Long term borrowings	902,217	-	154,530	239,500	725,500	369,750	-	1,489,280
Borrowings on debentures	2,775,692	-	-	306,265	3,248,139	-	-	3,554,404
Total as at 31 March 2023	**58,786,882**	**37,709,263**	**15,540,018**	**2,870,765**	**4,026,143**	**379,627**	**-**	**60,525,816**

Maturity Analysis of the Financial Assets and Financial Liabilities

Group - As at 31 March 2022	Carrying Amount Rs.'000	On Demand Rs.'000	Up to 3 Months Rs.'000	3 Months to 1 Year Rs.'000	1-3 Years Rs.'000	3-5 Years Rs.'000	Over 5 Years Rs.'000	Total Rs.'000
Assets								
Cash at banks and in hand	526,987	526,987	-	-	-	-	-	526,987
Derivative financial instruments	5,190	-	5,190	-	-	-	-	5,190
Financial assets recognised through profit or loss - measured at fair value	30,066,729	1,167,110	26,372,440	220,830	1,281,183	412,865	612,301	30,066,729
Financial assets - fair value through other comprehensive income	34,635	-	-	-	-	34,635	-	34,635
Financial assets at amortised cost	9,059,275	-	2,818,642	3,383,925	2,818,512	29,095	9,101	9,059,275
Other financial assets (Trade receivables - Net)	925,049	-	925,049	-	-	-	-	925,049
Amounts due from related companies	750	750	-	-	-	-	-	750
Total as at 31 March 2022	40,618,615	1,694,847	30,121,321	3,604,755	4,099,695	476,595	621,402	40,618,615
Liabilities								
Bank overdrafts	1,245,741	1,245,741	-	-	-	-	-	1,245,741
Derivative financial instruments	2,622	-	2,622	-	-	-	-	2,622
Securities sold under repurchase agreements	23,799,838	15,043,330	6,880,314	1,988,458	-	-	7,859	23,919,961
Short term borrowings	8,139,888	-	6,855,388	1,284,500	-	-	-	8,139,888
Amounts due to related companies	5,571	5,571						5,571
Other financial liabilities (Trade payables - Net)	345,057	345,057	-	-	-	-	-	345,057
Long term borrowings	-	-	-	-	-	-	-	-
Borrowings on debentures	2,780,890	-	-	307,532	1,330,321	2,184,918	-	3,822,771
Total as at 31 March 2022	36,319,607	16,639,699	13,738,324	3,580,490	1,330,321	2,184,918	7,859	37,481,611

NOTES TO THE FINANCIAL STATEMENTS

45 FINANCIAL RISK MANAGEMENT (CONTD.)

Maturity Analysis of the Financial Assets and Financial Liabilities

Company - As at 31 March 2023	Carrying Amount Rs.'000	On Demand Rs.'000	Up to 3 Months Rs.'000	3 Months to 1 Year Rs.'000	1-3 Years Rs.'000	3-5 Years Rs.'000	Over 5 Years Rs.'000	Total Rs.'000
Assets								
Cash at banks and in hand	18,321	18,321	-	-	-	-	-	18,321
Financial assets recognised through profit or loss - measured at fair value	1,735,025	504,745	642,021	-	-	342,897	245,363	1,735,026
Financial assets at amortised cost	9,397,239	8,915,036	423,357	58,846	-	-	-	9,397,239
Amounts due from related companies	20,309	20,309	-	-	-	-	-	20,309
Total As at 31 March 2023	**11,170,894**	**9,458,411**	**1,065,378**	**58,846**	**-**	**342,897**	**245,363**	**11,170,895**
Liabilities								
Bank overdrafts	192,627	192,627	-	-	-	-	-	192,627
Trade and other payables	81,127	81,127	-	-	-	-	-	81,127
Short term borrowings	7,215,752	-	6,013,676	1,202,076	-	-	-	7,215,752
Long term borrowings	902,217	-	154,530	239,500	725,500	369,750	-	1,489,280
Borrowings on debentures	2,027,452	-	-	213,505	2,427,595	-	-	2,641,100
Amounts due to related companies	945	945	-	-	-	-	-	945
Total As at 31 March 2023	**10,420,120**	**274,699**	**6,168,206**	**1,655,081**	**3,153,095**	**369,750**	**-**	**11,620,831**

Maturity Analysis of the Financial Assets and Financial Liabilities

Company - As at 31 March 2022	Carrying Amount Rs.'000	On Demand Rs.'000	Up to 3 Months Rs.'000	3 Months to 1 Year Rs.'000	1-3 Years Rs.'000	3-5 Years Rs.'000	Over 5 Years Rs.'000	Total Rs.'000
Assets								
Cash at banks and in hand	39,417	39,417	-	-	-	-	-	39,417
Financial assets recognised through profit or loss - measured at fair value	3,220,443	-	2,472,961	-	-	262,289	485,193	3,220,443
Financial assets at amortised cost	8,784,857	-	7,961,055	506,569	317,233	-	-	8,784,857
Amounts due from related companies	8,473	8,473	-	-	-	-	-	8,473
Total As at 31 March 2022	12,053,190	47,890	10,434,016	506,569	317,233	262,289	485,193	12,053,190
Liabilities								
Bank overdrafts	1,245,696	1,245,696	-	-	-	-	-	1,245,696
Short term borrowings	8,250,158	-	6,965,658	1,284,500	-	-	-	8,250,158
Long term borrowings	-	-	-	-	-	-	-	-
Borrowings on debentures	2,030,553	-	-	213,318	428,731	2,184,918	-	2,826,967
Amounts due to related companies	2,096	2,096	-	-	-	-	-	2,096
Total As at 31 March 2022	11,528,503	1,247,792	6,965,658	1,497,818	428,731	2,184,918	-	12,324,917

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.

NOTES TO THE FINANCIAL STATEMENTS

45 FINANCIAL RISK MANAGEMENT (CONTD.)

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 2023 Rs. '000	Group 2022 Rs. '000	Company 2023 Rs. '000	Company 2022 Rs. '000
Bank of Ceylon PLC	A	Fitch	7,188	8,129	281	282
Commercial Bank of Ceylon PLC	A	Fitch	673	4,594	582	4,495
DFCC Bank PLC	A-	Fitch	27	39	-	-
Hatton National Bank PLC	A	Fitch	26,042	35,025	16,825	16,738
National Development Bank PLC	A-	Fitch	30	7,243	-	7,211
Nations Trust Bank PLC	A-	Fitch	1,478	4,456	10	-
Pan Asia Bank Corporation PLC	BBB-	Fitch	135	72	-	-
People's Bank PLC	A	Fitch	624	537	11	11
Sampath Bank PLC	A	Fitch	36,454	12,266	-	-
Seylan Bank PLC	A-	Fitch	26,598	454,101	612	10,680
Union Bank of Colombo PLC	BBB-	Fitch	32	32	-	-
Total Exposure to credit Risk			99,281	526,494	18,321	39,417
Central Bank of Sri Lanka			10,797	200	-	-
Cash in hand			294	293	-	-
Cash and Cash Equivalents			110,372	526,987	18,321	39,417

45.4.2 Credit Quality by Class of Financial Assets

Group - As at 31 March 2023	12 Month Expected Credit losses Rs.'000	Life Time Expected Credit losses Not Credit Impaired Rs.'000	Life Time Expected Credit losses Credit Impaired Rs.'000	Total Rs.'000
Assets				
Financial assets at amortised cost	5,072,287	6,073,527	79,225	11,225,039
Other financial assets (Trade receivables)	560,150	-	63,508	623,658
Total financial assets	5,632,437	6,073,527	142,733	11,848,697

Group - As at 31 March 2022	12 Month Expected Credit losses Rs.'000	Life Time Expected Credit losses Not Credit Impaired Rs.'000	Life Time Expected Credit losses Credit Impaired Rs.'000	Total Rs.'000
Assets				
Financial assets at amortised cost	6,910,959	2,143,316	5,000	9,059,275
Other financial assets (Trade receivables)	925,049	-	63,508	988,557
Total financial assets	7,836,008	2,143,316	68,508	10,047,832

45.4.2 Credit Quality by Class of Financial Assets

Company - As at 31 March 2023	12 Month Expected Credit losses Rs.'000	Life Time Expected Credit losses Not Credit Impaired Rs.'000	Life Time Expected Credit losses Credit Impaired Rs.'000	Total Rs.'000
Assets				
Financial assets at amortised cost	9,455,541	-	5,000	9,460,541
Total financial assets	9,455,541	-	5,000	9,460,541

Company - As at 31 March 2022	12 Month Expected Credit losses Rs.'000	Life Time Expected Credit losses Not Credit Impaired Rs.'000	Life Time Expected Credit losses Credit Impaired Rs.'000	Total Rs.'000
Assets				
Financial assets at amortised cost	8,784,857	-	5,000	8,789,857
Total financial assets	8,784,857	-	5,000	8,789,857

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 2023	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	Amounts due from related companies Rs.'000	Total Financial Assets Rs.'000
Sector Wise Breakdown								
Government	18,609	51,194	51,395,192	94,062	-	-	-	51,559,057
Corporate	91,763	-	2,331,040	9,750,585	116,773	560,150	-	12,850,311
Others	-	-	-	1,380,392	-	-	66	1,380,458
Total	110,372	51,194	53,726,232	11,225,039	116,773	560,150	66	65,789,826

Group - As at 31 March 2022	Cash at Banks and in Hand Rs.'000	Derivative Financial Instruments Rs.'000	Financial Assets - FVTPL Rs.'000	Financial Assets at amortised cost Rs.'000	Financial Assets - FVTOCI Rs.'000	Other Financial Assets (Trade Receivables -Net) Rs.'000	Amounts due from related companies Rs.'000	Total Financial Assets Rs.'000
Sector Wise Breakdown								
Government	8,866	5,190	27,473,623	-	-	-	-	27,487,679
Corporate	518,121	-	2,593,106	7,430,089	34,635	925,049	-	11,501,000
Others	-	-	-	1,629,186	-	-	750	1,629,936
Total	526,987	5,190	30,066,729	9,059,275	34,635	925,049	750	40,618,615

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45 FINANCIAL RISK MANAGEMENT (CONTD.)

45.5 Analysis of Concentration Risk

Company - As at 31 March 2023	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	Amounts due from related companies Rs.'000	Total Financial Assets Rs.'000
Sector Wise Breakdown								
Government	292	-	-	87,805	-	-	-	88,097
Corporate	18,029	-	1,735,025	9,309,434	-	-	20,309	11,082,797
Others	-	-	-	-	-	-	-	-
Total	18,321	-	1,735,025	9,397,239	-	-	20,309	11,170,894

Company - As at 31 March 2022	Cash at Banks and in Hand Rs.'000	Derivative Financial Instruments Rs.'000	Financial Assets - FVTPL Rs.'000	Financial Assets at amortised cost Rs.'000	Financial Assets - FVTOCI Rs.'000	Other Financial Assets (Trade Receivables -Net) Rs.'000	Amounts due from related companies Rs.'000	Total Financial Assets Rs.'000
Sector Wise Breakdown								
Government	293	-	-	-	-	-	-	293
Corporate	39,124	-	3,220,443	8,784,857	-	-	8,473	12,052,897
Others	-	-	-	-	-	-	-	-
Total	39,417	-	3,220,443	8,784,857	-	-	8,473	12,053,190

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

45.7.1 Interest rate risk

The interest rate profile of the Group's interest-bearing financial instruments are as follows:

	Group		Company	
	Carrying Amount		Carrying Amount	
	2023 Rs. '000	2022 Rs. '000	2023 Rs. '000	2022 Rs. '000
Fixed rate instruments				
Financial assets				
Derivative assets	51,194	5,190	-	-
Investment in government securities	51,395,192	29,842,605	642,020	2,472,961
Investment in debentures	1,092,105	1,425,996	588,260	747,482
	52,538,491	31,273,791	1,230,280	3,220,443
Financial liabilities				
Derivative liabilities	153,586	2,622	-	-
Borrowings on debentures	2,083,938	2,094,587	1,335,698	1,333,638
	2,237,524	2,097,209	1,335,698	1,333,638
Variable rate instruments				
Financial assets				
Investment in unit trust	607,042	431,831	504,745	-
	607,042	431,831	504,745	-
Financial liabilities				
Borrowings on debentures	691,754	686,303	691,754	686,303
	691,754	686,303	691,754	686,303

NOTES TO THE FINANCIAL STATEMENTS

45 FINANCIAL RISK MANAGEMENT (CONTD.)

45.7.2 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 2% 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	
Fixed rate instruments	2% Decrease	2% Increase	2% Decrease	2% Increase
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Financial assets				
Derivative assets	137,479	(203,794)	96,236	(142,656)
Financial assets recognised through profit or loss - measured at fair value				
- Government Securities	2,029,068	(1,895,409)	1,420,348	(1,326,786)
- Investment in debentures	27,507	(25,374)	19,255	(17,762)
	2,194,054	**(2,124,577)**	**1,535,839**	**(1,487,204)**
Financial liabilities				
Derivative Liabilities	(380,637)	25,266	(266,446)	17,686
Borrowings on debentures	384,510	(384,510)	269,157	(269,157)
	3,873	**(359,244)**	**2,711**	**(251,471)**

Company	Profit or loss		Equity, net of tax	
Fixed rate instruments	2% Decrease	2% Increase	2% Decrease	2% Increase
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Financial assets				
Financial assets recognised through profit or loss - measured at fair value				
- Government Securities	697	(696)	488	(487)
- Investment in debentures	20,070	(18,144)	14,049	(12,701)
	20,767	**(18,840)**	**14,537**	**(13,188)**
Financial liabilities				
Borrowings on debentures	**267,139**	**(267,139)**	**186,998**	**(186,998)**

45.7.3 Cash flow sensitivity analysis for variable rate instruments

A reasonably possible 2% 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	
Variable rate instruments	2% Decrease	2% Increase	2% Decrease	2% Increase
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Financial assets				
Financial assets recognised through profit or loss - measured at fair value				
- Investment in Unit Trust	(12,056)	12,056	(8,439)	8,439
Financial liabilities				
Borrowings on debentures	115,292	(115,292)	80,705	(80,705)

Company	Profit or loss		Equity, net of tax	
Variable rate instruments	2% Decrease	2% Increase	2% Decrease	2% Increase
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Financial assets				
Financial assets recognised through profit or loss - measured at fair value				
- Investment in Unit Trust	(10,014)	10,014	(7,010)	7,010
Financial liabilities				
Borrowings on debentures	115,292	(115,292)	80,705	(80,705)

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.

