



DUNAMIS CAPITAL PLC
igniting value

Annual Report
2012/13

Streamlined



DUNAMIS CAPITAL PLC

Igniting value

Contents

Overview

Group Financial Highlights	2-3
----------------------------	-----

Management Reports


Managing Director's Review	4-7
Board of Directors	8-9
Human Resource Development	10-11
Group Structure	12-13

Financial Reports

Annual Report of the Board of Directors	16-18
Statement of Directors' Responsibility	19
Corporate Governance	20
Audit Committee Report	21
Independent Auditors' Report	22
Consolidated Statement of Comprehensive Income	23
Consolidated Statement of Financial Position	24
Statement of Changes in Equity	25
Cash Flow Statement	26-27
Notes to the Financial Statements	28-62

Supplementary Information

Investors' Information	63-64
Decade at a Glance	65
Glossary of Financial Terms	66-67
Notice of Meeting	68
Form of Proxy	71-72
Corporate Information	(Inner back cover)



With a changing economic environment, comes the need to keep pace with advancements and new lines of thought. With a vision of being an effective and dynamic entity, we have positioned ourselves in order to be efficient in our processes and prudent in our strategy in achieving this goal. Thereby our outlook will reflect a **streamlined** identity that will deliver more value and quality to all our stakeholders in the years ahead.

Group Financial Highlights

NET PROFIT

340 Mn

NET ASSETS

2,087 Mn

TOTAL ASSETS

14,705 Mn

Year ended 31 March**2013**
Rs. '000**2012**
Rs. '000**Variance****Operating performance**

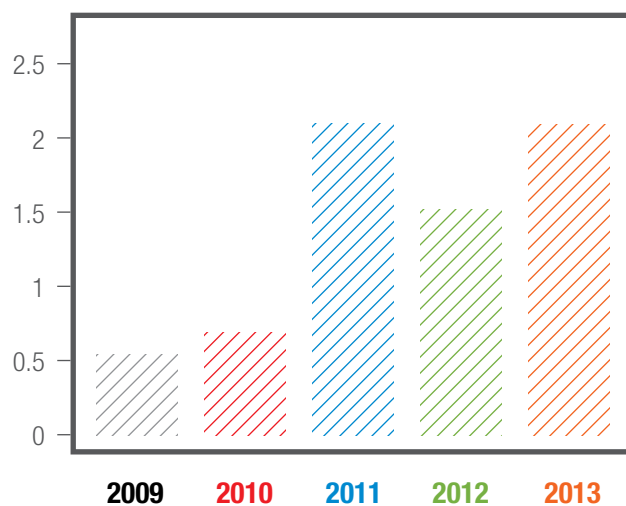
Revenue	1,938,072	1,097,219	76.63%
Profit/(loss) before tax	362,879	(485,166)	174.79%
Profit/(Loss) after tax	340,423	(501,251)	167.91%

Financial position

Total Assets	14,705,449	7,991,716	84.01%
Total shareholders' funds	2,087,214	1,523,509	37.00%
Stated capital	445,994	445,994	0.00%
Total Liabilities	12,618,235	6,468,207	95.08%

Key indicators (Rs.)

Earnings per share	1.92	(3.09)	162.14%
Net assets per share	11.96	8.67	37.95%
Market price per share	11.70	10.00	17.00%
Market capitalisation	1,439,065,485	1,229,970,500	17.00%
Number of shares in issue at year end	122,997,050	122,997,050	0.00%

Group Net Assets in Rs. Millions

Managing Director's Review

The Group's results for the year were encouraging with profit after tax of Rs. 340 Mn compared to losses of Rs. 501 Mn in the previous year.

At company level profit for the year was Rs. 807 Mn compared to losses of Rs. 172 Mn in the previous year.

Manjula Mathews (Ms.)
Managing Director

I welcome you to the 28th Annual General Meeting of Dunamis Capital PLC and present to you the Annual Report and the Audited Financial Statements for the year ended 31st March 2013.

Economic Overview

The year 2012 saw the economy grow by 6.4% following two years of robust growth of 8% in 2010 and 8.3% in 2012. Growth in the services sector however, slowed down due to subdued international trade and the impact of monetary policy measures, while the agricultural sector suffered from drought and floods. The industry sector, with growth at 10.3%, was the main driver of growth boosted by strong domestic demand, improved investor confidence, supportive fiscal policies and the continued expansion of infrastructure facilities.

Inflation remained at single digit levels for the fourth consecutive year. Annual average inflation was 7.6% while year-on-year inflation was 9.2% in December 2012. GDP grew by 6.4% in 2012, representing a fall when compared with 2011, while the debt to GDP ratio increased to 79.1%. The constraints in the availability of bank credit, a reduction in the requirement of credit due to high interest rates and the depreciated exchange rate caused the credit extended to the private sector to slow down. The deterioration of the image of Sri Lanka in the eyes of the international community through negative publicity too had an impact on the economic environment in the country.

Group Performance

The Group's results for the year were encouraging with profit after tax of Rs. 340 Mn compared to losses of Rs. 501 Mn in the previous year. Profit attributable to equity holders of the parent company was Rs. 236 Mn compared to Losses of Rs. 380 Mn reported the previous year. Strong trading profits from the company's financial services subsidiary First Capital continued to drive results.

The Group recorded revenue of Rs. 1.9 Bn for the year against Rs. 1.1 Bn in the previous year. This was primarily due to increased activity in the market for treasury bills and bonds which provided opportunity for both trading and capital gains.

Group equity attributable to shareholders of the Company stands at Rs. 1,471 Mn (2012 – Rs. 1,066 Mn) and reflects a considerable improvement over the previous year.

At company level profit for the year was Rs. 807 Mn compared to losses of Rs. 172 Mn in the previous year. This exceptional level of profits was primarily due to the repurchase of shares by a subsidiary PVIC Management company which resulted in profits of Rs. 466 Mn being realised. The company also recorded dividend income of Rs. 425 Mn from the same subsidiary.

Finance costs at Rs. 76 Mn continued to burden the company (2012 –Rs 54 Mn) and comprised the major portion of expenses at company level.

Towards the end of the year the Company disposed of its property at Kynsey Road for Rs 315 Mn. This property had been listed for sale for some time and the proceeds of the sale has helped improve the company's gearing levels and will contribute towards a reduction in finance costs in the forthcoming year.

In January 2013 all of the shares in First Capital Holdings PLC held through a subsidiary were transferred directly to Dunamis Capital PLC as a private transfer.

The Company's Net equity of Rs. 946 Mn shows substantial improvement from the previous year's net equity of Rs 263 Mn. Gearing levels are now more manageable and the company's total debt stands at Rs. 554 Mn (2012 – Rs. 879 Mn).

Financial Services

The Group's financial services arm represented by First Capital Holdings PLC reported consolidated profits after tax of Rs. 494 Mn compared to losses of Rs. 325 Mn for the previous financial year. Gross turnover grew to Rs 1.77 bn compared to Rs 0.93 bn in the previous year. The growth in turnover was primarily due to the increased activity level with the primary dealer unit, taking advantage of robust market conditions.

The operating environment during the year under review had a significant positive impact on financial performance. Performance at First Capital continued to be driven by results at First Capital Treasuries Limited, its primary dealer subsidiary. The easing of interest rates gave rise to significant opportunities in the bond market and the prudent decision to realise losses in the previous year in order to take advantage of future opportunities paid off as the group was able to capitalise on market conditions. High-yielding bonds in the portfolio generated capital gains during the year but with interest rates flattening out at the end of the year portfolios were re-positioned to reflect a more conservative risk perspective.