NOTES TO THE FINANCIAL STATEMENTS

46 FINANCIAL INSTRUMENTS- FAIR VALUE MEASUREMENT (CONTD.)

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 31.03.2023		As at 31.03.2022	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Financial assets measured at fair value				
Derivative financial instruments	51,194	51,194	5,190	5,190
Financial assets recognised through profit or loss - measured at fair value	53,726,232	53,726,232	30,066,729	30,066,729
Financial assets - fair value through other comprehensive income	116,773	116,773	34,635	34,635
	53,894,199	53,894,199	30,106,554	30,106,554
Financial assets not measured at fair value				
Cash at banks and in hand	110,372	110,372	526,987	526,987
Financial assets at amortised cost	11,225,039	11,225,039	9,059,275	9,061,083
Amounts due from related companies	66	66	750	750
Trade receivables	560,150	560,150	925,049	925,049
	11,895,627	11,895,627	10,512,061	10,513,869
Total financial assets	65,789,826	65,789,826	40,618,615	40,620,423
Financial liabilities measured at fair value				
Derivative financial instruments	153,586	153,586	2,622	2,622
	153,586	153,586	2,622	2,622
Financial liabilities not measured at fair value				
Bank overdrafts	448,194	448,194	1,245,741	1,245,741
Amounts due to related companies	4,652	4,652	5,571	5,571
Trade and other payables	1,090,977	1,090,977	623,788	623,788
Securities sold under re-purchase agreements	46,330,589	46,314,954	23,799,838	23,773,602
Short term borrowings	7,080,975	7,080,975	8,139,888	8,139,888
Long term borrowings	902,217	902,217	-	-
Borrowings on debentures	2,775,692	1,915,259	2,780,890	2,311,508
	58,633,296	57,757,228	36,595,716	36,100,098
Total financial liabilities	58,786,882	57,910,814	36,598,338	36,102,720

Company	As at 31.03.2023		As at 31.03.2022	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Financial assets measured at fair value				
Financial assets recognised through profit or loss - measured at fair value	1,735,025	1,735,025	3,220,443	3,220,443
	1,735,025	1,735,025	3,220,443	3,220,443
Financial assets not measured at fair value				
Cash at banks and in hand	18,321	18,321	39,417	39,417
Amounts due from related companies	20,309	20,309	8,473	8,473
Financial assets at amortised cost	9,397,239	9,397,239	8,784,857	8,784,857
	9,435,869	9,435,869	8,832,747	8,832,747
Total financial assets	11,170,894	11,170,894	12,053,190	12,053,190
Financial liabilities measured at fair value	-	-	-	-
Financial liabilities not measured at fair value				
Bank overdrafts	192,627	192,627	1,245,696	1,245,696
Amounts due to related companies	945	945	2,096	2,096
Trade and other payables	81,127	81,127	46,460	46,460
Short term borrowings	7,215,752	7,215,752	8,250,158	8,250,158
Long term borrowings	902,217	902,217	-	-
Borrowings on debentures	2,027,452	1,365,457	2,030,553	1,653,396
	10,420,120	9,758,125	11,574,963	11,197,806
Total financial liabilities	10,420,120	9,758,125	11,574,963	11,197,806

NOTES TO THE FINANCIAL STATEMENTS

46 FINANCIAL INSTRUMENTS- FAIR VALUE MEASUREMENT (CONTD.)

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 2023	Total Carrying Amount	Level 1	Level 2	Level 3	Total Fair Value
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Financial assets measured at fair value					
Derivative financial instruments					
Forward purchase contracts	38,918	38,918	-	-	38,918
Forward sale contracts	12,276	12,276	-	-	12,276
	51,194	**51,194**	**-**	**-**	**51,194**
Financial assets recognised through profit or loss - measured at fair value					
Investment in government securities	51,395,192	51,395,192	-	-	51,395,192
Investment in debentures	1,092,105	-	1,092,105	-	1,092,105
Investment in unit trust	607,042	-	607,042	-	607,042
Investment in listed shares	631,893	631,893	-	-	631,893
	53,726,232	**52,027,085**	**1,699,147**	**-**	**53,726,232**
Financial assets - fair value through other comprehensive income	116,773	116,773	-	-	116,773
	53,894,199	**52,195,052**	**1,699,147**	**-**	**53,894,199**
Financial assets not measured at fair value					
Cash at banks and in hand	110,372	-	-	110,372	110,372
Financial assets at amortised cost	11,225,039	-	-	11,225,039	11,225,039
Amounts due from related companies	66			66	66
Trade receivables	560,150	-	-	560,150	560,150
	11,895,627	**-**	**-**	**11,895,627**	**11,895,627**
Total financial assets	**65,789,826**	**52,195,052**	**1,699,147**	**11,895,627**	**65,789,826**
Financial liabilities measured at fair value					
Derivative financial instruments					
Forward purchase contracts	149,080	149,080	-	-	149,080
Forward sale contracts	4,506	4,506	-	-	4,506
	153,586	**153,586**	**-**	**-**	**153,586**
Financial liabilities not measured at fair value					
Bank overdrafts	448,194	-	-	448,194	448,194
Amounts due to related companies	4,652	-	-	4,652	4,652
Trade and other payables	1,090,977	-	-	1,090,977	1,090,977
Securities sold under re-purchase agreements	46,330,589	-	-	46,314,954	46,314,954
Short term borrowings	7,080,975	-	-	7,080,975	7,080,975
Long term borrowings	902,217	-	-	902,217	902,217
Borrowings on debentures	2,775,692	-	1,915,259	-	1,915,259
	58,633,296	**-**	**1,915,259**	**55,841,969**	**57,757,228**
Total financial liabilities	**58,786,882**	**153,586**	**1,915,259**	**55,841,969**	**57,910,814**

Group - As at 31 March 2022	Total Carrying Amount	Level 1	Level 2	Level 3	Total Fair Value
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Financial assets measured at fair value					
Derivative financial instruments					
Forward purchase contracts	3,290	3,290	-	-	3,290
Forward sale contracts	1,900	1,900	-	-	1,900
	5,190	5,190	-	-	5,190
Financial assets recognised through profit or loss -measured at fair value					
Investment in government securities	27,473,623	27,473,623	-	-	27,473,623
Investment in debentures	1,425,996	778,941	647,055	-	1,425,996
Investment in unit trust	431,831	-	431,831	-	431,831
Investment in listed shares	735,279	735,279	-	-	735,279
	30,066,729	28,987,843	1,078,886	-	30,066,729
Financial assets - fair value through other comprehensive income	34,635	-	34,635	-	34,635
	30,106,554	28,993,033	1,113,521	-	30,106,554
Financial assets not measured at fair value					
Cash at banks and in hand	526,987			526,987	526,987
Financial assets at amortised cost	9,059,275	2,370,790	-	6,690,293	9,061,083
Amounts due from related companies	750	-	-	750	750
Trade receivables	925,049	-	-	925,049	925,049
	10,512,061	2,370,790	-	8,143,079	10,513,869
Total financial assets	40,618,615	31,363,823	1,113,521	8,143,079	40,620,423
Financial liabilities measured at fair value					
Derivative financial instruments					
Forward sale contracts	2,622	2,622	-	-	2,622
	2,622	2,622	-	-	2,622
Financial liabilities not measured at fair value					
Bank overdrafts	1,245,741	-	-	1,245,741	1,245,741
Amounts due to related companies	5,571	-	-	5,571	5,571
Trade and other payables	623,788	-	-	623,788	623,788
Securities sold under re-purchase agreements	23,799,838	-	-	23,773,602	23,773,602
Short term borrowings	8,139,888	-	-	8,139,888	8,139,888
Borrowings on debentures	2,780,890	-	2,311,508	-	2,311,508
	36,595,716	-	2,311,508	33,788,590	36,100,098
Total financial liabilities	36,598,338	2,622	2,311,508	33,788,590	36,102,720

NOTES TO THE FINANCIAL STATEMENTS

46 FINANCIAL INSTRUMENTS- FAIR VALUE MEASUREMENT (CONTD.)

Company - As at 31 March 2023	Total Carrying Amount	Level 1	Level 2	Level 3	Total Fair Value
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Financial assets measured at fair value					
Financial assets recognised through profit or loss - measured at fair value					
Investment in government securities	642,020	642,020	-	-	642,020
Investment in debentures	588,260	-	588,260	-	588,260
Investment in unit trust	504,745	-	504,745	-	504,745
	1,735,025	**642,020**	**1,093,005**	**-**	**1,735,025**
Financial assets not measured at fair value					
Cash at banks and in hand	18,321	-	-	18,321	18,321
Amounts due from related companies	20,309	-	-	20,309	20,309
Financial assets at amortised cost	9,397,239	-	-	9,397,239	9,397,239
	9,435,869	**-**	**-**	**9,435,869**	**9,435,869**
Total financial assets	**11,170,894**	**642,020**	**1,093,005**	**9,435,869**	**11,170,894**
Financial liabilities measured at fair value	**-**	**-**	**-**	**-**	**-**
Financial assets not measured at fair value					
Bank overdrafts	192,627	-	-	192,627	192,627
Amounts due to related companies	945	-	-	945	945
Trade and other payables	81,127	-	-	81,127	81,127
Short term borrowings	7,215,752	-	-	7,215,752	7,215,752
Long term borrowings	902,217	-	-	902,217	902,217
Borrowings on debentures	2,027,452	-	1,365,457	-	1,365,457
	10,420,120	**-**	**1,365,457**	**8,392,668**	**9,758,125**
Total financial liabilities	**10,420,120**	**-**	**1,365,457**	**8,392,668**	**9,758,125**

Company - As at 31 March 2022	Total Carrying Amount	Level 1	Level 2	Level 3	Total Fair Value
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Financial assets measured at fair value					
Financial assets recognised through profit or loss - measured at fair value					
Investment in government securities	2,472,961	2,472,961	-	-	2,472,961
Investment in debentures	747,482	747,482	-	-	747,482
	3,220,443	**3,220,443**	**-**	**-**	**3,220,443**
Financial assets not measured at fair value					
Cash at banks and in hand	39,417	-	-	39,417	39,417
Amounts due from related companies	8,473	-	-	8,473	8,473
Financial assets at amortised cost	8,784,857	-	-	8,784,857	8,784,857
	8,832,747	**-**	**-**	**8,832,747**	**8,832,747**
Total financial assets	**12,053,190**	**3,220,443**	**-**	**8,832,747**	**12,053,190**
Financial liabilities measured at fair value	-	-	-	-	-
Financial liabilities not measured at fair value					
Bank overdrafts	1,245,696	-	-	1,245,696	1,245,696
Amounts due to related companies	2,096	-	-	2,096	2,096
Trade and other payables	46,460	-	-	46,460	46,460
Short term borrowings	8,250,158	-	-	8,250,158	8,250,158
Long term borrowings	-	-	-	-	-
Borrowings on debentures	2,030,553	-	1,653,396	-	1,653,396
	11,574,963	**-**	**1,653,396**	**9,544,410**	**11,197,806**
Total financial liabilities	**11,574,963**	**-**	**1,653,396**	**9,544,410**	**11,197,806**

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 3.27% and 9.53%).	The estimated fair value would increase/decrease if risk premium of the investee company is lower or higher.
Unit Trusts	The fair values are based on the Net Asset Values published by the respective unit trusts (Note 39).	Not applicable	Not applicable

46.3.(b) Fair Values - Level 2 and Level 3

46.3.(b). (i) Reconciliation of level 2 and level 3 fair values (Group)

The following table shows a reconciliation from the opening balance to the closing balances for Level 2 and Level 3 fair values.

	Debentures	Unit Trust	Equity Securities (Financial assets - FVTOCI)	Total
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Balance as at 1 April 2022	647,055	431,831	34,635	1,113,521
Purchase	24,854	2,929,896	-	2,954,750
Sales	(141,276)	(2,786,881)	-	(2,928,157)
Interest accrued	41,859	-	-	41,859
Gain/ (Loss) on fair valuation of financial assets	(259,328)	32,196	82,138	(144,994)
Transferred to level 1	-	-	(116,773)	(116,773)
Transferred from level 1	778,941	-	-	778,941
Balance as at 31 March 2023	**1,092,105**	**607,042**	**-**	**1,699,147**

46.3.(b). (ii) Reconciliation of level 2 and level 3 fair values (Company)

The following table shows a reconciliation from the opening balance to the closing balances for Level 2 and Level 3 fair values.

	Debentures	Unit Trust	Total
	Rs. '000	Rs. '000	Rs. '000
Balance as at 1 April 2022	-	-	-
Purchase	-	500,000	500,000
Sales	(1,517)	-	(1,517)
Interest accrued	38,440	-	38,440
Gain/ (Loss) on fair valuation of financial assets	(196,145)	4,745	(191,400)
Transferred to level 1	747,482	-	747,482
Balance as at 31 March 2023	**588,260**	**504,745**	**1,093,005**

46.4.(a) Sensitivity analysis on Debentures (Group)

Sensitivity of the market yield (effect on statement of profit or loss and other comprehensive income) is as follows.

	(-) 1% Decrease	(-) 2% Decrease	(+) 1% Increase	(+) 2% Increase
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Asia Asset Finance PLC (Maturity 2023)	770	1,548	(761)	(1,513)
Asia Asset Finance PLC (Maturity 2026)	1,036	2,078	(1,028)	(2,049)
LOLC Holdings PLC	8,742	17,992	(8,269)	(16,095)
Softlogic Capital PLC	633	1,278	(622)	(1,232)
Kelsey Homes (Pvt) Ltd (Unlisted)	1,895	3,817	(1,868)	(3,708)
Janashakthi Limited (Unlisted)	395	794	(391)	(777)
	13,471	**27,507**	**(12,939)**	**(25,374)**

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.

	(-) 1% Decrease	(-) 2% Decrease	(+) 1% Increase	(+) 2% Increase
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Asia Asset Finance PLC (Maturity 2026)	1,036	2,078	(1,028)	(2,049)
LOLC Holdings PLC	8,742	17,992	(8,269)	(16,095)
	9,778	**20,070**	**(9,297)**	**(18,144)**

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.

	(-) 1% Decrease	(-) 2% Decrease	(+) 1% Increase	(+) 2% Increase
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
First Capital Money Market Fund	(5,354)	(10,708)	5,354	10,708
First Capital Equity Fund	(674)	(1,348)	674	1,348
	(6,028)	**(12,056)**	**6,028**	**12,056**

NOTES TO THE FINANCIAL STATEMENTS

46 FINANCIAL INSTRUMENTS- FAIR VALUE MEASUREMENT (CONTD.)

46.4.(d) Sensitivity analysis on Unit Trust (Company)

Sensitivity of the unit price (effect on statement of profit or loss and other comprehensive income) Increase/ (Reduction) in results for the year.

	(-) 1% Decrease	(-) 2% Decrease	(+) 1% Increase	(+) 2% Increase
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
First Capital Money Market Fund	(5,007)	(10,014)	5,007	10,014
	(5,007)	(10,014)	5,007	10,014

47 FINANCIAL INSTRUMENTS - ACCOUNTING CLASSIFICATIONS

Group - As at 31 March 2023	Financial assets/ liabilities - FVTPL	Financial assets / liabilities at amortised cost	Financial assets - FVTOCI	Total carrying amount	Fair value
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Financial assets measured at fair value					
Financial assets - FVTPL	53,726,232	-	-	53,726,232	53,726,232
Derivative Financial Instruments	51,194	-	-	51,194	51,194
Financial assets - FVTOCI	-	-	116,773	116,773	116,773
	53,777,426	-	116,773	53,894,199	53,894,199
Financial assets not measured at fair value					
Cash at banks and in hand	-	110,372	-	110,372	110,372
Amounts due from related companies	-	66	-	66	66
Financial assets at amortised cost	-	11,225,039	-	11,225,039	11,225,039
Trade receivables	-	560,150	-	560,150	560,150
	-	11,895,627	-	11,895,627	11,895,627
Total financial assets	53,777,426	11,895,627	116,773	65,789,826	65,789,826
Financial liabilities measured at fair value					
Derivative Financial Instruments	153,586	-	-	153,586	153,586
	153,586	-	-	153,586	153,586
Financial liabilities not measured at fair value					
Bank overdrafts	-	448,194	-	448,194	448,194
Amounts due to related companies	-	4,652	-	4,652	4,652
Trade and other payables	-	1,090,977	-	1,090,977	1,090,977
Securities sold under re-purchase agreements	-	46,330,589	-	46,330,589	46,314,954
Short term borrowings	-	7,080,975	-	7,080,975	7,080,975
Long term borrowings	-	902,217	-	902,217	902,217
Borrowings on debentures	-	2,775,692	-	2,775,692	1,915,259
	-	58,633,296	-	58,633,296	57,757,228
Total Financial Liabilities	153,586	58,633,296	-	58,786,882	57,910,814

Group - As at 31 March 2022	Financial assets/ liabilities - FVTPL	Financial assets / liabilities at amortised cost	Financial assets - FVTOCI	Total carrying amount	Fair value
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Financial assets measured at fair value					
Financial assets - FVTPL	30,066,729	-	-	30,066,729	30,066,729
Derivative Financial Instruments	5,190	-	-	5,190	5,190
Financial assets - FVTOCI	-	-	34,635	34,635	34,635
	30,071,919	-	34,635	30,106,554	30,106,554
Financial assets not measured at fair value					
Cash at banks and in hand	-	526,987	-	526,987	526,987
Amounts due from related companies	-	750	-	750	750
Financial assets at amortised cost	-	9,059,275	-	9,059,275	9,061,083
Trade receivables	-	925,049	-	925,049	925,049
	-	10,512,061	-	10,512,061	10,513,869
Total financial assets	30,071,919	10,512,061	34,635	40,618,615	40,620,423
Financial liabilities measured at fair value					
Derivative Financial Instruments	2,622	-	-	2,622	2,622
	2,622	-	-	2,622	2,622
Financial liabilities not measured at fair value					
Bank overdrafts	-	1,245,741	-	1,245,741	1,245,741
Amounts due to related companies	-	5,571	-	5,571	5,571
Trade and other payables	-	623,788	-	623,788	623,788
Securities sold under re-purchase agreements	-	23,799,838	-	23,799,838	23,773,602
Short term borrowings	-	8,139,888	-	8,139,888	8,139,888
Long term borrowings	-	-	-	-	-
Borrowings on debentures	-	2,780,890	-	2,780,890	2,311,508
	-	36,595,716	-	36,595,716	36,100,098
Total Financial Liabilities	2,622	36,595,716	-	36,598,338	36,102,720