During the year the environment in the corporate debt market improved significantly and the Group was able to successfully structure and place a range of debt instruments for several leading listed and rated entities. Securitisations, commercial paper issues and listed debenture mandates were some of the fee-generating activities executed during the year.

The Asset Management and Unit Trust businesses although profitable did not perform as well as expected and there will be greater focus on building these businesses and improving performance in the forthcoming year.

Managing Director's Review Contd.

The Group's financial services arm represented by First Capital Holdings PLC reported consolidated profits after tax of Rs. 494Mn compared to losses of Rs. 325Mn for the previous financial year. Gross turnover grew to Rs 1.77bn compared to Rs 0.93 bn in the previous year. The growth in turnover was primarily due to the increased activity level with the primary dealer unit, taking advantage of robust market conditions.

The Margin Trading business was adversely affected by the drastic reduction in the number of shares being transacted on the Colombo Stock Exchange. The demand for margin advances was unenthusiastic and the margin trading portfolio at First Capital Markets Limited declined from Rs 410 Mn to Rs 305 Mn. This business is very dependent on the performance of the stock market and potentially lower interest rates, income tax relief on listed debt and tax concessions on newly listed entities may provide some relief.

First Capital aspires to be the best Investment bank in the country offering multi-faceted and integrated services and has invested significantly in order to develop its skill base and strengthen its balance sheet. The company is working towards this goal whilst ensuring that systems, controls and risk management processes are adequate to accommodate a changing environment.

Property Development

Operational performance at Kelsey Developments PLC showed some improvement in comparison to the previous year but was not as substantial as had been expected. During the year three new projects were launched and a further two properties were sold. Sales revenue for the year improved to Rs. 231.5 Mn from Rs. 164.6 Mn, however, the net reported loss was Rs. 55 Mn compared Rs 18.7 Mn the previous year. A significant portion of costs related to finance costs of Rs. 45.4 Mn incurred in holding of a property in Nuwara Eliya. This property was purchased by Dunamis Capital PLC in May 2013 realising profits of Rs 177 Mn in Kelsey after the reporting date.

Export Manufacturing

As indicated in last year's review the future of this business was in doubt and In March 2013 the company disposed of its investment in The Montessori Workshop for Rs. 26 Mn. During the year the company had written down the value of this investment by Rs. 3.2 Mn. A further Rs. 3 Mn loss was recorded on the sale of this subsidiary.

The Future

At First Capital strategies have been re-aligned in the primary dealer unit and portfolios have been re-positioned to focus more on trading opportunities. This strategy will present a lower risk profile and a more moderate, though steady income for the company. The company will continue to focus on growing its structuring and placement business by broadening both its issuer base through innovation of the product range and its investor base through awareness programs and marketing efforts. Continued expansion in the debt capital markets particularly with recently granted income tax concessions presents further opportunities in this area of the business.

In May 2013 a subsidiary of First Capital acquired a 70% interest in stockbroker DNH Financial (Private) Limited which was subsequently renamed First Capital Equities (Private) Limited. While it is not expected that this unit will generate significant profits in the short-term this is a significant milestone on First Capital's journey towards being a fully-fledged investment bank. In the longer term, with the expected growth in the economy and the increase in FDI's, we expect First Capital Equities (Private) Limited to contribute a significant share of the Group's income.

Although a turnaround in Kelsey's performance has taken longer than expected, with the disposal of the property in Nuwara Eliya, albeit to its parent, and the significant profit realised on this sale, it is expected that the coming year will show a marked improvement in performance. Kelsey has created three Strategic Business Units which will enable the company to reach untapped markets. Creating such clusters will allow the company to reach further into different segments of the market while also increasing market share.

Dunamis Capital PLC which initially aspired to be a conglomerate has in the short-term confined its operations to financial services and property development. Whilst Financial services has remained the largest segment of the Group's business and has been the main driver of the Group's revenue and profitability, the company has invested in a manufacturing operation that is expected to make a significant contribution to profitability in the coming years. This subsidiary was incorporated under BOI Law and the total equity investment in this project is expected to be in the region of Rs. 200 Mn.

The Company continues to seek sound long -term investment opportunities and expects to make another significant investment in the financial year 2013/14.

Acknowledgements

On behalf of the Board of Directors, I thank the management and staff for their dedication and efforts during the year. I am grateful to the Board for their guidance, support and encouragement. I also take this opportunity to thank our clients, shareholders and other stakeholders for the confidence and trust placed in us. We will continue to work towards meeting your expectations.

(Sgd.)

Manjula Mathews (Ms.)

Managing Director

Profile of Board of Directors

Ms. Manjula Mathews

FCMA, MBA (University of Cambridge- UK)

Managing Director

Ms. Mathews brings to the Board over 20 years experience in General Management and Finance, both in Sri Lanka and overseas. She currently serves as Managing Director of Dunamis Capital PLC and as a Director of other Dunamis subsidiaries.

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

Mr. Dinesh Schaffter

ACMA, LLB (UK)

Executive Director

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

Mr. Nihara E. Rodrigo

President's Counsel

Independent, Non-Executive Director

Mr. Rodrigo's professional career span of over 30 years is enriched with diversified expertise and experience in various fields including different aspects of law and e-commerce. Mr. Rodrigo has served in the Attorney General's Department for over 15 years. He has represented Sri Lanka at United Nations forums in Geneva and Vienna. He serves as the Chairman of the Grants Board of the Information and Communication Technology Agency of Sri Lanka – Capacity Building Program. He was appointed as a President's Counsel in May 2010.

Mr. Rodrigo also serves as a Director of Kelsey Developments PLC and First Capital Holdings PLC, subsidiaries of Dunamis Capital PLC.



Mr. Eardley Perera

Chartered Marketer

Independent, Non-Executive
Director

Mr. Perera is a Chartered Marketer and a Graduate of the Chartered Institute of Marketing, UK. He has undergone management training in Sweden, UK, South Korea, the Philippines and Singapore.

Currently, he is the Non-Executive Chairman of M&E (Private) Limited and a Director of Keells Food Products PLC, Janashakthi Insurance PLC, ODEL PLC, Sting Consultants (Private) Limited, Brand Finance Lanka (Private) Limited and MAS Tropical Foods (Private) Limited. He also serves as a director of Kelsey Developments PLC and First Capital Holdings PLC, subsidiaries of Dunamis Capital PLC.

He is a member on the Board of Study of the Postgraduate Institute of Management, University of Sri Jayewardenepura (PIM) and actively engaged in management education and consultancy.



Mr. Chandana de Silva

FCA (England & Wales), FCA (Sri Lanka)

Independent, Non-Executive
Director

Mr. Chandana de Silva has held several senior management positions including that of Chief Financial Officer for Level (3) Communications in Europe a NASDAQ quoted company and Head of Financial planning for British Telecommunications PLC.

Since moving back to Sri Lanka in 2002 he has worked for MAS Holdings in a variety of roles and established the Supply Chain Management function, set up the MAS training centre and until December 2011 was the Chief Executive Officer of the MAS Investment Division.