NOTES TO THE FINANCIAL STATEMENTS

46 FINANCIAL INSTRUMENTS- FAIR VALUE MEASUREMENT (CONTD.)

Company - As at 31 March 2023	Financial assets/ liabilities - FVTPL	Financial assets / liabilities at amortised cost	Financial assets - FVTOCI	Total carrying amount	Fair value
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Financial assets measured at fair value					
Financial assets - FVTPL	1,735,025	-	-	1,735,025	1,735,025
	1,735,025	-	-	1,735,025	1,735,025
Financial assets not measured at fair value					
Cash at banks and in hand	-	18,321	-	18,321	18,321
Amounts due from related companies	-	20,309	-	20,309	20,309
Financial assets at amortised cost	-	9,397,239	-	9,397,239	9,397,239
	-	9,435,869	-	9,435,869	9,435,869
Total financial assets	1,735,025	9,435,869	-	11,170,894	11,170,894
Financial liabilities not measured at fair value					
Bank overdrafts	-	192,627	-	192,627	192,627
Amounts due to related companies	-	945	-	945	945
Trade and other payables	-	81,127	-	81,127	81,127
Short term borrowings	-	7,215,752	-	7,215,752	7,215,752
Long term borrowing	-	902,217	-	902,217	902,217
Borrowings on debentures	-	2,027,452	-	2,027,452	1,365,457
	-	10,420,120	-	10,420,120	9,758,125
Total Financial Liabilities	-	10,420,120	-	10,420,120	9,758,1265

Company - As at 31 March 2022	Financial assets/ liabilities - FVTPL	Financial assets / liabilities at amortised cost	Financial assets - FVTOCI	Total carrying amount	Fair value
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Financial assets measured at fair value					
Financial assets recognised through profit or loss 'measured at fair value	3,220,443	-	-	3,220,443	3,220,443
	3,220,443	-	-	3,220,443	3,220,443
Financial assets not measured at fair value					
Cash at banks and in hand	-	39,417	-	39,417	39,417
Amounts due from related companies	-	8,473	-	8,473	8,473
Financial assets at amortised cost	-	8,784,857	-	8,784,857	8,784,857
	-	8,832,747	-	8,832,747	8,832,747
Total financial assets	3,220,443	8,832,747	-	12,053,190	12,053,190
Financial liabilities not measured at fair value					
Bank overdrafts	-	1,245,696	-	1,245,696	1,245,696
Amounts due to related companies	-	2,096	-	2,096	2,096
Trade and other payables	-	46,460	-	46,460	46,460
Short term borrowings	-	8,250,158	-	8,250,158	8,250,158
Long term borrowing	-	-	-	-	-
Borrowings on debentures	-	2,030,553	-	2,030,553	1,653,396
Total financial liabilities	-	11,574,963	-	11,574,963	11,197,806

NOTES TO THE FINANCIAL STATEMENTS

48 SEGMENT REPORTING

Information about reportable segments

Group's activities have been segregated into four different segments (Primary Dealer, Corporate Finance, Asset Management, Stock Brokering) based on the business activities that each unit is engaged for the purpose of reviewing the operating results of the Group as well as to make decisions about resource allocation.

Segment information is presented in respect of the Group's business segments as per SLFRS 8. The Group's primary format for segment reporting is based on business segments. The business segments are determined based on the Group's management and internal reporting structure.

	Primary Dealer (FCT)		Corporate Finance (FCH/FCL)	
	2023 Rs.'000	2022 Rs.'000	2023 Rs.'000	2022 Rs.'000
Net trading income	3,664,718	(432,115)	791,273	116,232
Other income/ (expense)	5,202	55,002	21,383	94,161
Gain/ (Loss) on financial assets FVTPL	1,077,830	(73,849)	(183,560)	(135,274)
Operating expenses	(994,841)	(438,737)	(367,156)	(235,601)
(Provision)/Reversal for impairment	-	-	(120,443)	(64,918)
Operating profit/ (loss)	3,752,909	(889,699)	141,497	(225,400)
Taxation	(866,513)	237,254	(101,976)	(22,942)
Profit/(Loss) for the year	2,886,396	(652,445)	39,521	(248,342)
Other comprehensive income/ (expense)	(2,429)	7,782	75,460	1,902
Total comprehensive income/ (loss)	2,883,967	(644,663)	114,981	(246,440)

	Primary Dealer (FCT)		Corporate Finance (FCH/FCL)	
	31 March 2023 Rs.'000	31 March 2022 Rs.'000	31 March 2023 Rs.'000	31 March 2022 Rs.'000
Total assets	52,323,908	28,416,583	20,404,811	16,847,421
Total liabilities	46,859,895	24,543,023	14,240,811	12,638,805
Net assets	5,464,013	3,873,560	6,164,000	4,208,616

	Primary Dealer (FCT)		Corporate Finance (FCH/FCL)	
	April ~ March		April ~ March	
	2023 Rs.'000	2022 Rs.'000	2023 Rs.'000	2022 Rs.'000
Net cash flows generated from/ (used) operating activities	(311,626)	202,667	(307,093)	(932,343)
Net cash flows generated from/ (used) investing activities	(12,936)	(696)	26,685	327,228
Net cash flows generated from/ (used) in financing activities	-	-	800,341	(556,250)
Net cash flow generated from/ (used) during the year	(324,562)	201,971	519,933	(1,161,365)

Primary Dealer - This represents primary dealer operations in Government Securities.

Corporate Finance - This denotes corporate finance advisory services and investments.

Asset Management - This denotes management of discretionary investment portfolios and management of unit trust.

Stock Brokering - This represents stock broking operations (listed equities and listed debts).

	Asset Management (FCAM)		Stock Brokering (FCE)		Eliminations/ Unallocated		Consolidated	
	2023 Rs.'000	2022 Rs.'000	2023 Rs.'000	2022 Rs.'000	2023 Rs.'000	2022 Rs.'000	2023 Rs.'000	2022 Rs.'000
	102,207	151,672	344,527	472,596	(210,208)	2,012	4,692,517	310,397
	353	-	4,747	3,187	(14,470)	(89,216)	17,215	63,134
	23,619	14,179	-	-	3,345	4,467	921,234	(190,477)
	(128,917)	(52,067)	(193,942)	(165,408)	109	1,668	(1,684,747)	(890,145)
	-	-	-	-	-	1,465	(120,443)	(63,453)
	(2,738)	113,784	155,332	310,375	(221,224)	(79,604)	3,825,776	(770,544)
	2,347	(26,889)	(46,661)	(80,868)	(165,709)	11,717	(1,178,512)	118,272
	(391)	86,895	108,671	229,507	(386,933)	(67,887)	2,647,264	(652,272)
	(308)	844	(1,329)	2,172	-	-	71,394	12,700
	(699)	87,739	107,342	231,679	(386,933)	(67,887)	2,718,658	(639,572)

	Asset Management (FCAM)		Stock Brokering (FCE)		Eliminations/ Unallocated		Consolidated	
	31 March 2023 Rs.'000	31 March 2022 Rs.'000	31 March 2023 Rs.'000	31 March 2022 Rs.'000	31 March 2023 Rs.'000	31 March 2022 Rs.'000	31 March 2023 Rs.'000	31 March 2022 Rs.'000
	151,864	214,916	781,968	1,294,771	(7,036,362)	(5,259,062)	66,626,189	41,514,629
	65,916	13,189	401,443	859,554	(1,622,709)	(1,005,214)	59,945,356	37,049,357
	85,948	201,727	380,525	435,217	(5,413,653)	(4,253,848)	6,680,833	4,465,272

	Asset Management (FCAM)		Stock Brokering (FCE)		Eliminations/ Unallocated		Consolidated	
	April ~ March		April ~ March		April ~ March		April ~ March	
	2023 Rs.'000	2022 Rs.'000	2023 Rs.'000	2022 Rs.'000	2023 Rs.'000	2022 Rs.'000	2023 Rs.'000	2022 Rs.'000
	122,524	(6,343)	320,804	69,009	(274,069)	(50,430)	(449,460)	(717,440)
	(3,832)	(3,073)	37,262	4,146	(17,128)	(11,271)	30,051	316,334
	(108,780)	-	(506,500)	84,263	615,280	(84,263)	800,341	(556,250)
	9,912	(9,416)	(148,434)	157,418	324,083	(145,964)	380,932	(957,356)

NOTES TO THE FINANCIAL STATEMENTS

49 NON-CONTROLLING INTERESTS (NCI) IN SUBSIDIARIES

Accounting policy

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.

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.

	Total		First Capital Treasuries PLC		First Capital Asset Management Limited	
	2023	2022	2023	2022	2023	2022
NCI percentage	11.93%	11.85%	10.64%	10.56%	1.29%	1.29%

As at 31 March	2023 Rs. '000	2022 Rs. '000	2023 Rs. '000	2022 Rs. '000	2023 Rs. '000	2022 Rs. '000
Total assets	52,475,772	28,631,498	52,323,908	28,416,583	151,864	214,915
Total liabilities	46,925,811	24,556,211	46,859,895	24,543,023	65,916	13,188
Net assets	5,549,961	4,075,287	5,464,013	3,873,560	85,948	201,727
Net assets attributable to NCI	585,671	414,597	584,565	412,001	1,106	2,596
For the year ended 31 March						
Revenue	10,072,158	774,772	9,969,951	622,824	102,207	151,948
Profit/ (loss) after tax	2,886,005	(565,550)	2,886,396	(652,445)	(391)	86,895
Other comprehensive income/ (loss)	(2,737)	8,626	(2,429)	7,782	(308)	844
Total comprehensive income/ (loss)	2,883,268	(556,924)	2,883,967	(644,663)	(699)	87,739
Profit/ (loss) attributable to NCI	305,736	(43,867)	305,741	(44,986)	(5)	1,119
Total comprehensive income/ (loss) attributable to NCI	305,474	(43,035)	305,483	(44,165)	(9)	1,130
Dividend paid to NCI	99,659	-	98,259	-	1,400	-
Net cash flows generated from/ (used in) operating activities	(189,102)	196,324	(311,626)	202,667	122,524	(6,343)
Net cash flows generated used in investing activities	(16,768)	(3,769)	(12,936)	(696)	(3,832)	(3,073)
Net cash flows generated used in financing activities (including dividend paid to NCI)	(108,780)	-	-	-	(108,780)	-
Net increase/(decrease) in cash and cash equivalents	(314,650)	192,555	(324,562)	201,971	9,912	(9,416)

50 CAPITAL MANAGEMENT

The objectives of the capital management are summarised below.

1. Appropriately allocate capital to meet strategic objectives.
2. Enable the Group to face any economic downturn/ crisis situation.

The Group's policy is to maintain a strong capital base to ensure investor, creditor and market confidence in order to sustain future development of the business while complying with regulatory requirements (i.e. externally imposed capital requirements). The impact of the shareholders' return is also recognised, and the Group recognises the need to maintain a balance between higher returns that might be possible with greater gearing and the benefits and security provided by a sound capital position. The Company manages its capital structure and adjusts it accordingly in line with changes in economic, market and regulatory conditions and its overall risk appetite. Summary of the capital structure of the Group and the Company is as follows:

	Group		Company	
As at 31 March	2023 Rs. Mn	2022 Rs. Mn	2023 Rs. Mn	2022 Rs. Mn
Borrowing on listed debentures	2,776	2,781	2,027	2,031
Total equity	6,681	4,465	6,095	4,051
Total Capital	9,457	7,246	8,123	6,082

Externally imposed capital requirements are presented below.

First Capital Treasuries PLC (subsidiary)

First Capital Treasuries PLC, licensed primary dealer regulated by the Central Bank of Sri Lanka (CBSL), is required to maintain statutory minimum core capital and risk weighted capital adequacy positions as prescribed by the CBSL periodically. Minimum core capital requirement for primary dealer companies as per the CBSL Direction No. 01 of 2021 is as follows;

Effective date	Minimum of Core Capital Requirement
1 January 2022	Rs. 2.0 Bn
1 January 2023	Rs. 2.5 Bn

The Company's compliance status in relation to minimum core capital and risk weighted capital adequacy ratio is as follows;

Compliance requirement	Status as at 31 March 2023	Status as at 31 March 2022
Minimum core capital of Rs. 2 Bn - w.e.f. 01 January 2023 (prior to 1 January 2022 - Rs. 1 Bn)	Rs. 4.4 Bn	Rs. 3.8 Bn
Risk weighted capital adequacy ratio of 10%	23.98%	84.87%

First Capital Asset Management Limited (subsidiary)

First Capital Asset Management Limited, licensed investment manager and managing company of unit trust is required to maintain statutory minimum equity capital as prescribed by the Securities and Exchange Commission of Sri Lanka (SEC). Minimum equity capital requirements are as follows;

Managing company of unit trust	Rs. 25 Mn
Investment manager	Rs. 7.5 Mn

NOTES TO THE FINANCIAL STATEMENTS

50 CAPITAL MANAGEMENT (CONTD.)

The company is complied with the minimum equity capital requirement and the status of equity capital is as follows;

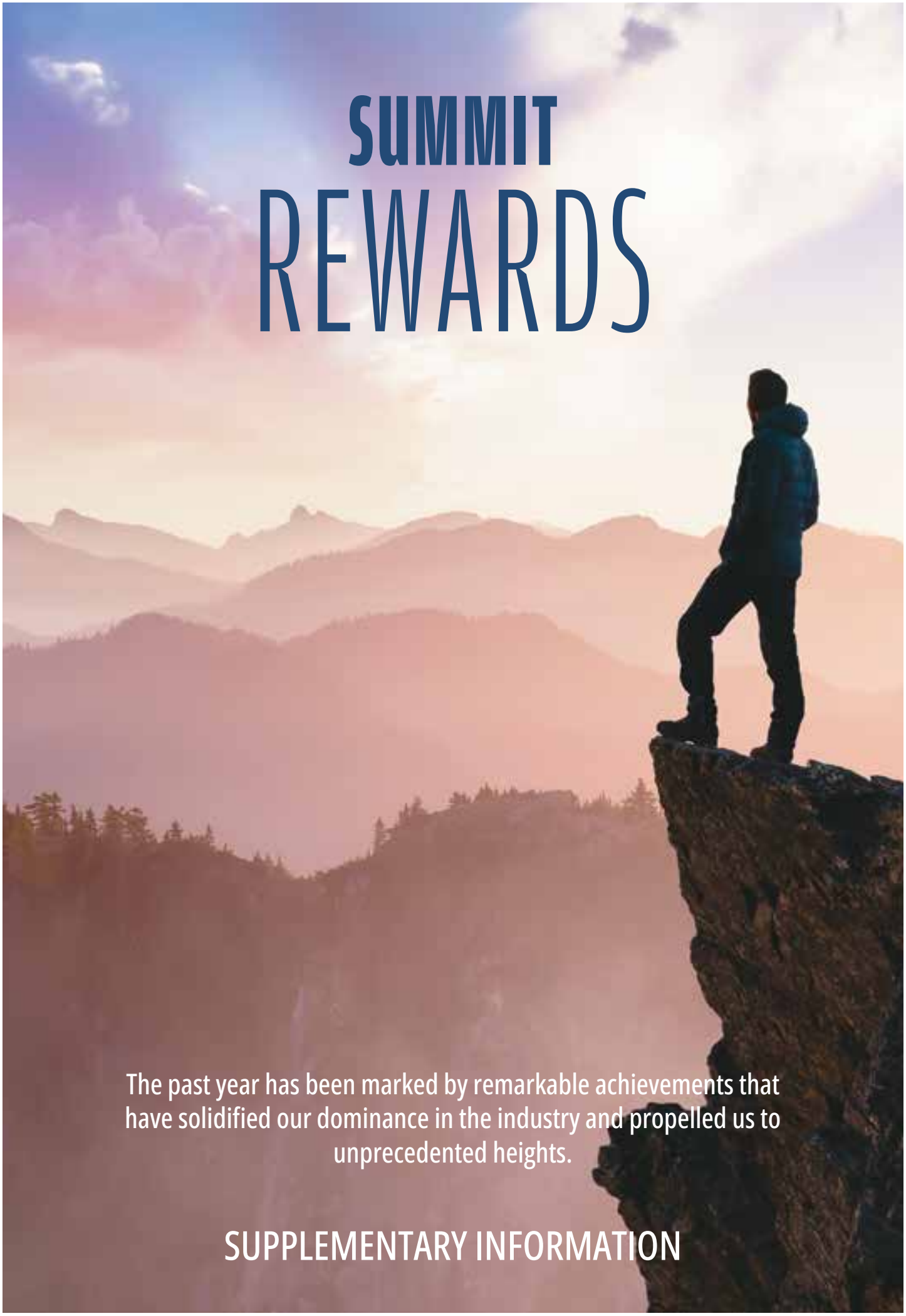
As at 31 March	2023 Rs. Mn	2022 Rs. Mn
Total equity capital	86	202

First Capital Equities (Pvt) Limited (subsidiary)

First Capital Equities (Pvt) Limited, licensed stockbroker is required to maintain a statutory minimum equity capital of Rs. 100 Mn as prescribed by the Securities and Exchange Commission of Sri Lanka (SEC).

The company is complied with the minimum equity capital requirement and the status of equity capital is as follows;

As at 31 March	2023 Rs. Mn	2022 Rs. Mn
Total equity capital	381	435



SUMMIT REWARDS

The past year has been marked by remarkable achievements that have solidified our dominance in the industry and propelled us to unprecedented heights.

SUPPLEMENTARY INFORMATION

INVESTORS' INFORMATION

1. STOCK EXCHANGE LISTING

Security Type	Quoted Ordinary Shares
Listed Exchange	Colombo Stock Exchange (CSE) – Diri savi board
Featured stock indices	All Share Price Index (ASPI)
	Standard & Poor's Sri Lanka 20 (S&P SL20)
GICS Sector Classification	Diversified Financial Sector
CSE stock symbol	CFVF.N0000
ISIN	LK0222N00006

2. DISTRIBUTION OF SHAREHOLDING

No. of Shares held	31 March 2023				31 March 2022			
	Shareholders		Holding		Shareholders		Holding	
	Number	%	Number	%	Number	%	Number	%
1 - 1,000	1,532	24.13	408,090	0.10	4,810	77.44	1,583,706	1.56
1,001 - 10,000	4,074	64.18	9,544,237	2.36	1,154	18.57	4,040,822	3.99
10,001 - 100,000	642	10.11	18,925,592	4.67	218	3.51	5,778,129	5.71
100,001 - 1,000,000	88	1.39	27,595,019	6.81	24	0.38	5,798,743	5.73
Over 1,000,000	12	0.19	348,527,062	86.06	6	0.1	84,048,600	83.01
Total	6,348	100.00	405,000,000	100.00	6,212	100.00	101,250,000	100.00

3. ANALYSIS OF SHAREHOLDERS

Category of Shareholders	31 March 2023				31 March 2022			
	Shareholders		Holding		Shareholders		Holding	
	Number	%	Number	%	Number	%	Number	%
Individuals	6,112	96.28	46,958,417	11.59	6,052	97.42	14,187,754	14.01
Institutional	236	3.72	358,041,583	88.41	160	2.58	87,062,246	85.99
Total	6,348	100.00	405,000,000	100.00	6,212	100.00	101,250,000	100.00
Resident	6,327	99.67	404,578,724	99.90	6,191	99.66	101,116,204	99.87
Non-Resident	21	0.33	421,276	0.10	21	0.34	133,796	0.13
Total	6,348	100.00	405,000,000	100.00	6,212	100.00	101,250,000	100.00

4. PUBLIC HOLDING

	31 March 2023	31 March 2022
Number of shares held by the public	68,295,708	17,073,927
Percentage held by the public	16.86%	16.86%
Float adjusted market capitalisation	2,171,803,514	529,291,737

Number of public shareholders as at 31 March 2023 is 6,339.

The Company is complied with the Minimum Public Holding requirement under option 1 of the Section 7.14.1.i.(b) of the Listing Rules of the Colombo Stock Exchange.

5. SHARE PRICE MOVEMENT FOR THE LAST FIVE YEARS

	2022/23 Rs.	2021/22 Rs.	2020/21 Rs.	2019/20 Rs.	2018/19 Rs.
Highest	41.00	49.50	64.70	56.70	33.00
Lowest	29.00	30.70	22.10	20.00	20.40
Year-end	31.80	31.00	54.50	22.80	23.10

6. INFORMATION ON SHARE TRADING AND MARKET CAPITALISATION FOR LAST FIVE YEARS

	2022/23	2021/22	2020/21	2019/20	2018/19
Number of transactions	57,714	20,451	32,230	18,409	4,932
Number of shares traded	205,843,267	15,296,586	30,562,114	18,650,344	7,868,875
Value of shares traded (Rs.)	5,065,789,919	727,084,953	1,615,462,031	818,159,849	231,684,962
Market capitalisation (Rs.)	12,879,000,000	3,138,750,000	5,518,125,000	2,308,500,000	2,338,875,000

7. INFORMATION ON SHAREHOLDERS' FUNDS AND FIRST CAPITAL'S MARKET CAPITALISATION (RS.'000)

As at March 31,	Shareholder's Funds	First Capital's Market Capitalisation
2023	6,674,720	12,879,000
2022	4,465,272	3,138,750
2021	4,822,479	5,518,125
2020	3,953,283	2,308,500
2019	3,821,590	2,338,875

8. DIRECTORS' SHAREHOLDING INCLUDING THE CHIEF EXECUTIVE OFFICER'S SHAREHOLDING

Please refer page 138 for information on Directors' shareholding including the Chief Executive Officer's shareholding.

INVESTORS' INFORMATION

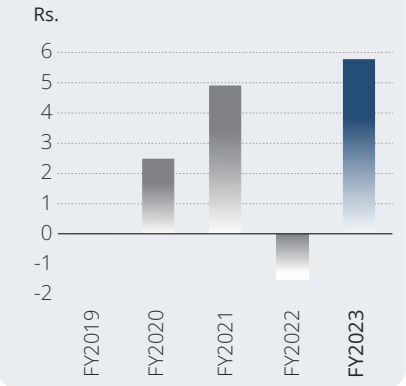
9. KEY SHAREHOLDER RETURN INDICES

First Capital aims to deliver the expectation of its shareholders through execution of the strategies.

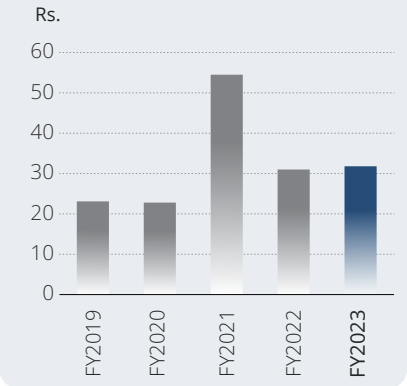
First Capital promises a long term value to its shareholders.

First Capital strives to create value for its shareholder funding by generating return over the industry benchmarks.

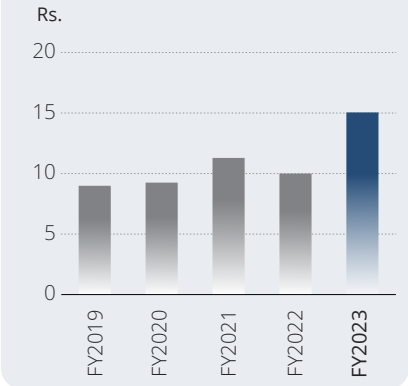
Earnings per share



Market Price per Share



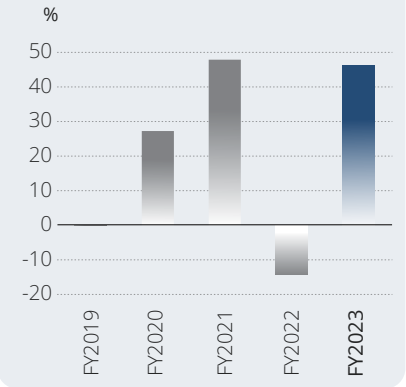
Net assets per share



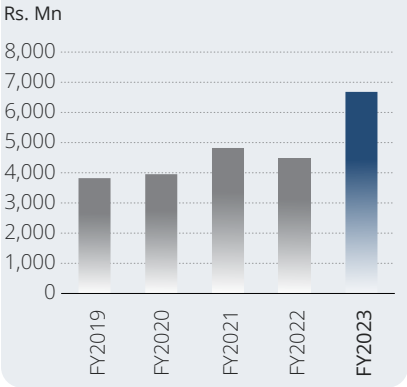
First Capital attempts to generate a return for its shareholders while preserving funds to reinvest for future growth.

First Capital has created a sustainable value for the share over the time.

Return On Equity



Total Shareholder's Funds



10. TOP TWENTY SHAREHOLDERS

			No. of shares as at 31 March 2023	Holding (%)	No. of shares as at 31 March 2022	Holding (%)
1	1.1	Commercial Bank of Ceylon PLC/ Janashakthi Limited	128,705,440	31.78	22,836,360	22.55
	1.2	Seylan Bank PLC/ Janashakthi Limited	101,600,000	25.09	25,400,000	25.09
	1.3	Seylan Bank PLC/ Janashakthi Limited (Collateral)	35,988,960	8.89	8,997,240	8.89
	1.4	Hatton National Bank PLC/ Janashakthi Limited	33,880,000	8.37	8,470,000	8.37
	1.5	Pan Asia Banking Corporation PLC/ Janashakthi Limited	20,000,000	4.94	5,000,000	4.94
	1.6	Janashakthi Limited	16,020,000	3.96	13,345,000	13.18
2		Peoples Leasing & Finance PLC/ Mrs. M. E. Amarasinghe	4,252,670	1.05	-	-
3		Mr. A. J. Tissera	2,340,550	0.58	674,410	0.67
4		Seylan Bank PLC/ Agampodi Chamara Senanka	1,875,654	0.46	-	-
5		Hatton National Bank PLC/ Astrue Alpha Fund	1,500,000	0.37	-	-
6		Dr. S. N. Samarasinghe	1,253,588	0.31	313,397	0.31
7		Mr. A. D. Edussuriya	1,110,200	0.27	250,000	0.25
8		Mr. M. M. Sunil	1,000,000	0.25	-	-
8		Mr. D. Weerasinghe	1,000,000	0.25	-	-
10		Merchant Bank of Sri Lanka & Finance PLC/ S. A. A. Hasitha	923,282	0.23	-	-
11		Seylan Bank PLC/ Karagoda Loku Gamage Udayananda	868,936	0.21	-	-
12		Little Smile Oraganic (Pvt) Ltd	863,066	0.21	-	-
13		Merchant Bank of Sri Lanka & Finance PLC/ P. P. H. Matarage	839,202	0.21	-	-
14		Mr. N. D. Kurukulasuriya	835,344	0.21	208,836	0.21
15		Mr. W. A. P. D. M Wickramatunga	788,340	0.19	205,000	0.20
16		Buildmart Lanka (Pvt) Ltd	659,766	0.16	-	-
17		Mr. M. S. F. Haqque (Joint: Mrs. S. I. Haqque)	600,000	0.15	-	-
18		Mr. M. M. M. Mowjood	594,960	0.15	-	-
19		Citizens Development Business Finance PLC	573,486	0.14	-	-
20		DFCC Bank PLC/ J N Lanka Holdings Company (Pvt) Ltd	500,000	0.12	-	-
			358,573,444	88.55	85,700,243	84.66

Note:

The Company executed a sub-division of shares by splitting every one (01) existing voting ordinary share into four (04) voting shares with effect from 27 April 2022. The disclosures except the current financial year are based on the information prior to sub-division of shares.

INFORMATION ON LISTED DEBENTURES

1. INFORMATION ON LISTED DEBENTURES

1.2 First Capital Holdings PLC

Date of Allotment	Type	Frequency on interest payment	No. of Debentures issued and allotted*	Face Value Rs. '000	Rate of Interest	Tenure	Date of Maturity
8-Feb-21	Type A (Fixed Rate)	Annually	13,247,500	1,324,750	10.00% (AER - 10%)	5 years	7-Feb-26
8-Feb-21	Type B (Floating Rate)**	Annually	6,752,500	675,250	Weekly AWPLR + 2%	5 years	7-Feb-26
Total			20,000,000	2,000,000			

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

** This reflects a Cap of 12% and Floor of 9%.

1.2 First Capital Treasuries PLC (Subsidiary)

Date of Allotment	Frequency on interest payment	No. of Debentures issued and allotted*	Face Value Rs. '000	Rate of Interest	Tenure	Date of Maturity
30-Jan-20	Semi annually	7,500,000	750,000	12.75% (AER- 13.16%)	5 years	30-Jan-25
Total		7,500,000	750,000			

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

2. OBJECTIVE OF THE ISSUES

2.1 Objectives of the Listed Debentures Issue of First Capital Holdings PLC

→ To Invest in Listed Debt (35% of the total Funds raised)

→ To Invest in Unlisted Debt (50% of the total Funds raised)

→ To Invest in Listed Equities on the CSE (15% of the total Funds raised)

Status of achievement of the objectives related to the Company's Listed Debenture Issue to raise Rs. 2 Bn is presented below.

	Objective as per prospectus	Amount allocated as per prospectus in Rs. '000	Proposed date of utilisation as per prospectus	Amount allocated from proceeds in Rs. '000 (A)	% of Total proceeds	Amount allocated from proceeds in Rs. '000 (B)	% of Utilisation against allocation (B / A)	Clarification if not fully utilised including where the funds are invested
1.	Investment in Listed Debt	700,000	12-month from the date of allotment	700,000	35%	700,000	100%	-
2.	Investment in Unlisted Debt	1,000,000	12-month from the date of allotment	1,000,000	50%	1,000,000	100%	-
3.	Investment in Listed Equities	300,000	12-month from the date of allotment	300,000	15%	300,000	0%	Note A

Note A

The Company has not achieved its objective related to investment in Listed Equities yet (Rs. 300 Mn). However, as permitted by the Prospectus on Listed Debenture Issue, the proceeds (Rs. 300 Mn) have been invested in Government Securities.

2.2 Objectives of the Listed Debentures Issue of First Capital Treasuries PLC

- To finance the 5 year Listed, Rated, Subordinated, Unsecured, Redeemable Debentures of Rs. 500 Mn matured on 6 February 2020.
- To reduce the existing Repo Borrowing position or to invest in Government Securities depending on the market conditions and interest rate outlook prevalent at the time of the receipt of funds.

The Company has achieved the following objectives as stipulated in the prospectus issued to raise Rs. 750 Mn via the Debenture Issue made in January 2020.

Objective as per prospectus	Amount allocated as per Prospectus in Rs. '000"	Amount allocated from proceeds in Rs. '000 (A)	% of Total proceeds	Amount Utilised in Rs. '000 (B)	% of Utilisation against allocation (B / A)
1. To finance the redemption of Listed Debentures matured on 6 February 2020	500,000	500,000	66.67%	500,000	100%
2. To invest in Government Securities	250,000	250,000	33.33%	250,000	100%

3. MARKET VALUE

3.1 First Capital Holdings PLC

Debentures with 5 year maturity have not been traded during the year ended 31 March 2023. 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)	2022/23	2021/22
Highest price	-	-
Lowest price	-	-
Last traded price	-	-

5 year floating rate (Weekly AWPLR + 2% p.a payable annually)	2022/23	2021/22
Highest price	-	-
Lowest price	-	-
Last traded price	-	-

Debenture Interest Yield (last traded)	2022/23	2021/22
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 31-03-2023	As at 31-03-2022
Treasury bond (maturity - 1 February 2026)	26.40%	14.66%

INFORMATION ON LISTED DEBENTURES

3.2 First Capital Treasuries PLC

Debentures with 5 year maturity have not been traded during the year ended 31 March 2023. Hence, par value is recognised as its market value. Hence, yield to maturity on trade done is also not applicable.