He continues to be a consultant to the MAS Group and is on the Board of MAS Investments (Private) Limited, Hemas Transportation (Private) Limited, Eureka Technologies (Private) Limited and Sea- Change Partners Lanka (Private) Limited. He also serves as a director of Kelsey Developments PLC and First Capital Holdings PLC, subsidiaries of Dunamis Capital PLC.

Mr. de Silva is a Fellow member of the Institute of Chartered Accountants in England and Wales and in Sri Lanka and holds a degree in Mathematics and Management from the University of London.

Human Resource Development

We pride ourselves on the skills, dedication and commitment of our work force. Service excellence remains at the heart of the organisation and over the years, relationships between our team members and the customers have grown and strengthened to form lasting bonds of loyalty.

It is the collective dynamism and enterprise of our employees that has enabled the company to overcome challenges and to drive forward new opportunities. A commitment towards maintaining the highest standards of professional excellence has resulted in overall sustained customer satisfaction.

The dynamic recruitment process currently in place, effectively meets the evolving needs of the progressive group. A comfortable and rewarding working environment has resulted in a high level of staff retention. Staff training and development is accorded a high priority within the company and in the

year under review, a significant number of staff members attended training programs. Regular appraisal and feedback on performance are linked to a reward structure which ensures a high level of employee motivation and performance.

All employees and their immediate families are provided medical insurance cover and a comprehensive health check-up is undertaken for all employees each year. The group has an active staff guild that organises bi-annual events that foster team spirit and encourage interaction beyond the scope of the day to day duties. Active participation by all employees ensures entertaining events that provide a welcome respite from the pressures of work.

Group - Corporate /Senior Management and above – Qualifications

Discipline/Field	DPQ	DQ	PQ	AL	Total
Accounting, Finance, & Business	6	1	7	1	15
Law	-	-	2	-	2
Engineering	1	-	-	-	1
Total	7	1	9	1	18

DPQ – Degree and Professional Qualifications, DQ – Degree Qualifications,

PQ - Professional Qualifications, AL - GCE Advanced Level

Service analysis of the Group including Directors as at 31 March 2013

Service (Years)	Senior/ Corporate Management	Operational Management	Executives	Other	Total
20 & Above	1	1	2	1	5
16 to 20	-	-	3	1	4
11 to 15	1	3	-	2	6
6 to 10	4	6	9	1	20
5 & below	12	11	21	7	51
Total	18	21	35	12	86

Average service of employees as at 31 March 2013 was 5 years.

Group - Training Analysis

Skills	2012/13
IT Knowledge and skills	2
Job related technical skills and professionalism	43
Total	45

58% of staff attended training programmes during the year.

Staff Age Analysis of the Group excluding Directors as at 31 March 2013

Age group	2012/13
19-30	17
31-40	38
41-50	15
51 and above	6
Total	76

Group Structure



**DUNAMIS
CAPITAL PLC**



FINANCIAL SERVICES

First Capital Holdings PLC 69.37%

First Capital Holdings PLC together with its subsidiaries represents the financial services arm of Dunamis Capital PLC. The Company's subsidiaries include First Capital Treasuries Limited, an authorised primary dealer in government securities, First Capital Markets Limited, a margin provider for listed securities, First Capital Limited, a specialist debt structuring intermediary and corporate finance specialist and First Capital Asset Management Limited, a licensed investment manager and Unit trust managing company.



PROPERTY DEVELOPMENT

Kelsey Developments PLC 69.50%

Kelsey Developments PLC and its subsidiaries represent the property development arm of Dunamis Capital PLC. The principal activities of the group's active subsidiaries namely Kelsey Property Developers (Pvt) Limited and Kelsey Homes Limited were construction, development and sale of lands, quality residential houses and apartments and the development and sale of land plots.

FINANCIAL CALENDAR 2012/13

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

Reports

Released Date

1st Quarter 2012/2013 Interim Financial Report (Unaudited)	20 August 2012
2nd Quarter 2012/2013 Interim Financial Report (Unaudited)	19 November 2012
3rd Quarter 2012/2013 Interim Financial Report (Unaudited)	15 February 2013
4th Quarter 2012/2013 Interim Financial Report (Unaudited)	31 May 2013

Financial Reports

Annual Report of the Board of Directors	16-18
Statement of Directors' Responsibility	19
Corporate Governance	20
Audit Committee Report	21
Independent Auditors' Report	22
Consolidated Statement of Comprehensive Income	23
Consolidated Statement of Financial Position	24
Statement of Changes in Equity	25
Cash Flow Statement	26-27
Notes to the Financial Statements	28-62

Annual Report of the Board of Directors

The Directors of Dunamis Capital PLC have pleasure in presenting their Annual Report together with the audited financial statements for the year ended 31 March 2013 which were approved by the Directors on 15 August 2013.

Review of operations

The company had a reasonably successful year of operations with substantial profits being generated by its financial services subsidiary which offset losses at other units. A more comprehensive review of the operations of the Company during the financial year and the results of those operations are contained in the Managing Director's review on pages 4 to 7 of the Annual Report. This report forms an integral part of the Directors' report.

Principal activities

The company manages a portfolio of investments consisting of different business operations, which together constitute the Dunamis group. The corporate office provides function based services to its subsidiaries and associate companies.

Legal status

Dunamis Capital PLC was incorporated in 1985 under the provisions of the Companies Act No. 17 of 1982 and re-registered under the Companies Act No. 7 of 2007 on 15 August 2007. In 1986 the company was listed on the Colombo Stock Exchange.

Amalgamation of Dunamis Capital PLC with Kelsey Holdings Limited

In March 2013, the Company amalgamated with its fully owned subsidiary, Kelsey Holdings Limited in accordance with the provisions of Section 242 of the Companies Act No. 07 of 2007. Following the amalgamation, they now operate as a single entity.

Financial results

The group's net profit after tax was Rs.340Mn compared with net losses after tax of Rs. 501 Mn for the year 2011/12.

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

	2012/13 Rs.'000	2011/12 Rs.'000
Revenue	1,938,072	1,097,219
Profit/(Loss) before tax	362,879	(485,166)
Income tax Expenses	(22,456)	(16,085)
Profit/(Loss) after tax	340,423	(501,251)
Attributable to equity holders of the parent	236,126	(379,863)
Non- controlling interests	104,297	(121,388)
Total	340,423	(501,251)

The financial statements of the company are set out in pages 23 to 62 of the Annual Report.

Directors' responsibility for financial reporting

The Directors' responsibility in relation to the financial statements is detailed under the Statement of Directors' responsibility on page 19 of the Annual Report.

Directorate

The following were the Directors of the company as at 31 March 2013.

1. Ms. Manjula Mathews
2. Mr. Dinesh Schaffter
3. Mr. Nihara E. Rodrigo
4. Mr. A.D.E.I. Perera
5. Mr. Chandana L. de Silva

The profiles of the Directors are given on pages 8 to 9 of the Annual Report.

Directors and their shareholdings as at 31 March 2013 were as follows :

	No. of Shares 31.03.2013	No. of Shares 01.04.2012
Ms. Manjula Mathews	26,003,365	19,003,365
Mr. Dinesh Schaffter	20,274,918	20,274,918
Mr. Nihara E. Rodrigo	13,000	13,000
Mr. A.D.E.I. Perera	Nil	Nil
Mr. Chandana L. de Silva	Nil	Nil

Retirement by rotation and re-election

Mr. A.D.E.I. Perera retires by rotation in terms of Article 90 and being eligible offers himself for re-election. The continuing Directors recommend his re-election.