5 year fixed rate (12.75% p.a. payable semi-annually)	2022/23	2021/22
Highest price	-	-
Lowest price	-	-
Last traded price	-	-

Debenture Interest Yield (last traded)	2022/23	2021/22
5 year fixed rate (12.75 % p.a. payable semi-annually)	N/A	N/A

Yield of Comparable Government Securities (%)	As at 31-03-2023	As at 31-03-2022
Treasury bond (as at 31-03-2023 - maturity 15 January 2025 / as at 31-03-2023 - maturity 15 March 2025)	29.89%	14.91%

4. DEBT RELATED RATIOS

4.1 (i) Debt Ratios - Group (Consolidated)

	As at 31-03-2023	As at 31-03-2022
Debt/equity ratio (times)	8.61	8.05
Quick asset ratio (times)	1.17	1.16
Interest cover (times)	1.40	0.59

4.1 (ii) Debt Ratios - Company (First Capital Holdings PLC)

	As at 31-03-2023	As at 31-03-2022
Debt/equity ratio (times)	1.70	2.85
Quick asset ratio (times)	1.49	1.26
Interest cover (times)	1.85	0.34

4.2 Debt Ratios - Subsidiary (First Capital Treasuries PLC)

	As at 31-03-2023	As at 31-03-2022
Debt/equity ratio (times)	8.16	6.24
Quick asset ratio (times)	1.15	1.19
Interest cover (times)	1.60	0.15

5. CREDIT RATINGS

The Rating Agency of the Company and its subsidiary , First Capital Treasuries PLC, has been changed from ICRA Lanka Limited (ICRA) to Lanka Rating Agency Limited due to cessation of operations by ICRA as a credit rating agency in Sri Lanka during the year.

5.1 First Capital Holdings PLC

Lanka rating agency limited assigned the Company's credit rating of "A" (pronounced "single A") in December 2022. Long and short term corporate credit (issue) ratings of the company have been assigned "A" (pronounced "single A") and "A1" (pronounced "single A one") respectively. Further, Company's long term issue rating of Rs. 2 Bn Listed, Rated, Senior, Unsecured, Redeemable Debenture (2021/26) has been assigned "A" (pronounced "single A").

5.2 First Capital Treasuries PLC

Lanka rating agency limited assigned the Company's credit rating of "A" (pronounced "single A") in December 2022. The Company's long term issue rating of Rs. 750 Mn Listed, Rated, Subordinated, Unsecured, Redeemable Debentures (2020/25) has been assigned "A-" (pronounced "single A minus").

QUARTERLY RESULTS

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME 2022/23 & 2021/22- GROUP

	2022/23			
For the period	Quarter 1	Quarter2	Quarter 3	Quarter 4
	6/30/22	9/30/22	12/31/22	3/31/23
Income	**2,064,443**	**3,530,597**	**4,365,511**	**4,336,393**
Direct income	2,058,550	3,528,539	4,362,929	4,329,711
Direct expenses	(1,443,214)	(2,632,226)	(2,659,050)	(2,852,722)
Net trading income	**615,336**	**896,313**	**1,703,879**	**1,476,989**
Other income	5,893	2,058	2,582	6,682
Gain/ (Loss) on fair valuation of financial assets recognised through profit or loss measured at fair value	(232,412)	297,064	97,656	758,926
	388,817	**1,195,435**	**1,804,117**	**2,242,597**
Operating expenses				
Administrative expenses	(132,507)	(139,930)	(222,166)	(531,652)
Sales and distribution expenses	(4,122)	(3,626)	(4,236)	(29,253)
Other operating expenses	(71,451)	(142,244)	(238,421)	(165,139)
Provision for impairment of financial assets at amortised cost	(1,157)	(17,013)	(6,006)	(96,267)
	(209,237)	**(302,813)**	**(470,829)**	**(822,311)**
Profit/ (Loss) before tax	**179,580**	**892,622**	**1,333,288**	**1,420,286**
Income tax (expense)/ reversal	(83,726)	(165,332)	(495,001)	(434,453)
Profit/(Loss) for the period	**95,854**	**727,290**	**838,287**	**985,833**
Other comprehensive income				
Items that will never be reclassified to profit or loss	-	-	-	-
Actuarial (gain)/ loss on defined benefit plans	-	-	-	(15,348)
Gain/ (loss) on financial assets fair value through other comprehensive income	-	-	-	82,138
Tax effect on other comprehensive income	-	-	-	4,604
Items that are or may be reclassified to profit or loss	-	-	-	-
Other comprehensive income for the period	-	-	-	71,394
Total comprehensive income/ (loss) for the period	**95,854**	**727,290**	**838,287**	**1,057,227**
Profit/ (Loss) attributable to:				
Equityholders of the parent	52,717	653,624	753,322	881,865
Non - controlling interest	43,137	73,666	84,965	103,968
	95,854	**727,290**	**838,287**	**985,833**
Total comprehensive income/ (loss) attributable to:				
Equityholders of the parent	52,717	653,624	753,322	953,521
Non - controlling interest	43,137	73,666	84,965	103,706
	95,854	**727,290**	**838,287**	**1,057,227**

2021/22			
Quarter 1	Quarter2	Quarter 3	Quarter 4
6/30/21	9/30/21	12/31/21	3/31/22
714,959	**346,352**	**373,469**	**838,308**
703,665	302,005	372,859	831,425
(479,212)	(426,407)	(397,736)	(596,202)
224,453	**(124,402)**	**(24,877)**	**235,223**
11,294	44,347	610	6,883
51,920	(244,745)	337,069	(334,721)
287,667	**(324,800)**	**312,802**	**(92,615)**
(109,843)	(131,120)	(163,318)	(149,572)
(2,051)	(7,641)	(5,571)	(12,240)
(11,903)	(18,748)	(27,558)	(250,580)
2,898	(628)	2,134	(67,857)
(120,899)	**(158,137)**	**(194,313)**	**(480,249)**
166,768	(482,937)	118,489	(572,864)
(31,062)	44,133	116,087	(10,886)
135,706	**(438,804)**	**234,576**	**(583,750)**
-	-	-	-
-	-	-	22,939
-	-	-	(5,638)
-	-	-	(4,601)
-	-	-	-
-	-	-	12,700
135,706	**(438,804)**	**234,576**	**(571,050)**
132,432	(413,150)	229,655	(557,342)
3,274	(25,654)	4,921	(26,408)
135,706	**(438,804)**	**234,576**	**(583,750)**
132,432	(413,150)	229,655	(545,474)
3,274	(25,654)	4,921	(25,576)
135,706	**(438,804)**	**234,576**	**(571,050)**

QUARTERLY RESULTS

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2023 & 31 MARCH 2022 - GROUP

For the period	2022/23			
	Quarter 1	Quarter2	Quarter 3	Quarter 4
	6/30/22	9/30/22	12/31/22	3/31/23
Assets				
Cash at banks and in hand	505,460	100,975	112,189	110,372
Derivative financial instruments	286,504	544,410	20,412	51,194
Financial assets recognised through profit or loss - measured at fair value	34,004,419	39,102,766	46,344,709	53,726,232
Financial assets - fair value through other comprehensive income	34,635	34,635	34,635	116,773
Financial assets at amortised cost	12,213,915	20,439,656	20,497,879	11,225,039
Amounts due from related companies	893	796	272	66
Trade and other receivables	1,049,293	1,125,942	1,279,230	1,026,095
Non - current assets held for sale	42,416	42,416	42,416	42,416
Taxes receivable	54,104	65,982	15,204	36,415
Deferred tax asset	51,231	35,541	50,411	125,182
Property, plant and equipment and right of use assets	39,504	33,691	29,453	43,860
Intangible assets	121,260	120,065	119,938	122,545
TOTAL ASSETS	**48,403,634**	**61,646,875**	**68,546,748**	**66,626,189**
LIABILITIES				
Bank overdrafts	1,061,098	966,165	1,150,295	448,194
Derivative financial instruments	219,045	236,140	277,512	153,586
Securities sold under re-purchase agreements	28,884,619	41,145,489	47,702,437	46,330,589
Short term borrowings	9,318,805	9,574,193	8,178,692	7,080,975
Amounts due to related companies	5,434	6,970	7,660	4,652
Trade and other payables	613,825	770,066	998,524	1,450,376
Taxes payable	272,156	158,832	609,001	746,012
Deferred tax liability	-	-	-	-
Long term borrowings	1,001,333	1,001,764	902,454	902,217
Retirement benefit obligations	39,396	41,503	49,262	53,063
Borrowings on debentures	2,844,859	2,875,399	2,953,615	2,775,692
TOTAL LIABILITIES	**44,260,570**	**56,776,521**	**62,829,452**	**59,945,356**
EQUITY				
Stated capital	227,500	227,500	227,500	227,500
Risk reserve	1,276,041	1,338,225	1,410,154	1,497,150
Retained earnings	2,518,895	3,110,335	3,797,881	4,586,330
Fair valuation reserve	(297,957)	(297,957)	(297,956)	(215,818)
Equity attributable to the equityholders of the parent	**3,724,479**	**4,378,103**	**5,137,579**	**6,095,162**
Non- controlling interest	418,585	492,251	579,717	585,671
TOTAL EQUITY	**4,143,064**	**4,870,354**	**5,717,296**	**6,680,833**
TOTAL EQUITY AND LIABILITIES	**48,403,634**	**61,646,875**	**68,546,748**	**66,626,189**

2021/22			
Quarter 1	Quarter2	Quarter 3	Quarter 4
6/30/21	9/30/21	12/31/21	3/31/22
137,951	155,257	576,941	526,987
5,181	29	49,744	5,190
25,507,119	13,391,729	27,065,450	30,066,729
40,273	40,273	40,273	34,635
6,853,086	12,836,635	6,593,013	9,059,275
1,341	2,554	2,075	750
1,036,291	1,374,487	1,637,714	1,423,170
42,416	42,416	42,416	42,416
78,985	84,264	67,954	72,126
16,832	86,429	105,639	122,497
46,433	51,350	39,099	38,322
123,655	122,424	121,240	122,532
33,889,563	**28,187,847**	**36,341,558**	**41,514,629**
249,745	364,596	50,996	1,245,741
2,606	283	52,969	2,622
16,569,654	11,602,311	19,294,702	23,799,838
7,703,403	6,946,640	7,779,086	8,139,888
539	759	1,437	5,571
693,110	1,019,988	1,024,359	959,271
794,548	811,774	102,721	78,132
283	243	-	-
25,095	-	-	-
57,705	59,695	61,794	37,404
2,834,690	2,862,177	2,937,172	2,780,890
28,931,378	**23,668,466**	**31,305,236**	**37,049,357**
227,500	227,500	227,500	227,500
1,313,893	1,308,818	1,239,478	1,239,478
3,453,525	3,045,450	3,421,490	2,881,654
(292,419)	(292,419)	(292,319)	(297,957)
4,702,499	**4,289,349**	**4,596,149**	**4,050,675**
255,686	230,032	440,173	414,597
4,958,185	**4,519,381**	**5,036,322**	**4,465,272**
33,889,563	**28,187,847**	**36,341,558**	**41,514,629**

QUARTERLY RESULTS

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME - 2022/23 & 2021/22- COMPANY

	2022/23			
For the period	Quarter 1	Quarter 2	Quarter 3	Quarter 4
	6/30/22	9/30/22	12/31/22	3/31/23
Income	**663,565**	**919,472**	**1,121,047**	**1,037,132**
Direct income	663,565	919,472	1,121,047	1,037,132
Direct expenses	(507,345)	(742,410)	(886,780)	(791,559)
Net trading income	**156,220**	**177,062**	**234,267**	**245,573**
Other income	-	-	-	-
Gain/ (Loss) on fair valuation of financial assets recognised through profit or loss measured at fair value	(127,309)	(83,467)	6,879	22,200
	28,911	**93,595**	**241,146**	**267,773**
Operating expenses				
Administrative expenses	(19,629)	(18,869)	(15,072)	(48,505)
Sales and distribution expenses	(394)	(587)	(770)	(4,166)
Other operating expenses	(21,447)	(25,500)	(36,839)	(28,810)
(Provision)/Reversal for impairment of financial assets at amortised cost	1,762	(1,392)	592	(52,812)
	(39,708)	**(46,348)**	**(52,089)**	**(134,293)**
Operating profit/(loss)	**(10,797)**	**47,247**	**189,057**	**133,480**
Share of profit from equity accounted investee (net of tax)	66,222	624,402	638,193	791,264
Profit before tax	**55,425**	**671,649**	**827,250**	**924,744**
Income tax expense	(2,708)	(18,025)	(67,774)	(38,817)
Profit/(Loss) for the period	**52,717**	**653,624**	**759,476**	**885,927**
Other comprehensive income				
Items that will never be reclassified to profit or loss	-	-	-	-
Share of other comprehensive income/(loss) from equity accounted investee (net of tax) of tax)	-	-	-	71,655
Items that are or may be reclassified to profit or loss	-	-	-	-
Other comprehensive income for the period	**-**	**-**	**-**	**71,655**
Total comprehensive income/ (loss) for the period	**52,717**	**653,624**	**759,476**	**957,582**

2021/22			
Quarter 1	Quarter2	Quarter 3	Quarter 4
6/30/21	9/30/21	12/31/21	3/31/22
234,166	**236,850**	**237,826**	**252,674**
234,166	236,834	237,826	252,543
(180,781)	(187,800)	(197,367)	(217,205)
53,385	**49,034**	**40,459**	**35,338**
-	16	-	131
-	(55,150)	38,863	(24,562)
53,385	**(6,100)**	**79,322**	**10,907**
(15,031)	(16,367)	(13,873)	(21,499)
(910)	(2,664)	2,975	(664)
(3,662)	(12,990)	(4,855)	(3,383)
1,661	(386)	(2,924)	(1,185)
(17,942)	**(32,407)**	**(18,677)**	**(26,731)**
35,443	**(38,507)**	**60,645**	**(15,824)**
106,714	(380,345)	261,184	(543,942)
142,157	**(418,852)**	**321,829**	**(559,766)**
(9,725)	5,702	(15,029)	2,424
132,432	**(413,150)**	**306,800**	**(557,342)**
-	-	-	-
-	-	-	11,868
-	-	-	-
-	**-**	**-**	**11,868**
132,432	**(413,150)**	**306,800**	**(545,474)**

QUARTERLY RESULTS

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2023 & 31 MARCH 2022 - COMPANY

For the period	2022/23			
	Quarter 1	Quarter2	Quarter 3	Quarter 4
	6/30/22	9/30/22	12/31/22	3/31/23
Assets				
Cash at banks and in hand	267,481	21,035	19,692	18,321
Financial assets recognised through profit or loss - measured at fair value	3,721,119	3,104,414	1,756,625	1,735,025
Financial assets at amortised cost	10,065,031	11,137,996	11,461,507	9,397,239
Amounts due from related companies	14,522	13,420	32,796	20,309
Trade and other receivables	8,032	7,719	13,437	923,598
Taxes receivable	40,065	35,976	-	-
Investment in subsidiary	3,198,902	3,823,305	4,461,498	4,412,989
Deferred tax asset	653	1,086	1,253	16,848
Property, plant and equipment and right of use assets	20,827	18,333	16,946	19,770
Intangible assets	4,643	4,005	3,379	2,960
TOTAL ASSETS	**17,341,275**	**18,167,289**	**17,767,133**	**16,547,059**
LIABILITIES				
Bank overdrafts	1,060,177	912,978	1,149,644	192,627
Short term borrowings	9,432,892	9,694,614	8,306,887	7,215,752
Amounts due to related companies	-	1,521	2,485	945
Trade and other payables	50,568	52,668	55,262	77,999
Taxes payable	-	-	31,963	34,905
Deferred tax liability	-	-	-	
Long term borrowings	1,001,333	1,001,764	902,454	902,217
Borrowings on debentures	2,071,826	2,125,641	2,180,859	2,027,452
TOTAL LIABILITIES	**13,616,796**	**13,789,186**	**12,629,554**	**10,451,897**
EQUITY				
Stated capital	227,500	227,500	227,500	227,500
Risk reserve	1,276,041	1,338,225	1,410,154	1,497,150
Retained earnings	2,518,895	3,110,335	3,797,881	4,586,330
Fair valuation reserve	(297,957)	(297,957)	(297,956)	(215,818)
TOTAL EQUITY	**3,724,479**	**4,378,103**	**5,137,579**	**6,095,162**
TOTAL EQUITY AND LIABILITIES	**17,341,275**	**18,167,289**	**17,767,133**	**16,547,059**

2021/22			
Quarter 1	Quarter2	Quarter 3	Quarter 4
6/30/21	9/30/21	12/31/21	3/31/22
29,235	28,148	25,741	39,417
546,116	792,589	1,837,924	3,220,443
10,055,551	9,133,251	8,674,289	8,784,857
33,081	45,903	43,924	8,473
18,251	9,458	9,723	10,161
64,983	70,644	54,815	56,811
4,134,090	3,753,745	4,014,929	3,482,855
-	-	558	986
12,957	20,008	18,964	17,437
7,000	6,369	5,739	5,281
14,901,264	**13,860,115**	**14,686,606**	**15,626,721**
249,745	364,596	979	1,245,696
7,807,578	7,052,662	7,887,049	8,250,158
7,089	32	703	2,096
49,546	43,015	39,467	47,543
-	-	-	-
283	243	-	-
25,095	-	-	-
2,059,429	2,110,218	2,162,259	2,030,553
10,198,765	**9,570,766**	**10,090,457**	**11,576,046**
227,500	227,500	227,500	227,500
1,313,893	1,308,818	1,239,478	1,239,478
3,453,525	3,045,450	3,421,490	2,881,654
(292,419)	(292,419)	(292,319)	(297,957)
4,702,499	**4,289,349**	**4,596,149**	**4,050,675**
14,901,264	**13,860,115**	**14,686,606**	**15,626,721**

TEN-YEAR SUMMARY

GROUP TRADING RESULTS

Year ended 31 March	2023 Rs. '000	2022 Rs. '000	2021 Rs. '000
Gross income	14,296,944	2,273,088	6,033,353
Profit/(loss) before tax	3,825,776	(770,544)	2,908,076
Income tax (expenses) / reversal	(1,178,512)	118,272	(814,579)
Profit/(loss) after tax	2,647,264	(652,272)	2,093,497
Other comprehensive income/(loss)	71,394	12,700	(151,903)
Total comprehensive income/(loss)	2,718,658	(639,572)	1,941,594

GROUP FINANCIAL POSITION

Year ended 31 March	2023 Rs. '000	2022 Rs. '000	2021 Rs. '000
Cash at banks and in hand	110,372	526,987	242,053
Derivative financial instruments	51,194	5,190	2,315
Financial assets recognised through profit or loss - measured at fair value	53,726,232	30,066,729	28,047,361
Financial assets - fair value through other comprehensive income	116,773	34,635	40,273
Financial assets at amortised cost	11,225,039	9,059,275	7,035,641
Financial investments - Held for trading	-	-	-
Financial investments - Available for sale	-	-	-
Financial investments - Loans and receivables	-	-	-
Taxes receivable	36,415	72,126	88,798
Trade and Other Receivables	1,026,095	1,423,170	909,606
Investment in venture capital	-	-	-
Investment in equity accounted investees	-	-	-
Deferred Tax Asset	125,182	122,497	19,228
Property, plant and equipment and right of use assets	43,860	38,322	50,088
Other assets	165,027	165,698	168,065
Total Assets	66,626,189	41,514,629	36,603,428
LIABILITIES			
Bank overdrafts	448,194	1,245,741	3,451
Derivative financial instruments	153,586	2,622	824
Securities sold under re-purchase agreements	46,330,589	23,799,838	20,223,286
Short term borrowings	7,080,975	8,139,888	6,660,363
Tax payable	746,012	78,132	840,696
Retirement benefit obligations	53,063	37,404	55,369
Borrowings on debentures	2,775,692	2,780,890	2,763,001
Long term borrowings	902,217	-	50,204
Other liabilities	1,455,028	964,842	1,183,755
Total Liabilities	59,945,356	37,049,357	31,780,949
EQUITY			
Stated capital	227,500	227,500	227,500
Risk reserve	1,497,150	1,239,478	1,308,818
Retained earnings	4,586,330	2,881,654	3,326,168
Fair valuation reserve	(215,818)	(297,957)	(292,419)
Equity attributable to equityholders of the parent	6,095,162	4,050,675	4,570,067
Non-controlling interests	585,671	414,597	252,412
Total Equity	6,680,833	4,465,272	4,822,479
Total Equity and Liabilities	66,626,189	41,514,629	36,603,428
OTHER FINANCIAL INFORMATION			
Earning/(Loss) per Share - Rs.	5.78	(1.50)	4.91
Dividend per Share - Rs.	2.25	-	1.25
Divident Payout (%)	38.93%	-	25.46%
Return on Equity (%)	46.16%	-14.11%	47.88%
Leverage (Times)	8.61	8.05	6.16
Net assets per share - Rs.	15.05	10.00	11.29
Market price per share - Rs.	31.80**	31.00*	54.50*

* Market price per share - Before the subdivision of shares

** Market price per share - After the subdivision of shares

Financial Instruments as at 31 March 2023, 31 March 2022, 31 March 2021, 31 March 2020 and 31 March 2019 have been presented in accordance with SLFRS 9 and Financial Instruments as at 31 March 2018, 31 March 2017, 31 March 2016, 31 March 2015 and 31 March 2014 have been presented in accordance with LKAS 39.

2020 Rs. '000	2019 Rs. '000	2018 Rs. '000	2017 Rs. '000	2016 Rs. '000.	2015 Rs. '000	2014 Rs. '000
5,220,425	4,171,474	4,186,064	3,587,574	1,550,780	2,817,633	1,829,852
1,708,325	88,383	1,152,108	245,511	62,060	1,071,123	398,785
(635,086)	(80,835)	813,615	(13,913)	(14,600)	(86,224)	(68,689)
1,073,239	7,548	1,965,723	231,598	47,460	984,899	330,096
(33,770)	(27,555)	(90,287)	6,836	2,105	(210,616)	(44,438)
1,039,469	(20,007)	1,875,436	238,434	49,565	774,283	285,658

2020 Rs. '000	2019 Rs. '000	2018 Rs. '000	2017 Rs. '000	2016 Rs. '000.	2015 Rs. '000	2014 Rs. '000
61,354	55,317	319,663	55,340	31,066	33,193	38,298
2,734	3,454	47,868	24,075	40,861	40,609	19,844
38,540,849	31,985,437	-	-	-	-	-
184,623	217,920	-	-	-	-	-
5,361,512	7,557,832	-	-	-	-	-
-	-	26,519,838	23,799,894	11,326,163	10,236,450	11,639,241
-	-	242,750	332,803	2,000	2,000	304,938
-	-	6,069,028	6,625,115	8,529,332	8,920,212	3,276,554
271,610	178,845	70,118	104,032	62,379	65,972	62,549
598,672	246,661	811,035	540,521	576,353	524,524	755,566
-	-	-	-		6,000	6,000
-	-	-	-		408,876	-
299,775	862,024	929,892	36,703	37,703	40,259	48,173
65,250	37,050	19,990	14,295	16,648	26,357	51,517
166,742	160,930	161,831	156,986	157,779	160,149	158,251
45,553,121	41,305,470	35,192,013	31,689,764	20,780,284	20,464,601	16,360,931
455,103	971,036	294,402	224,445	207,681	866	7,775
3,118	2,878	21,659	2,240	20,835	31,359	-
33,294,423	29,204,828	23,412,237	21,102,897	14,487,714	14,837,179	12,368,398
5,928,107	6,566,174	6,013,598	6,768,015	2,886,142	2,224,579	1,052,435
488,668	348	4,291	3,956	331	1,719	-
39,812	31,856	27,992	22,696	24,385	19,036	19,040
517,641	216,205	407,178	540,032	730,400	725,776	452,248
150,885	251,833	352,368	453,077	-	-	-
722,081	238,722	787,712	358,793	237,920	286,276	432,032
41,599,838	37,483,880	31,321,437	29,476,151	18,595,408	18,126,790	14,331,928
227,500	227,500	227,500	227,500	227,500	227,500	227,500
1,135,297	1,021,248	1,012,200	854,456	822,022	820,964	648,793
2,529,183	2,506,870	2,545,342	1,036,415	1,052,693	1,209,178	859,019
(148,069)	(114,828)	(90,053)	-	-	(1,564)	212,473
3,743,911	3,640,790	3,694,989	2,118,371	2,102,215	2,256,078	1,947,785
209,372	180,800	175,587	95,242	82,661	81,733	81,218
3,953,283	3,821,590	3,870,576	2,213,613	2,184,876	2,337,811	2,029,003
45,553,121	41,305,470	35,192,013	31,689,764	20,780,284	20,464,601	16,360,931
2.49	0.01	4.62	0.52	0.12	2.33	0.78
2.25	-	0.50	0.50	-	1.00	1.00
90.36%	-	10.82%	96.15%	-	42.92%	128.21%
27.25%	0.06%	64.40%	10.05%	2.10%	45.11%	16.57%
10.21	9.74	7.87	13.14	8.37	7.61	6.84
9.25	8.99	9.12	5.23	5.19	5.57	4.81
22.80*	23.10*	31.80*	20.10*	19.10*	27.00*	19.30*

BASIS OF FINANCIAL RATIOS

No.	Ratios	Basis of calculation
1	Capital adequacy ratio (%)	Tier 1 and Tier 2 capital/ Total risk weighted assets
2	Cost to income ratio (percentage, times)	Total direct and operating expenses/Total income
3	Debt to equity ratio or Financial leverage (times)	Total debt/ Total equity
4	Dividend payout (%)	Total dividend paid to ordinary shareholders/ Profit attributable to ordinary shareholders of the company
5	Dividend yield (%)	Dividend per share/ Closing market price per share
6	Earnings per share (Rs)	Profit/ (loss) attributable to equityholders of the Parent/ weighted average number of ordinary shares in issue
7	Equity asset ratio (times)	Total equity / Total assets
8	Interest cover (times)	Profit before interest and tax expenses/ Interest expenses
9	Net assets value per share (Rs.)	Equity attributable to the equityholders of the parent/ Number of ordinary shares in issue
10	Net profit margin (%)	Profit/ (loss) for the year/ Income
11	Operating profit margin (%)	Operating profit/(loss) for the year/ Income
12	Price earning ratio (PE) (times)	Market price per share/ Earnings per share
13	Price to book value (PBV) (times)	Market price per share/Net assets value per share
14	Price appreciation or Price return (%)	Period ending price/ Period starting price -1
15	Productivity ratio (Rs.)	Income or profitability measure of choice (i.e.. Direct income, Trading Income, Profit After Tax) / Headcount
16	Quick assets ratio (times)	Quick assets / Current liabilities
17	Recurrent income (percentage)	Estimated core direct income that is most likely to recur in the next financial year/ Total direct income
17	Return on assets (ROA) (%)	Profit/ (loss) for the year /Average total assets
18	Return on capital employed (ROCE) (%)	Profit before interest and tax expenses/ Average (Debt+ Total equity)
19	Return on equity (ROE) (%)	Profit/ (loss) attributable to equityholders of the parent/ Average equity attributable to the equityholders of the parent
20	Workforce return on investment (times)	Net profit after tax/investment on the workforce inclusive of salaries, benefits and training

INDEPENDENCE ASSURANCE ON SUSTAINABILITY REPORTING

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INDEPENDENT ASSURANCE REPORT TO FIRST CAPITAL HOLDINGS PLC

We have been engaged by the Directors of First Capital Holdings PLC ("the Company") to provide reasonable assurance and limited assurance in respect of the Sustainability Indicators as identified below for the year ended 31 March 2023. The Sustainability Indicators are included in the First Capital Holdings PLC Integrated Annual Report for the year ended 31 March 2023 (the "Report").

The Reasonable Assurance Sustainability Indicators covered by our reasonable assurance engagement are:

Assured Sustainability Indicators (Comparative numbers for the year ended 31 March 2022 not audited)	Integrated Annual Report Page
Highlights of Value	12

The Limited Assurance Sustainability Indicators covered by our limited assurance engagement are:

Limited Assurance Sustainability Indicators (Comparative numbers for the year ended 31 March 2022 not audited)	Integrated Annual Report Page
Highlights of Value	13
Information provided on followings	
Financial Capital	87 to 97
Manufactured Capital	98
Intellectual Capital	99 to 105
Human Capital	106 to 118
Social and Relationship Capital	119 to 125
Natural Capital	126 to 127

Our Conclusions

Our conclusion has been formed on the basis of, and is subject to, the matters outlined in this report. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusions.

Reasonable Assurance Sustainability Indicators

In our opinion, in all material respects, the Reasonable Assurance Sustainability Indicators, as defined above, for the year ended 31 March 2023, in all material respects, has been prepared and presented by the management of First Capital Holdings PLC in accordance with the Consolidated Set of Global Reporting Initiative Sustainability Reporting Standards Guidelines.

Limited Assurance Sustainability Indicators

Based on the evidence we obtained from the assurance procedures performed, as described below we are not aware of any material misstatements that causes us to believe that the Limited Assurance Sustainability Indicators, as defined above, for the year ended 31 March 2023, have not in all material respects, been prepared and presented by the management of First Capital Holdings PLC in accordance with the Consolidated Set of Global Reporting Initiative Sustainability Reporting Standards Guidelines.

Management's Responsibility

Management is responsible for the preparation and presentation of the Reasonable Assurance Sustainability Indicators and the Limited Assurance Sustainability Indicators in accordance with the Consolidated Set of Global Reporting Initiative Sustainability Reporting Standards Guidelines.

These responsibilities includes establishing such internal controls as management determines are necessary to enable the preparation of the Reasonable Assurance Sustainability Indicators and the Limited Assurance Sustainability Indicators that are free from material misstatement whether due to fraud or error.

Management is responsible for preventing and detecting fraud and for identifying and ensuring that the Company complies with laws and regulations applicable to its activities.

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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
T. J. S. Rajakarier FCA
Ms. S.M.B. Jayasekara FCA
G. A. U. Karunaratne FCA
R. H. Rajan FCA
A.M.R.P. Alahakoon ACA
W. J. C. Perera FCA
W. K. D. C. Abeyrathne FCA
R.M.D.B. Rajapakse FCA
M.N.M. Shameel FCA
Ms. P.M.K. Sumanasekara FCA

Principals: S.R.I. Perera FCMA(UK), LLB, Attorney-at-Law, H.S. Goonewardene ACA, Ms. F.R Ziyard FCMA (UK), FTII

INDEPENDENCE ASSURANCE ON SUSTAINABILITY REPORTING

Management is also responsible for ensuring that staff involved with the preparation and presentation of the description and Report are properly trained, information systems are properly updated and that any changes in reporting encompass all significant business units.

Our responsibility

Our responsibility is to express a reasonable assurance conclusion on the Company's preparation and presentation of the Reasonable Assurance Sustainability Indicators and a limited assurance conclusion on the preparation and presentation of the Limited Assurance Sustainability Indicators included in the Report, as defined above.

We conducted our assurance engagement in accordance with Sri Lanka Standard on Assurance Engagements SLSAE 3000: Assurance Engagements other than Audits or Reviews of Historical Financial Information (SLSAE 3000) issued by the Institute of Chartered Accountants of Sri Lanka.

We have complied with the independence and other ethical requirements of the Code of Ethics issued by the Institute of Chartered Accountants of Sri Lanka.

SLSAE 3000 requires that we plan and perform the engagement to obtain reasonable assurance about whether the Reasonable Assurance Sustainability Indicators are free from material misstatement and limited assurance about whether the Limited Assurance Sustainability Indicators are free from material misstatement.

Our firm applies Sri Lanka Standard on Quality Management (SLSQM) 1, which requires the firm to design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reasonable assurance over Reasonable Assurance Sustainability Indicators

The procedures selected in our reasonable assurance engagement depend on our judgment, including the assessment of the risks of material misstatement of the Reasonable Assurance Sustainability Indicators whether due to fraud or error.