Related party transactions

Related party transactions have been declared at meetings of the Directors and are detailed in Note 38 to the financial statements.

Directors' interests

As required by the Companies Act No. 7 of 2007, an Interests Register was maintained by the company during the period under review. Directors have made declarations as provided for in Section 192 (2) of the Companies Act. 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 38 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 page 20 of the Annual Report.

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

Dividends

The Board of Directors did not declare dividends for the year 2012/13.

Significant accounting policies

The accounting policies adopted in the preparation of the financial statements is given on pages 28 to 37. There were no changes in the accounting policies adopted by the company during the year under review.

Going concern

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

Capital expenditure

Details of property, plant and equipment and their movements during the year are given in Note 15 to the financial statements.

Fixed assets

Details of movements in fixed assets of the Group during the year are set out in Note 15 to the financial statements.

Reserves

The movements in reserves during the financial year 2012/13 have been presented in the statement of Changes in Equity on page 25 to the Financial Statements.

Income tax expenses

Income tax expenses have been computed in accordance with the provision of the Inland Revenue Act No. 10 of 2006 and subsequent amendments thereto as disclosed in Note 13 to the financial statements.

Stated capital

The stated capital of the company as at 31 March 2013 was Rs. 445.9 Mn consisting of 122,997,050 ordinary shares.

The movements in profits and reserves are given in the Statement of Changes in Equity on page 25 to the financial statements.

Share information and substantial shareholders

As at 31 March 2013, there were 2,976 registered shareholders. Share information and the twenty largest shareholders as at 31 March 2013 are listed on pages 63 to 64 of the Annual Report.

Information relating to market value of a share and information on share trading is stated under Shareholder and Investor information on page 63 of the Annual Report.

Annual Report of the Board of Directors Contd.

Corporate donations

During the year under review the group made charitable donations of Rs.1 Mn.

Statutory payments and compliance with laws and regulations

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

Equal opportunities

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

Events occurring after the Reporting Date

There were no material events after the financial reporting date which require an adjustment to or a disclosure in the financial statements, other than as disclosed in Note 43 to the financial statements.

Independent Auditors

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

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

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

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

Independent Auditor's report

The Independent Auditor's report on the financial statements is given on page 22 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 28th Annual General Meeting of the company will be held on 30 September 2013. The notice convening the meeting and the agenda are given on page 68.

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

(Sgd.)

Manjula Mathews (Ms.)

Managing Director

(Sgd.)

Dinesh Schaffter

Director

15 August 2013

Colombo

Statement of Directors' Responsibility

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

The Directors of the Company are responsible for ensuring that the Company and its subsidiaries keep proper books of accounts of all transactions and prepare and present 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 2013, the Statement of Comprehensive Income, Statement of Changes in Equity, Cash Flow Statement for the year then ended and Notes thereto. The directors are required to prepare these financial statements on a going concern basis unless such basis is not considered appropriate.

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

- the state of affairs of the company as at 31 March 2013 and
- the profit and loss of the company and its subsidiaries for the financial year then ended.

The financial statements of the Company and its Subsidiaries for the year ended 31 March 2013 incorporated in this report have been prepared in accordance with the Companies Act, No. 7 of 2007, Sri Lanka Accounting Standards (LKAS/SLFRS) and Listing Rules of the Colombo Stock Exchange.

The financial statements of the Company and the Group have been certified by the Finance Manager of the Company who is responsible for the preparation of financial statements as required by the Companies Act, No. 7 of 2007. The financial statements have been signed by two Directors on 15 August 2013 in accordance with Section 150 (1) (c) and 152 (1) (c) of the Companies Act.

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

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

The Auditors of the Company, Messrs KPMG who were reappointed in accordance with a resolution passed at the last Annual General Meeting were provided with all necessary information required by them in order to carry out their audit and to express an opinion which is contained on page 22 of this Annual Report.

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

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

(Sgd.)

K H L Corporate Services Limited
Secretaries

15 August 2013
Colombo

Corporate Governance

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

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

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

The Board comprises of three Independent Non-Executive directors and two executive directors, all of whom possess a broad range of skills and experience across a range of industries and functional areas. Detailed profiles of each member of the Board are provided in a separate section of this Annual Report.

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

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

Necessary advice and guidance are provided to the senior management team at monthly performance review meetings which provide an opportunity to evaluate progress and ensure accountability of the senior management team. A strong focus on training and career development has created a committed and empowered workforce who continue to generate value and drive the company towards high standards of achievement.

The directors are responsible for the formulation of the Company's business strategy and in ensuring the existence of an adequate risk management framework. The Non-Executive Directors bring independent judgment to bear on issues of strategy and performance. The Board is satisfied with the effectiveness of the system of internal control in the Company for the period up to the date of signing the Financial Statements. The Board holds responsibility for ensuring that the senior management team possesses the relevant skills and expertise required in the management of the Company and that a suitable succession planning strategy is in place. Directors also ensure adherence to laws and regulations pertaining to the functioning of the organisation. The Finance Manager functions as the Compliance Officer to ensure compliance with all regulatory and statutory requirements and proper reporting of all compliance matters to the Board.

Dunamis Capital PLC has regularised the composition of the Board of Directors to comply with the requirements of the CSE Listing Rules. The Company has three Non- Executive Directors on its board, which meets the requirement of CSE Listing Rules No. 7.10.1(a) and 7.10.2(b).

The Independent Non-Executive Directors on the Board, Mr. Nihara Rodrigo, Mr. Eardley Perera and Mr. Chandana de Silva have submitted declarations of their independence. They do not qualify as independent against the criteria set out in the listing rules as they are directors of other companies in which a majority of the other directors of the Company are employed or are directors. However the Board is of the opinion that this does not affect their independence as they do not have a business relationship or a significant shareholding in either Dunamis Capital PLC or other subsidiary companies of which they are directors.

The Remuneration Committee established in May 2012 consists of two Non-Executive Directors namely, Mr. Eardley Perera as the Chairman and Mr. Nihara Rodrigo as a member. The committee is dedicated to ensuring accountability, transparency and fairness in reward structures that recognise the relationship between performance and reward. The committee operates under delegated authority from the Board and is responsible for setting the company's remuneration policy and for ensuring its continued ability to attract and retain high calibre candidates.

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

The Company established an Audit Committee in May 2012. The Committee comprises of two Non-Executive Directors namely Mr. Chandana de Silva as the Chairman and Mr. Nihara Rodrigo as a member. The Committee reviews all reports and the management letter issued by the external auditors. Adequate follow-up actions are initiated on audit recommendations to ensure that there is a continuous strengthening of internal processes and controls.

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

(Sgd.)

Ramani Gunathilake (Ms.)

Finance Manager

(Sgd.)

Manjula Mathews (Ms.)

Managing Director

Audit Committee Report

Composition

The Audit Committee is comprised of two independent non-executive directors of the company and is chaired by Mr. Chandana L De Silva.

The other member of the Board appointed Audit Committee is Mr. Nihara E Rodrigo.

Mr. De Silva is a Fellow of the Institute of Chartered Accountants of England and Wales and in Sri Lanka and holds a degree in Mathematics and Management from the University of London. He possesses wide experience in the finance field and has served in leading companies in the UK and Sri Lanka.

Mr. Rodrigo's professional career spans over 30 years enriched with diversified expertise and experience in fields including different aspects of law and e-commerce.

Meetings

Four audit committee meetings were held during the financial year 2012/13. The Managing Director, Executive Director, Finance Manager and External Auditor have attended the meetings by invitation. The proceedings of the Audit Committee meetings are reported to the Board of Directors on a regular basis.

Functions

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

- overseeing management's conduct of the Group's financial reporting process and systems of internal accounting and financial controls;
- monitoring the independence and performance of the Group's external auditors; and
- providing an avenue of communication among the external auditors, Management and the Board.

Financial Reporting System

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

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

External Audit

The external auditor's Management letter 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. Further, the annual financial statements for 2012/13 were reviewed with the external auditors.

The fees payable to the Auditor were recommended by the audit committee to the Board for approval.

The Audit Committee has further recommended to the Board of Directors that Messrs KPMG be reappointed as Auditors for the financial year ending 31 March 2014, subject to the approval of the shareholders at the Annual General Meeting.

(Sgd.)

Chandana L De Silva

Chairperson – Audit Committee

15 August 2013
Colombo

Independent Auditors' Report



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

Tel : +94 - 11 542 6426
Fax : +94 - 11 244 5872
+94 - 11 244 6058
+94 - 11 254 1249
+94 - 11 230 7345
Internet : www.lk.kpmg.com

TO THE SHAREHOLDERS OF DUNAMIS CAPITAL PLC

Report on the Financial Statements

We have audited the accompanying financial statements of Dunamis Capital PLC ("the Company") and the consolidated financial statements of the Company and its subsidiaries ("the Group"), which comprise the statements of financial position as at 31 March 2013, the statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information set out on pages 23 to 62 of the annual report.

Management's Responsibility for the Financial Statements

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

Scope of Audit and Basis of Opinion

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

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

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

Opinion- Company

In our opinion, so far as appears from our examination, the Company maintained proper accounting records for the year ended 31 March 2013 and the financial statements give a true and fair view of the financial position of the Company as at 31 March 2013, and of its financial performance and its cash flow for the year then ended in accordance with Sri Lanka Accounting Standards.

Opinion- Group

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Company and its subsidiaries dealt with thereby as at 31 March 2013, and of its financial performance and its cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

Without qualifying our opinion we draw attention to Note 41 to the financial statements regarding the matters that may cast significant doubt that the respective Group Entities will be able to continue as a going concern.

Report on Other Legal and Regulatory Requirements

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

CHARTERED ACCOUNTANTS

Colombo, 15 August 2013.

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

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

Consolidated Statement of Comprehensive Income

For the year ended 31 March	Note	Group		Company	
		2013 Rs. '000	2012 Rs. '000	2013 Rs. '000	2012 Rs. '000
Revenue	8	1,938,072	1,097,219	-	-
Cost of sales		(1,354,005)	(972,352)	-	-
Gross profit		584,067	124,867	-	-
Other income	9	48,497	51,037	932,264	57,840
		632,564	175,904	932,264	57,840
Gain/(loss) on fair value of financial investments- held for trading		68,963	(111,540)	-	-
Gain/(loss) on fair value of derivative financial instruments		(8,042)	(56,745)	-	-
Distribution expenses		27,864	4,536	-	-
Administrative expenses		189,692	181,342	43,260	24,993
Provision for fall in value of investment in subsidiary		-	-	3,217	67,382
Provision for impairment of non-current assets held for sale		37,802	-	-	-
Loss on disposal of a subsidiary		-	-	3,961	-
Other expenses	10	66,520	299,053	-	82,032
Finance expenses	11	8,728	7,854	75,970	54,054
Profit / (loss) before taxation	12	362,879	(485,166)	805,856	(170,621)
Income tax expenses	13	(22,456)	(16,085)	1,465	(1,555)
Profit / (loss) for the year		340,423	(501,251)	807,321	(172,176)
Attributable to:					
Equity holders of the parent		236,126	(379,863)	807,321	(172,176)
Non-controlling interests		104,297	(121,388)	-	-
		340,423	(501,251)	807,321	(172,176)
Other comprehensive income					
Gain on fair value of financial investments-available for sale		254,098	-	-	-
Other comprehensive income, net of income tax		254,098	-	-	-
Total comprehensive income/(loss) for the year		594,521	(501,251)	807,321	(172,176)
Attributable to:					
Equity holders of the parent		412,394	(379,863)	807,321	-
Non-controlling interests		182,127	(121,388)	-	-
		594,521	(501,251)	807,321	(172,176)
Earnings/(loss) per share (Rs.)	14	1.92	(3.09)	6.56	(1.40)

The notes disclosed on pages 28 to 62 form an integral part of these Financial Statements.

Consolidated Statement of Financial Position

As at 31 March	Note	Group			Company		
		31.03.2013	31.03.2012	01.04.2011	31.03.2013	31.03.2012	01.04.2011
		Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
ASSETS							
Non current assets							
Property, plant and equipment	15	43,590	23,085	28,694	11,047	14,472	15,195
Investment in subsidiaries	16	-	-	-	1,284,594	616,319	639,902
Investment property	17	96,042	396,042	-	96,042	396,042	-
Group balances receivable	18	-	-	-	-	130,000	130,000
Investment in venture capital	19	6,000	8,000	8,000	-	-	-
Deferred tax assets	20	46,733	49,485	49,625	-	-	-
Intangible assets	21	275,928	293,928	336,843	37	-	-
Trade and other receivables		5,355	-	-	-	-	-
Total non current assets		473,648	770,540	423,162	1,391,720	1,156,833	785,097
Current assets							
Inventories	22	364,313	393,103	115,537	-	-	-
Trade and other receivables	23	447,181	454,775	948,844	54,994	3,566	3,678
Group balances receivable	24	-	2,820	1,132	-	5,350	48,163
Financial investments - Held for trading	25	9,792,142	3,703,968	8,270,365	-	-	101,125
Financial investments - Available for sale	26	346,563	92,465	2,000	-	-	-
Financial investments - Loans and receivables	27	3,208,413	2,457,005	1,950,862	66,960	-	-
Derivative financial instruments (Assets)	28	10,378	17,583	74,328	-	-	-
Cash and cash equivalents		20,395	19,239	21,970	688	3,380	559
Total current assets		14,189,385	7,140,958	11,385,038	122,642	12,296	153,525
Non-current assets held for sale	29	42,416	80,218	415,218	-	-	335,000
TOTAL ASSETS		14,705,449	7,991,716	12,223,418	1,514,362	1,169,129	1,273,622
EQUITY AND LIABILITIES							
Stated capital	30	445,994	445,994	445,994	445,994	445,994	445,994
Capital reserves		22,500	-	-	-	-	-
Risk reserves		384,104	292,865	292,865	-	-	-
Retained earnings / (losses)		442,356	327,554	683,813	500,021	(182,943)	(10,767)
Fair value reserves	31	176,268	-	-	-	-	-
Total equity attributable to equity holders of the parent		1,471,222	1,066,413	1,422,672	946,015	263,051	435,227
Non-controlling interests		615,992	457,096	682,444	-	-	-
Total equity		2,087,214	1,523,509	2,105,116	946,015	263,051	435,227
Non current liabilities							
Deferred tax liabilities	32	1,373	1,373	1,373	1,373	1,373	1,373
Retirement benefit obligations	33	14,905	12,081	13,043	1,808	1,215	1,204
Total non current liabilities		16,278	13,454	14,416	3,181	2,588	2,577
Current liabilities							
Trade and other payables	34	243,624	230,546	256,381	7,115	22,974	11,832
Interest bearing borrowings	35	576,117	1,338,305	1,016,176	-	-	-
Group balances payable	36	287	32,303	124,804	553,595	879,099	814,614
Securities sold under re-purchase agreements		11,771,296	4,846,739	8,687,507	-	-	-
Derivative Financial Instruments (Liabilities)	37	837	-	117	-	-	-
Bank overdrafts		9,796	6,860	18,901	4,456	1,417	9,372
Total current liabilities		12,601,957	6,454,753	10,103,886	565,166	903,490	835,818
TOTAL EQUITY AND LIABILITIES		14,705,449	7,991,716	12,223,418	1,514,362	1,169,129	1,273,622
Net asset value per share (Rs.)		11.96	8.67	11.57	7.69	2.14	3.54

The notes disclosed on pages 28 to 62 form an integral part of these Financial Statements.