In making those risk assessments, we have considered internal controls relevant to the preparation and presentation of the Reasonable Assurance Sustainability Indicators in order to design assurance procedures that are appropriate in the circumstances, but not for the purposes of expressing a conclusion as to the effectiveness of the Company's internal controls over the preparation and presentation of the Report.

Our engagement also included assessing the appropriateness of the Reasonable Assurance Sustainability Indicators, the suitability of the criteria, being the Consolidated Set of Global Reporting Initiative Sustainability Reporting Standards Guidelines, used by the Company in preparing and presenting the Reasonable Assurance Sustainability Indicators within the Report, obtaining an understanding of the compilation of the financial and non-financial information to the sources from which it was obtained, evaluating the reasonableness of estimates made by the Company, and re-computation of the calculations of the Reasonable Assurance Sustainability Indicators.

Limited assurance on the Assured Sustainability Indicators

Our limited assurance engagement on the Limited Assurance Sustainability Indicators consisted of making enquiries, primarily of persons responsible for the preparation of the Limited Assurance Sustainability Indicators, and applying analytical and other procedures, as appropriate. These procedures included:

- interviews with senior management and relevant staff at corporate and selected site level concerning sustainability strategy and policies for material issues, and the implementation of these across the business;
- enquiries of management to gain an understanding of the Company's processes for determining material issues for the Company's key stakeholder groups;
- enquiries of relevant staff at corporate and selected site level responsible for the preparation of the Limited Assurance Sustainability Indicators;
- enquiries about the design and implementation of the systems and methods used to collect and report the Limited Assurance Sustainability Indicators, including the aggregation of the reported information;
- comparing the Limited Assurance Sustainability Indicators to relevant underlying sources on a sample basis to determine whether all the relevant information has been appropriately included in the Report;
- reading the Limited Assurance Sustainability Indicators presented in the Report to determine whether they are in line with our overall knowledge of, and experience with, the sustainability performance of the Company;
- reading the remainder of the Report to determine whether there are any material misstatements of fact or material inconsistencies based on our understanding obtained as part of our assurance engagement.

The procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for, a reasonable assurance engagement, and consequently the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed. Accordingly, we do not express a

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reasonable assurance conclusion on the Limited Assurance Sustainability Indicators.

Purpose of our report

In accordance with the terms of our engagement, this assurance report has been prepared for the Company for the purpose of assisting the Directors in determining whether the Company's Reasonable and Limited Assurance Sustainability Indicators are prepared and presented in accordance with the Consolidated Set of Global Reporting Initiative Sustainability Reporting Standards Guidelines and for no other purpose or in any other context.

Restriction of use of our report

This report has been prepared for the Directors of First Capital Holdings PLC for the purpose of providing an assurance conclusion on the Reasonable Assurance Sustainability Indicators and the Limited Assurance Sustainability Indicators included in the First Capital Holdings PLC Integrated Annual Report for the year ended 31 March 2023 and may not be suitable for another purpose. We disclaim any assumption of responsibility for any reliance on this report, to any person other than the Directors of First Capital Holdings PLC, or for any other purpose than that for which it was prepared.

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CHARTERED ACCOUNTANTS

Colombo

16 August 2023

GRI CONTENT INDEX

Statement of use	First Capital Holdings PLC has reported in accordance with the GRI Standards for the period from 1 April 2022 to 31 March 2023
GRI 1 used	GRI 1: Foundation 2021
Applicable GRI Sector Standard(s)	Not applicable

				Omission		
GRI standard/ Other source	Disclosure		Location (page)	Requirement(s) omitted	Reason	Explanation
General disclosures						
GRI 2: General Disclosures 2021	2-1	Organisational details	Page 20 & Inner Back Cover			
	2-2	Entities included in the organisation's sustainability reporting	5			
	2-3	Reporting period, frequency and contact point	5 & 8			
	2-4	Restatements of information	5			
	2-5	External assurance	205 to 207, 317 to 319			
	2-6	Activities, value chain and other business relationships	54, 55 and 17			
	2-7	Employees	112 & 113			
	2-8	Workers who are not employees		2-8 a, b, c	Not applicable	FCH does not engage workers who are not employees
	2-9	Governance structure and composition	143			
	2-10	Nomination and selection of the highest governance body	158			
	2-11	Chair of the highest governance body	146			
	2-12	Role of the highest governance body in overseeing the management of impacts	146			
	2-13	Delegation of responsibility for managing impacts	151			
	2-14	Role of the highest governance body in sustainability reporting	27			
	2-15	Conflicts of interest	147			
	2-16	Communication of critical concerns	149			
	2-17	Collective knowledge of the highest governance body	40			
	2-18	Evaluation of the performance of the highest governance body		2-18 a,b,c	Not applicable	This process is yet to be implemented at FCH
	2-19	Remuneration policies	185			
	2-20	Process to determine remuneration	185			
	2-21	Annual total compensation ratio		2-21 a,b,c	Confidentiality constraints	Constraints in disclosing total compensation ratio

				Omission		
GRI standard/ Other source	Disclosure		Location (page)	Requirement(s) omitted	Reason	Explanation
	2-22	Statement on sustainable development strategy	72 & 73			
	2-23	Policy commitments	129			
	2-24	Embedding policy commitments	129			
	2-25	Processes to remediate negative impacts	61			
	2-26	Mechanisms for seeking advice and raising concerns	153			
	2-27	Compliance with laws and regulations	153			
	2-28	Membership associations	109, 13 & 125			
	2-29	Approach to stakeholder engagement	60 to 65			
	2-30	Collective bargaining agreements		2-30 a,b	Not applicable	FCH Does not have collective agreements with its employees
Material Topics						
GRI 3: Material Topics 2021	3-1	Process to determine material topics	58 & 59			
	3-2	List of material topics	59			
	3-3	Management of material topics	57			
Economic Performance						
GRI 201: Economic Performance 2016	201-1	Direct economic value generated and distributed	208			
	201-2	Financial implications and other risks and opportunities due to climate change	126			
	201-3	Defined benefit plan obligations and other retirement plans	257			
	201-4	Financial assistance received from government		201-4 a,b,c	Not applicable	FCH does not receive any financial assistance from the government
Indirect economic impacts						
GRI 203: Indirect Economic Impacts 2016	203-1	Infrastructure investments and services supported	125			
	203-2	Significant indirect economic impacts	119 to 125			

GRI CONTENT INDEX

				Omission		
GRI standard/ Other source	Disclosure		Location (page)	Requirement(s) omitted	Reason	Explanation
Tax						
GRI 207: Tax 2019	207-1	Approach to tax	81			
	207-2	Tax governance, control, and risk management	81			
	207-3	Stakeholder engagement and management of concerns related to tax	81			
	207-4	Country-by-country reporting		207-4 a,b,c	Not applicable	FCH does not have subsidiaries operating in overseas locations
Employment						
GRI 401: Employment 2016	401-1	New employee hires and employee turnover	115 & 116			
	401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	109			
	401-3	Parental leave	114			
Training and education						
GRI 404: Training and Education 2016	404-1	Average hours of training per year per employee	117			
	404-2	Programmes for upgrading employee skills and transition assistance Programmes	117			
	404-3	Percentage of employees receiving regular performance and career development reviews regular performance and career development reviews	116			
Diversity and equal opportunity						
GRI 405: Diversity and Equal opportunity	405-1	Diversity of governance bodies and employees	145			
	405-2	Ratio of basic salary and remuneration of women to men	114			
Customer privacy						
GRI 418: Customer Privacy	418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	105			

SASB INDEX

FIRST CAPITAL SASB INDEX

This index marks the first time we report under the Sustainability Accounting Standards Board (SASB) standards. These standards define materiality for each industry and accounting metrics specific to 77 industries, which are further sub-categorised. We have indexed below, disclosures related to the two sectors that are most closely aligned to our mix of core businesses: Investment Banking & Brokerage (FN-IB) and Asset Management & Custody Activities (FN-AC).

Disclosures that appeared in more than one of these sector standards are separately shown as **Disclosures Included in Multiple Sectors' Standards.** Unless otherwise stated, certain data and descriptions apply to the Group, and not solely the respective businesses relevant to that sector.

We do not currently disclose all metrics included in the standards for these sectors. Since the standards for each industry are based on U.S. laws and regulations and systems, some metrics are not applicable to First Capital, which is domiciled in Sri Lanka. However, we strive to disclose information that is consistent with the purpose and content of each relevant metric to the extent possible. All data is as at, or for the year ended 31 March 2023 unless otherwise noted.

We are committed to providing investors with useful, relevant and meaningful sustainability information within the context of our businesses, and may evolve our disclosure on these topics over time.

Topic	Accounting Metric	Category	Code	Response
Disclosures Included in Multiple Sectors' Standards				
Employee Diversity and Inclusion	Percentage of gender and racial/ethnic group representation for (1) executive management, (2) non-executive management, (3) professionals, and (4) all other employees	Quantitative	FN-AC-330a.1 FN-IB-330a.1	Although the measurement method is not consistent with all the metrics recommended by SASB standards, the following information is disclosed as alternative data: → Gender representation of employees by occupational level → Ethnicity of workforce by gender → Number of hires by gender → Number and percentage of women in management Our ESG scorecard provides the above and other Diversity and Inclusion data on page 131. As part of our commitment towards improving diversity, we have published our diversity goals under Human Capital in 'Delivering Value', our Management Discussion and Analysis on pages 66-67.
Incorporation of Environmental, Social, and Governance Factors	Description of approach to incorporation of environmental, social and governance (ESG) factors in investment banking and brokering; and in investment and/or wealth management processes and strategies	Discussion and Analysis	FN-IB-410a.3 FN-AC-410a.2	Our corporate strategy has been refined and reprioritised to accommodate a deeper sustainability perspective as reflected in our new vision. During the current reporting year, we have adopted a Sustainability Policy informing our future framework for ESG considerations in our businesses. This policy asserts our intentions to align strategy, targets, and risk management policies to address material matters in a timely manner, and how we will incorporate the sustainability approach into all business decisions, functions, and processes.

SASB INDEX

Topic	Accounting Metric	Category	Code	Response
Incorporation of Environmental, Social, and Governance Factors (Contd.)				We have set objectives in green bond initiatives, digitalisation and focus on ESG factors covering four areas of interest: Sustainable financial solutions, being a responsible entity, community engagement and conserving the environment. As the Sustainability Policy was adopted in the current year, the targets, methods and framework of incorporation of ESG in practice are currently being drawn up and not operational. The Corporate Finance and Advisory segment is in discussion to consider certain ESG factors in due diligence when evaluating mandates. This is due to some of our deal advisory activities being aimed at providing financial solutions for small and medium enterprises. In our Asset Management business, the AUM does not as yet integrate ESG factors as part of our fundamental company and industry analysis. See more on ESG approach and governance on page 128.
Business Ethics	Description of whistleblower policies and procedures	Discussion and Analysis	FN-IB-510a.2 FN-AC-510a.2	We have a Group level Whistleblowing policy in place. It is designed to enable employees of the Company to report any action that is illegal, fraudulent or in violation of any policy. Concerns on potential or actual violations may be channelled to the immediate supervisor of the employee or directly, in writing, to the Audit Committee Chair Employees are encouraged to disclose their names when forwarding complaints to facilitate appropriate follow-up questions as investigation may otherwise not be possible without the source of the information being identified. All matters are carefully reviewed and investigated with regard for confidentiality and in accordance with protocols for legal, regulatory and ethical compliance. An assurance is given that the whistleblowers will be protected from retaliation or victimisation. We make further disclosures regarding the policy and procedures on page 171 in our governance report, Governing Value Creation.

Topic	Accounting Metric	Category	Code	Response
Professional Integrity	Number and percentage of covered employees with a record of investment-related investigations, consumer-initiated complaints, private civil litigations, or other regulatory proceedings	Quantitative	FN-IB-510.b.1 FN-AC-270a.1	The pertinent disclosure is provided under Disclosures on non-compliant conduct on page 75.
	Total amount of monetary losses as a result of legal proceedings associated with: → Marketing and communication of financial product-related information to new and returning customers; → Fraud, insider trading, anti-trust, anti-competitive behaviour, market manipulation, malpractice, or other related financial industry laws or regulations; and → Professional integrity, including duty of care	Quantitative	FN-IB-510a.1 FN-IB-510b.3 FN-AC-270a.2 FN-AC-510a.1	First Capital is involved from time to time in regulatory and arbitration proceedings and inquiries concerning matters arising in connection with the conduct of our businesses. We review such matters on a case-by-case basis for provisioning and establish whether a probable loss can be reasonably estimated. We have not made provisions in view of legal proceeding during the year. Material legal proceedings are disclosed in full under Note 41 of the Financial Statements . However, there are no material litigation or claims relating to the areas relevant to the SASB standard.
Investment Banking & Brokerage				
Incorporation of Environmental, Social, and Governance Factors in Investment Banking & Brokerage Activities	Revenue from (1) underwriting, (2) advisory, and (3) securitisation transactions incorporating integration of ESG factors, by industry	Quantitative	FN-IB- 410a.1	In FY2023, we have not allocated fee income from Corporate Finance and Advisory business activities into an ESG categorisation. We recognise that ESG factors may become a significant catalyst in future business activity with the approval of a Sustainability Policy by the Board in the latter part of the year. We do not typically act as underwriter for capital formation transactions. Instead, our Corporate Finance and Advisory business typically executes capital raising and placement on a best-efforts basis.

SASB INDEX

Topic	Accounting Metric	Category	Code	Response
Professional Integrity	Number of mediation and arbitration cases associated with professional integrity, including duty of care, by party	Quantitative	FN-IB-510b.2	There are no mediation and arbitration cases that are ongoing in view of professional integrity, including duty of care.
	Description of approach to ensuring professional integrity, including duty of care	Discussion and Analysis	FN-IB-510b.4	We strive for the highest standards of business ethics and personal accountability, and we take action to ensure that conduct and performance remains in line. We are bound by a suite of policies and procedures applicable across the Group. Our business practices are based on corporate values that are relevant to ethical conduct. Our Government Securities business follows conduct rules set by the CBSL. As market intermediaries in corporate securities markets, we are also required to adhere to the SEC's rules and regulations applicable to our Corporate Finance and Advisory and Stock Brokering businesses. These rules frame conduct risk mitigation requirements from the perspective of fiduciary duty. In turn these foundations are captured in First Capital's policies and procedures. Our core businesses are licensed by the SEC and the CBSL and continue to meet annual licensing renewal requirements which include broad requirements including conduct risk mitigation and governance. Representatives are duly registered with the SEC prior to them dealing with clients . Alongside directors and key management personnel must clear the fitness and proprietary requirements stipulated by regulators on an annual basis. Employees must certify upon being recruited that they have reviewed, understood and will comply with Group policies and procedures. We provide training programmes that further educate our employees and as stipulated by the SEC, with respect to legal and regulatory requirements and the relevant policies and procedures. See the Managing risk and conduct section under Intellectual Capital in 'Delivering Value', our Management Discussion and Analysis on pages 78 to 136. See our shared value and trade on page 128 for details on conduct/regulatory related training.