I certify that these Financial Statements have been prepared and presented in compliance with the requirements of the Companies Act No. 7 of 2007.

Ramani Gunathilake (Ms.)
Finance Manager

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

Manjula Mathews (Ms.)
Managing Director

Dinesh Schaffter
Director

15 August 2013
Colombo

Statement of Changes in Equity

For the year ended 31 March 2013		Attributable to equity holders of parent						
GROUP	Stated capital	Capital reserves	Risk reserves	Retained earnings	Fair value reserve	Total	Non-controlling interests	Total equity
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Balance as at 1 April 2011	445,994	-	292,865	569,772	-	1,308,631	626,628	1,935,259
Impact of adopting SLFRS as at 01 April 2011	-	-	-	114,041	-	114,041	55,816	169,857
Restated balance as at 1 April 2011	445,994	-	292,865	683,813	-	1,422,672	682,444	2,105,116
Loss for the year	-	-	-	(379,863)	-	(379,863)	(121,388)	(501,251)
Other comprehensive income, net of tax	-	-	-	-	-	-	-	-
Adjustment due to acquisition	-	-	-	23,604	-	23,604	(33,129)	(9,525)
Re-purchase of ordinary shares	-	-	-	-	-	-	(439)	(439)
Dividend paid	-	-	-	-	-	-	(70,392)	(70,392)
Restated balance as at 31 March 2012	445,994	-	292,865	327,554	-	1,066,413	457,096	1,523,509
Restated balance as at 1 April 2012	445,994	-	292,865	327,554	-	1,066,413	457,096	1,523,509
Profit for the year	-	-	-	236,126	-	236,126	104,297	340,423
Other comprehensive income, net of tax	-	-	-	-	176,268	176,268	77,830	254,098
Dividend paid	-	-	-	-	-	-	(8,762)	(8,762)
Transfer to risk reserve	-	-	91,239	(91,239)	-	-	-	-
Adjustment due to acquisition	-	-	-	(30,085)	-	(30,085)	(14,469)	(44,554)
Adjustments due to amalgamation	-	22,500	-	-	-	22,500	-	22,500
Balance as at 31 March 2013	445,994	22,500	384,104	442,356	176,268	1,471,222	615,992	2,087,214

For the year ended 31 March 2013		Stated capital	Retained earnings/ (losses)	Total equity
COMPANY		Rs. '000	Rs. '000	Rs. '000
Balance as at 1 April 2011		445,994	(10,767)	435,227
Impact of adopting SLFRS as at 01 April 2011		-	-	-
Restated balance as at 1 April 2011		445,994	(10,767)	435,227
Loss for the year		-	(172,176)	(172,176)
Other comprehensive income, net of tax		-	-	-
Balance as at 31 March 2012		445,994	(182,943)	263,051
Balance as at 1 April 2012		445,994	(182,943)	263,051
Profit for the year		-	807,321	807,321
Other comprehensive income, net of tax		-	-	-
Adjustment due to amalgamation		-	(124,357)	(124,357)
Balance as at 31 March 2013		445,994	500,021	946,015

The Notes disclosed on pages 28 to 62 form an integral part of these Financial Statements.

Cash Flow Statement

For the year ended 31 March	Note	Group		Company	
		2013 Rs. '000	2012 Rs. '000	2013 Rs. '000	2012 Rs. '000
Cash flows from operating activities					
Profit/(loss) before income tax		362,879	(485,166)	805,856	(170,621)
Adjustments for :					
Depreciation	15	10,817	11,846	4,162	5,467
Amortisation/impairment of intangible assets		935	43,284	13	-
Interest paid		8,728	7,854	75,970	54,054
Dividend income		-	-	(424,883)	(21,887)
Profit/(Loss) on disposal of property plant & equipment		6	(3,426)	6	(3,426)
Profit on sale of investment		-	(35,665)	-	(21,217)
Profit on sale of investment property		(15,000)	-	(15,000)	-
Profit on disposal of shares		-	-	(465,505)	-
Profit/(Loss) on disposal of venture capital investment		80	-	-	-
Provision for non-current assets held for sale		37,802	-	-	-
Provision for retirement benefit obligations		4,396	1,604	592	11
Provision for fall in value of investment in subsidiary		-	-	3,217	67,382
Provision for impairment of investment property		-	35,000	-	35,000
Provision for slow moving inventory		832	412	-	-
Provision for bad debts		44,223	156,701	-	-
Provision for group balances receivable		-	-	-	47,032
Change in financial investments - fair value of derivative financial instruments		8,042	56,745	-	-
Goodwill write-off due to amalgamation		19,261	-	-	-
Operating profit/(loss) before working capital changes		483,001	(210,811)	(15,572)	(8,205)
Change in inventories		5,484	(277,566)	-	-
Change in trade and other receivables		(1,189)	339,327	(51,428)	112
Change in group balances receivables		3,975	41,971	5,540	(4,218)
Change in financial investments - Held for trading		(6,088,174)	4,447,690	-	-
Change in financial investments - Available for sale		(254,098)	-	-	-
Change in financial investments - Loans and receivables		(751,408)	(506,143)	-	-
Change in trade and other payables		20,654	(25,836)	(14,392)	9,588
Change in interest bearing borrowings		(762,188)	322,129	-	-
Change in borrowings against re-purchase agreements		6,924,557	(3,840,768)	-	-
Change in group balances payable		(32,016)	(92,501)	(538,713)	64,484
Cash generated from / (used in) operations		(451,402)	197,492	(614,565)	61,761
Interest paid		(8,728)	(7,854)	(75,970)	(54,054)
Income tax paid		(24,335)	(29,290)	-	-
Gratuity paid		(177)	(2,566)	-	-
Net cash generated from / (used in) operations		(484,642)	157,782	(690,535)	7,707