Topic	Accounting Metric	Category	Code	Response
Systemic Risk Management	Global Systemically Important Bank (G-SIB) score, by category	Quantitative	FN-IB-550a.1	Not applicable.
	Description of approach to incorporation of results of mandatory and voluntary stress tests into capital adequacy planning, long-term corporate strategy, and other business activities	Discussion and Analysis	FN-IB-550a.2	Although the measurement method is not consistent with the metrics recommended by SASB standards, the following information is disclosed as alternative data: We conduct various scenario analyses as part of an established resource allocation process. Stress testing is performed by the Risk and Compliance division on monthly basis and also at times of risk exposure volatilities to assess the impact of interest rate and market risk on group portfolio values, capital adequacy, earnings and net asset positions and also to flag any potential threat to regulatory requirements/limits. See page 192 on how stress testing is embedded in risk management.
Not applicable	(1) Number and (2) value of (a) underwriting, (b) advisory and (c) securitisation transactions	Quantitative (Activity Metrics)	FN-IB-000	Securitisations: A unlisted securitisation raising Rs. 500 Mn; Advisory: None; We do not typically provide underwriting services as disclosed under FN-IB- 410a.1.
Asset Management & Custody Activities				
Transparent Information & Fair Advice for Customers	Description of approach to informing customers about products and services	Discussion and Analysis	FN-AC-270a.3	We believe our clients are best served by having transparent, collaborative engagement. In addition to client mandate agreements for our products and services, and mandatory regulatory disclosures, we provide clients comprehensive, customised investment policies and service brochures in line with requirements imposed by the SEC. In informing clients about products and services we emphasise: → Transparency of procedures relating to performance and potential conflicts of interest; → Engagement to establish and monitor investment criteria; → Accuracy and completeness of information; and → Identification and disclosure of key risks.
Incorporation of Environmental, Social, and Governance Factors in Investment Management & Advisory	Amount of assets under management (AUM), by asset class, that employ (1) integration of ESG issues, (2) sustainability themed investing and (3) screening	Quantitative	FN-AC-410a.1	We have not categorised our AUM according to ESG factors or as yet published criteria to evidence ESG integration across a particular portfolio or strategy and expect this assessment to change over time with the evolution of regulatory guidance as well as practices adopted in line with the Sustainability Policy.
Not applicable	Total assets under custody and supervision	Quantitative (Activity Metrics)	FN-AC-000.B	We do not maintain custody of client assets.

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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.

Boutique operation

In relation to First Capital's branches it reflects that the branch under consideration does not provide a full suite of investment banking services. (See Full Service Investment Banking)

Business Model

A representation for the operation of a business, identifying its revenue sources, customer base, products, services and financing sources. In this report we use the term business platform to refer to the core services or main businesses represented in the Company's business model. These core areas are Government Securities, Corporate Finance and Advisory, Asset Management and Stock Brokering.

Call Money Rate

Inter-bank overnight lending rate.

Capital Adequacy Ratio (CAR)

A measure of a Primary Dealer's capital and is a prudential requirement reflecting the dealer's level of stability. Two categories of capital are measured by the CAR namely Tier 1 and Tier 2.

- Tier 1 capital in view of local Primary Dealers consists of shareholders' equity, retained earnings or other surpluses and preference shares types as selectively set out by the Central Bank of Sri Lanka.
- Tier 2 capital includes revaluation reserves, subordinated term debt, perpetual subordinated debt and cumulative preference shares as selectively set out by the Central Bank of Sri Lanka.

Capital Employed

The sum of shareholders' equity and debt liabilities simplified as Total Assets less Current Liabilities denoting the total amount of capital used in the acquisition of profits.

Capital Formation

The act of capital raising in debt and equity primary markets through initial issues of instruments to raise funds for a company.

Capital Reserves

The profits of a company which (for various reasons) are not regarded as distributable to shareholders as dividends. These include gains on the revaluation of capital assets.

Cash Equivalents

Short-term, highly liquid investments which are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Commercial Paper

A short term unsecured promissory note issued in the open market by quoted public companies representing an obligation of the issuing entity.

Consolidated Financial Statements

Financial Statement of a holding company and its subsidiaries based on their combined assets, liabilities and operating results.

Contingent Liabilities

Conditions or situations at the reporting date, the financial affects of which are to be determined by future events which may or may not occur.

Core Businesses

Principal areas of business. In this report we refer to core businesses of the Company as Government Securities, Corporate Finance and Advisory, Asset Management and Stock Brokering.

- Corporate Finance and Advisory refers to a range of advisory services offered by the company including capital raising, capital market strategy, treasury/ liquidity management and project finance.
- Asset Management refers to the company's wealth and asset management activities which include unit trust investments, discretionary portfolio management and tailored financial advice and products such as lifestyle investment.
- Government Securities refers to the range of fixed income based investment products and secondary market trading services in addition to primary dealing offered by the company.
- Stock Brokering refer to the stock brokering and margin trading services offered by the company in view of secondary market trading in equity products.

Corporate Governance

Process by which corporate entities are governed to promote stakeholder interest. Shareholders exert collective pressure on management to ensure equitable decision making on matters that may affect the value of their holdings and base their response on statutory requirements or on so called "Best Practice".

Cost Method

Cost method is a method of accounting for an investment whereby the investment is recognised at cost. The investor recognises income from the investment only to the extent that the investor receives distributions from accumulated profits of the investee arising after the date of acquisition. Distributions received in excess of such profits are regarded as a recovery of investment and are recognised as a reduction of the cost of the investment.

Credit Rating

An evaluation of a corporate's ability to repay its obligations or likelihood of not defaulting, carried out by an independent rating agency.

Credit Risk

The risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

Deal

Investment banking transactions.

Dealing Desk

In this report, the term is used to describe the Dealing Securities division which is engaged in market making and trading services in government and corporate debt securities. See Market Maker.

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 (e.g.. an interest rate), that has an initial net investment smaller than would be required for other instruments that have a similar response to the variable, and that will be settled at a future date.

Dividend Cover

Profit after tax divided by gross dividends. This measures the number of times the dividend is covered by distributable profits.

Depreciation

The systematic allocation of the depreciable amount of an asset over its useful life.

Dividend Payout

It is the percentage of earnings paid to shareholders in dividends.

Dividend Yield

Dividend earned per share as a percentage of its market value.

Earnings per Share

Profit attributable to ordinary shareholders, divided by the weighted average number of ordinary shares in issue.

GLOSSARY OF FINANCIAL AND BUSINESS TERMS

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.

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 based (capital light) and fund based (capital intensive) services that comprise investment banking.

Fund

See Unit Trust.

Gilts

Government securities.

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 fulfil the contractual obligations.

Held to Maturity Investment

Non-derivative financial assets with fixed or determinable payments and fixed maturity that an entity has the positive intention and ability to hold to maturity.

Impairment

This occurs when recoverable amount of an asset is less than its carrying amount.

Impairment Allowances

Impairment allowances are provisions held on the Statement of Financial Position as a result of the raising of a charge against profit for the incurred loss. An impairment allowance may either be identified or unidentified and individual (specific) or collective respectively.

Inorganic Growth

Business expansion and enhanced outreach achieved by acquiring new businesses through mergers, acquisitions and take-overs.

Intangible Asset

An identifiable non-monetary asset without physical substance held for use in the production/ supply of goods/ services or for rental to others or for administrative purposes.

Interest Rate Risk

The risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Interest Rate SWAP

An interest rate SWAP is a contract, whereby two parties agree to exchange a set of interest cash flows based on a notional principle on pre-arranged dates. Normally fixed rate is exchanged for a floating rate.

Interest Cover

A ratio showing the number of times interest charges is covered by earnings before interest and tax.

IPO or Initial Public Offering

The first sale of a company's shares to the public, leading to the listing of its shares on the stock market.

Joint Control

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

Key Management Personnel

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

Lease

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

Liabilities

Debt or obligations of a business.

Liquidity Risk

The risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities.

Listed

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

Loans and Receivables

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

Margin Trading

A credit facility given to investors who wish to expand their investment portfolio.

Market Dislocation

Circumstances in which financial markets operating under stressful conditions, cease to price assets correctly on an absolute and relative basis. An absolute value is the intrinsic value of an asset or company without comparing it to any others, while relative value is based on the value of similar assets or companies.» 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 Interest Margin

Is the difference between interest paid and interest received, adjusted for the total amount of interest-generating assets held. It is a measure of profitability of interest-rate based businesses.

Net Interest Rate Spread

See Spread

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.

GLOSSARY OF FINANCIAL AND BUSINESS TERMS

Organic Growth

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

Outright

The purchase or sale of a currency or security for delivery on any date other than spot (not being a swap transaction).

Overnight

Deposit or swap transaction for settlement on transaction date to or against the next business day after transaction date.

Parent

A parent is an entity that has one or more subsidiaries.

Policy Rates

The rates that are used by a central bank to implement or signal its monetary policy stance. The Central Bank of Sri Lanka uses the Standing Deposit Facility Rate and Standing Lending Facility Rate as policy rates.

Portfolio

Income generating assets such as loans, finance leases, investment securities and bills discounted etc.

Primary Market

A capital market where newly issued securities are offered to the public directly by the issuer. Initial Public Offerings and new issues where a company offers its shares or debentures directly to investors constitute the primary market.

Primary Dealer

A dealer in government securities licensed by the Central Bank of Sri Lanka.

Prime Lending Rate (PLR)

The interest rate a commercial bank will offer to its best customers.

Pure Play

See Full Service Investment Banking

Recurring income

Also core earnings closely linked to the traditional banking business but also used in investment banking to mean the portion of a company's income that is expected to continue in the future.

Redemption

Refers to the liquidation of unit trust holdings; or in general, repayment of a fixed-income security before their maturity date.

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.

Repricing

Means the opportunity to reassess or reassessment of the value of an investment when a change in market environment occurs.

Repurchase Agreement

An agreement (Repo for short) is the simultaneous sale and repurchase of a security on different settlement dates.

Revenue Reserves

Reserves which may be distributed to shareholders as dividends.

Reverse Repurchase Agreement

An agreement (Reverse Repo for short) is the simultaneous purchase and resale of a security on different settlement dates.

Rights Issue

The issue of new shares with the right given to existing shareholders to purchase them in proportion to their shareholdings. This raises new capital for the company, often including a premium.

Secondary Market

A capital market where investors purchase securities or assets from other investors, rather than from the issuing companies themselves. The Colombo Stock Exchange is a secondary market (Listed shares/debentures).

Shareholders' Funds

Shareholders funds consist of issued and fully paid ordinary share capital plus capital and revenue reserves.

Spread

In this report refers to, net interest rate spread or the difference between the average yield received from interest-accruing activities or assets—and the average rate we pay on interest-accruing borrowings or liabilities.

Standing Deposit Facility Rate (SDLR)

The floor rate of interest for the absorption of overnight excess liquidity from the banking system by the Central Bank of Sri Lanka.

Standing Lending Facility Rate (SDFR)

The interest rate applicable on reverse repurchase transactions of the Central Bank of Sri Lanka with commercial banks on an overnight basis providing the ceiling rate for the injection of overnight liquidity to the banking system by the Central Bank of Sri Lanka.

Statutory Reserve Requirement (SRR)

The proportion of rupee deposit liabilities that commercial banks are required to maintain as a deposit with the Central Bank of Sri Lanka.

Subsidiary

A subsidiary is an enterprise that is controlled by another enterprise (known as the parent company). Control is the power to govern the financial and operating policies of an enterprise so as to obtain benefits from its activities.

Swap (currency)

The simultaneous purchase and sale of identical amounts of a currency for different value dates.

Term Repo

A Repo with more than one day's duration. In this report we use it in relation to the Platinum Bond issued by the Company which is a Repo investment with medium to long term horizon. Also see Repurchase Agreement.

Transaction Costs

Incremental costs which are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability.

Unit Trust

An undertaking formed to invest in securities under the terms of a trust deed. May also be referred to as Fund or Mutual Fund.

Unlisted

A financial instrument that is not traded on a stock exchange. This also refers to a company that has not been admitted to the stock exchange or acquired 'listed' status.

Yield Curve

The graphical depiction of the relationship between the yield on Treasury securities and the corresponding period.

NOTES

NOTICE OF MEETING

Notice is hereby given that the 31st Annual General Meeting of First Capital Holdings PLC will be held as a virtual meeting on Friday, 8 September 2023 at 10.00 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 2023 together with the Report of the Auditors thereon.
2. To re-elect Mr. Ramesh Schaffter who retires by rotation in terms of Article 25 of the Articles of Association of the Company and offers himself for re-election.
3. To re-elect Mr. Nishan Fernando who retires by rotation in terms of Article 25 of the Articles of Association of the Company and offers himself for re-election.
4. To re-appoint Ms. Manjula Mathews who was appointed to the Board on 27 December 2022, in terms of Article 21(3) of the Articles of Association of the Company.
5. To re-appoint Messrs. KPMG, Chartered Accountants as Auditors of the Company for the ensuing year and authorise the Directors to determine their remuneration.
6. To authorise the Directors to determine and make donations.

By Order of the Board,

(Sgd.)
Janashakthi Corporate Services Limited
Secretaries

15 August 2023

NOTICE OF MEETING

NOTES:

1. The Shareholders are requested to register with their first names and last names via the below link before 4.00 pm, on Wednesday, 6 September 2023, to receive the link to join the AGM. The same names should be used to log in to participate in the AGM on Friday, 8 September 2023.

   https://tinyurl.com/FCAGM2023-Registration

2. A member entitled to attend and vote at the above Meeting is entitled to appoint a Proxy to attend and vote on behalf of him/her.
3. A Proxy need not be a member of the Company.
4. A Form of Proxy is enclosed for this purpose.
5. The completed Form of Proxy must be forwarded by email to secretaries@jcsl.lk, fax to +94 112372498, WhatsApp to +94 773647178 or directly deposited at the Office of the Company Secretaries. No registration of proxies will be accommodated after this deadline.
6. Shareholders who are unable to participate at the Meeting through the online meeting platform are encouraged to appoint a director as his/her/its proxy by forwarding the duly completed Proxy Form clearly indicating their vote under each matter set out in the Proxy Form to the Company Secretaries as specified above in order that their vote may be identified and recorded as if he/she/it were present at the Meeting.

FORM OF PROXY

I / We, ...

of ..... being a Member/s of the First Capital Holdings PLC,

hereby appoint Mr/Mrs/Miss .....

(holder of NIC No. .....) of .....

failing him/her,

1. Mr. Nishan Fernando failing him
2. Ms. Manjula Mathews failing her
3. Mr. Ramesh Schaffter failing him
4. Ms. Minette Perera failing her
5. Mr. Chandana de Silva failing him
6. Dr. Nishan de Mel failing him
7. Mr. Dilshan Wirasekara failing him

as my/our Proxy to represent me/us and vote on my/our behalf at the 31st Annual General Meeting of the Company to be held, as a virtual meeting on Friday, 8 September 2023 at 10.00 a.m. and at any adjournment thereof and at every poll which may be taken in consequence thereof.

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

	For	Against
1. Receiving of the Annual Report and the Audited Financial Statements of the Company for the year ended 31 March 2023 together with the Report of the Auditor's thereon.		
2. Re-election of Mr. Ramesh Schaffter who retires by rotation in terms of Article 25 of the Articles of Association of the Company and offers himself for re-election.		
3. Re-election of Mr. Nishan Fernando who retires by rotation in terms of Article 25 of the Articles of Association of the Company and offers himself for re-election.		
4. Re-appointment of Ms. Manjula Mathews as a Director in terms of Article 21(3) of the Articles of Association of the Company.		
5. Re-appointment of Messrs. KPMG, Chartered Accountants as Auditors of the Company for the ensuing year.		
6. Authorising Directors to determine and make donations.		

Signed on this ..... day of 2023

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 secretaries@jcsl.lk, fax +94 112372498, WhatsApp to +94773647178 or directly deposited at the office of Company Secretaries, Janashakthi Corporate Services Limited, No. 15, Walukarama Road, Colombo 03 not less than 48 hours before the time fixed for the Meeting. No registration of proxies will be accommodated after this deadline.
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

Ms. Manjula Mathews

Mr. Dilshan Wirasekara

Mr. Ramesh Schaffter

Ms. Minette Perera

Mr. Chandana de Silva

Dr. Nishan de Mel

Mr. Prakash Schaffter (Alternate Director to Mr. Ramesh Schaffter)

SECRETARIES

Janashakthi Corporate Services Limited
No. 15, Walukarama Road
Colombo 3
Tel: 0112145030

REGISTRARS

SSP Corporate Services (Private) Limited
No. 101, Inner Flower Road
Colombo 3
Tel: 0112 573894

EXTERNAL AUDITORS

Messrs KPMG
Chartered Accountants
32 A, Sir Mohamad Macan Marker Mawatha
P.O. Box 186
Colombo 3

PRINCIPAL BANKERS

Seylan Bank PLC

Hatton National Bank PLC

Bank of Ceylon

People's Bank

Commercial Bank of Ceylon PLC

Cargills Bank Limited

National Development Bank PLC

DFCC Bank PLC

Sampath Bank PLC

Nations Trust Bank PLC

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First Capital

A Janashakthi Group Company