For the year ended 31 March	Note	Group		Company	
		2013 Rs. '000	2012 Rs. '000	2013 Rs. '000	2012 Rs. '000
Cash flows from investing activities					
Investment in subsidiary		(13,209)	(43,799)	(13,209)	(43,799)
Purchase of property, plant and equipment		(34,905)	(10,952)	(745)	(8,785)
Purchase of investment securities	26	-	(90,465)	-	-
Acquisition of intangible assets		2,196	369	(50)	-
Acquisition of investment property	17	-	(96,042)	-	(96,042)
Proceeds from sale of property, plant and equipment		275	7,473	-	7,467
Proceeds from sale of investment property		315,000	-	315,000	-
Proceeds from sale of investments		25,886	154,253	25,886	122,342
Proceeds from sale of venture capital investments		1,920	-	-	-
Acquisition of financial investments- Held to maturity		(996,919)	-	(66,960)	-
Disposal of financial investments- Held to maturity		1,188,026	-	-	-
Dividend receipts from subsidiaries		3,355	-	424,882	21,886
Staff loans recovered		-	1,522	-	-
Net Cash used in investing activities		491,625	(77,641)	684,804	3,069
Cash flows from financing activities					
Net dividend paid to minority shareholders		(8,763)	(70,392)	-	-
Share repurchase proceeds to minority		-	(439)	-	-
Net Cash used in financing activities		(8,763)	(70,831)	-	-
Net change in cash and cash equivalents		(1,780)	9,310	(5,731)	10,776
Cash and cash equivalents at the beginning of the year (Note A)		12,379	3,069	1,963	(8,813)
Cash and cash equivalents at the end of the year (Note B)		10,599	12,379	(3,768)	1,963
Note A					
Cash at Bank		19,239	21,970	3,380	559
Bank overdraft		(6,860)	(18,901)	(1,417)	(9,372)
Cash and cash equivalents as at 31 March		12,379	3,069	1,963	(8,813)
Note B					
Cash at Bank		20,395	19,239	688	3,380
Bank overdraft		(9,796)	(6,860)	(4,456)	(1,417)
Cash and cash equivalents as at 31 March		10,599	12,379	(3,768)	1,963

The notes disclosed on pages 28 to 62 form an integral part of these Financial Statements.

Notes to the financial statements

1. Reporting Entity

Dunamis Capital PLC ("Company") is a limited liability company incorporated and domiciled in Sri Lanka on 18 December 1985. The registered office and place of business of the company was No. 75, Arnold Ratnayake Mawatha, Colombo 10. With effect from 15 March 2013, the new address 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 2013 is 86 (2012 – 116)

The Consolidated Financial Statements of the Company as at and for the year ended 31 March 2013 include the Company and its Subsidiaries (together referred to as the "Group" and individually as "Group entities").

The Financial Statements of all companies in the Group have a common financial year which ends on 31 March.

There were no significant changes in the nature of the principal activities of the Company and the Group during the financial year under review.

1.1 Principal Activities and nature of operations

The principal activity of the Company is engaging in investment activities and management of subsidiaries.

2. Basis of Preparation

2.1 Statement of Compliance

The Institute of Chartered Accountants of Sri Lanka has issued a new volume of Sri Lanka Accounting Standards which became applicable for financial periods beginning on or after 1 January 2012. The Consolidated Financial Statements of the Group and the Financial Statements of the Company which comprise the Statement of Financial Position, Statement of Comprehensive Income, Statement of Changes in Equity, Statement of Cash Flows and Notes thereto have been prepared in accordance with these Sri Lanka Accounting Standards (SLFRS and LKAS) laid down by the Institute of Chartered Accountants of Sri Lanka, and comply with the requirements of Companies Act, No. 7 of 2007. These are the Group's first consolidated financial statements prepared in accordance with SLFRS and SLFRS 1 First-time Adoption of Sri Lanka Financial Reporting Standards has been applied.

An explanation of how the transition to LKAS/SLFRSs has affected the reported financial position, financial performance and cash flows is provided in Note 48.

2.2 Approval of Financial Statements by Directors

The Consolidated Financial Statements were authorised for issue by the Board of Directors on 15 August 2013.

2.3 Basis of Measurement

The Consolidated Financial Statements have been prepared on the historical cost basis except for the following material items in the statement of financial position:

- Derivative financial instruments are measured at fair value.
- Financial investments -held for trading are measured at fair value.
- Financial investments - available for sale are measured at fair value.

2.4 Functional and Presentation Currency

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

2.5 Use of Estimates and Judgments

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

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

Information about significant areas of estimation, uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements are described in the relevant Notes as follows.

- Identification, measurement and assessment of impairment (Note 5.4.8)
- Recognition and measurement of financial instruments (Note 5.4.1 and 5.4.2)
- Employee Benefits (Note 5.14)

3. Materiality and Aggregation

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

Assets and liabilities are grouped by nature and listed in an order that reflects their relative liquidity and maturity pattern. Where appropriate, the significant accounting policies are disclosed in the succeeding Notes.

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

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

Income and expenses are not offset unless required or permitted by accounting standards.

4. Going Concern

The board of Directors certifies that the Company has adequate resources to continue its operations in the foreseeable future. Therefore the going concern basis has been adopted in preparing the financial statements.

5. Significant Accounting Policies

The accounting policies set out below have been applied consistently to all periods presented in these Financial Statements and in preparing the opening statement of financial position as at 1 April 2011 for the purposes of the transition to LKAS/SLFRS, unless otherwise indicated. The accounting policies of the Company have been consistently applied by the Group entities where applicable and deviations if any, have been disclosed accordingly.

5.1 Basis of Consolidation

5.1.1 General

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

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

5.1.2 Subsidiaries

Subsidiaries are entities that are controlled by the Holding Company. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The Financial Statements of Subsidiaries are included in the Consolidated Financial Statements from the date that control effectively commences until the date that control effectively ceases.

The Consolidated Financial Statements are prepared to the common financial year end of 31 March.

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

A list of Subsidiaries within the Group is provided in Note 16.

5.1.3 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 the Statement of Income. Goodwill on the acquisition of subsidiaries is presented as intangible assets and stated at cost less accumulated impairment losses. Goodwill is tested for impairment as described in LKAS36–Impairment of Assets.

5.1.4 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.

5.1.5 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.

5.1.6 Basis of Amalgamation

As per the Statement of Recommended Practice "Merger Accounting for Common Control Combinations", issued by the Institute of Chartered Accountants of Sri Lanka, the company adopted the "Book Value Basis" for the amalgamation of Kelsey Holdings Limited with Dunamis Capital PLC.

Accordingly, the net assets of the combining entities are consolidated using the existing book values from the controlling entity's perspective. The assets and liabilities of the acquired entity is recorded at their respective book values and is amalgamated with the existing assets and liabilities of the controlling entity. The difference between the consideration paid and the capital of the acquiree has been adjusted in equity.

Notes to the financial statements

5.2 Transactions of Foreign Exchange

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. Foreign currency differences arising on retranslation are recognised in profit or loss.

ASSETS AND LIABILITIES AND BASIS OF MEASUREMENT

5.3 Cash and Cash Equivalents

Cash and Cash Equivalents comprise cash in hand and balances with banks.

5.4 Financial Assets and Financial Liabilities

5.4.1 Recognition and Initial Measurement

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

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

When a financial asset or financial liability is recognised initially, an entity shall measure it at its fair value plus, in the case of a financial asset or financial liability not at fair value through profit or loss, transaction cost that are directly attributable to the acquisition or issue of the financial assets or financial liability.

5.4.2 Classification and Subsequent Measurement

Financial Assets

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

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

Financial Liabilities

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

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

A financial asset or a financial liability is designated as "fair value through profit or loss" if it is classified as "held for trading" or is designated as such upon

initial recognition. Financial assets and financial liabilities are designated as "fair value through profit or loss" when:

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

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

Loans and Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and that the Group does not intend to sell immediately or in the near term. Loans and receivables are therefore carried at amortised cost using the effective interest rate method.

Securities purchased under resale agreements, debentures, commercial papers and securitised papers are classified as loans and receivables.

Held to Maturity Financial Assets (HTM)

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

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

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

Available for Sale Financial Assets (AFS)

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

Interest income on AFS financial assets is recognised in profit or loss using the effective interest method. Dividend income is recognised in profit or loss when the Group becomes entitled to the dividend.

Other fair value changes are recognised in Other Comprehensive Income until the investment is sold or impaired, where upon the cumulative gains and losses previously recognised in Other Comprehensive Income are reclassified to profit or loss as a reclassification adjustment.

Financial Liabilities Measured at Amortised Cost

Financial liabilities not classified as fair value through profit or loss are classified as amortised cost instruments.

5.4.3 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.

5.4.4 Fair Value Measurement

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction on the measurement date.

When available, the Group measures the fair value of an instrument using quoted prices in an active market for that instrument. A market is regarded as active if quoted prices are readily and regularly available and represent actual and regularly occurring market transactions on an arm's length basis.

If a market for a financial instrument is not active, then the Group establishes fair value using a valuation technique. Valuation techniques include using recent arm's length transactions between knowledgeable, willing parties (if available), reference to the current fair value of other instruments that are substantially the same, discounted cash flow analyses and option pricing models. The chosen valuation technique makes maximum use of market inputs, relies as little as possible on estimates specific to the Group, incorporates all factors that market participants would consider in setting a price, and is consistent with accepted economic methodologies for pricing financial instruments. Inputs to valuation techniques reasonably represent

market expectations and measures of the risk-return factors inherent in the financial instrument. The Group calibrates valuation techniques and tests them for validity using prices from observable current market transactions in the same instrument or based on other available observable market data.

The best evidence of the fair value of a financial instrument at initial recognition is the transaction price, it means that the fair value of the consideration given or received, unless the fair value of that instrument is evidenced by comparison with other observable current market transactions in the same instrument, that is without modification or repackaging, or based on a valuation technique whose variables include only data from observable markets. When transaction price provides the best evidence of fair value at initial recognition, the financial instrument is initially measured at the transaction price and any difference between this price and the value initially obtained from a valuation model is subsequently recognised in profit or loss on an appropriate basis over the life of the instrument but not later than when the valuation is supported wholly by observable market data or the transaction is closed out.

Any difference between the fair value at initial recognition and the amount that would be determined at balance sheet date using a valuation technique in a situation in which the valuation is dependent on unobservable parameters is not recognised in profit or loss immediately but is recognised over the life of the instrument on an appropriate basis or when the instrument is redeemed, transferred or sold, or the fair value becomes observable.

Assets and long positions are measured at a bid price; liabilities and short positions are measured at an asking price. Fair values reflect the credit risk of the instrument and include adjustments to take account of the credit risk of the Group entity and the counterparty where appropriate. Fair value estimates obtained from models are adjusted for any other factors, such as liquidity risk or model uncertainties, to the extent that the Group believes a third-party market participant would take them into account in pricing a transaction.

5.4.5 Reclassifications

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

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

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

Notes to the financial statements

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

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

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

5.4.6 Derecognition

The group derecognises financial asset when the contractual rights to the cash flows from the financial asset expires, or when it transfers the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all the risks and rewards of ownership and it does not retain control of the financial asset. Any interest in transferred financial assets that qualify for derecognition that is created or retained by the Group is recognised as a separate asset or liability in the Consolidated Statement of Financial Position. On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset transferred), and consideration received (including any new asset obtained less any new liability assumed) is recognised in profit or loss.

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

5.4.7 Offsetting

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

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

5.4.8 Identification, Measurement and Assessment of Impairment

At each reporting date the Group assesses whether there is objective evidence that financial assets not carried at fair value through profit or loss

are impaired. A financial asset or a group of financial assets is impaired when objective evidence demonstrates that a loss event has occurred after the initial recognition of the asset(s), and that the loss event has an impact on the future cash flows of the asset(s) that can be estimated reliably.

Objective evidence that financial assets (including equity securities) are impaired can include significant financial difficulty of the borrower or issuer, default or delinquency by a borrower, restructuring of a loan or advance by the Group on terms that the Group would not otherwise consider, indications that a borrower or issuer will enter bankruptcy, the disappearance of an active market for a security, or other observable data relating to a group of assets such as adverse changes in the payment status of borrowers or issuers in the group, or economic conditions that correlate with defaults in the group. In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment.

The Group considers evidence of impairment for loans and advances and held-to-maturity investment securities at both a specific asset and collective level. All individually significant loans and advances and held-to-maturity investment securities are assessed for specific impairment. All individually significant loans and advances and held-to-maturity investment securities found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Loans and advances and held-to-maturity investment securities that are not individually significant are collectively assessed for impairment by grouping together loans and advances and held-to-maturity investment securities with similar risk characteristics.

In assessing collective impairment, the Group uses historical trends of the probability of default, adjusted for management's judgment as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical data.

Impairment losses on assets carried at amortised cost are measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the asset's original effective interest rate. Impairment losses are recognised in profit or loss and reflected in an allowance account against loans and advances. Interest on impaired assets continues to be recognised through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

Impairment losses on available-for-sale investment securities are recognised by transferring the cumulative loss that has been recognised in other comprehensive income to profit or loss as a reclassification adjustment. The cumulative loss that is reclassified from other comprehensive income to profit or loss is the difference between the acquisition cost, net of any principal repayment and amortisation, and the current fair value, less any impairment

loss previously recognised in profit or loss. Changes in impairment provisions attributable to time value are reflected as a component of interest income.

If, in a subsequent period, the fair value of an impaired available-for-sale debt security increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, then the impairment loss is reversed, with the amount of the reversal recognised in profit or loss. However, any subsequent recovery in the fair value of an impaired available-for-sale equity security is recognised in other comprehensive income.

The Group writes off certain loans and advances and investment securities when they are determined to be uncollectible.

5.5 Sale and Repurchase Agreements

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

5.6 Derivative Financial Instruments

Derivatives are financial instruments that derive their value in response to changes in interest rates, financial instrument prices, commodity prices, foreign exchange rates, credit risk and indices. Derivatives are categorised as trading unless they are designated as hedging instruments. The Group has not designated any derivatives as hedging instruments and has not followed hedge accounting as at the reporting date.

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

5.7 Non-current Assets held for Sale

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

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

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

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

5.8 Intangible Assets

An intangible asset is an identifiable non monetary asset without physical substance held for use in the production or supply of goods or services, for rental to others or for administrative purposes.

Basis of Recognition

An intangible asset is recognised if it is probable that the future economic benefits that are attributable to the asset will flow to the entity and the cost of the assets can be measured reliably. An intangible asset is initially measured at cost.

(a) Goodwill

Goodwill that arises upon the acquisition of subsidiaries is included in intangible assets. Goodwill is measured at initial recognition in accordance with Note 5.1.3.

Subsequent Measurement

Goodwill is measured at cost less accumulated impairment losses. Any gain on bargain purchase is recognised immediately in the Profit or loss.

(b) Software

All computer software costs incurred, licensed for use by the Group, which are not integrally related to associated hardware, which can be clearly identified, reliably measured and it is probable that they will lead to future economic benefits, are included in the Statement of Financial Position under the category Intangible Assets and carried at cost less accumulated amortisation and any accumulated impairment losses.

Subsequent Expenditure

Expenditure incurred on software is capitalised only when it is probable that this expenditure will enable the asset to generate future economic benefits in excess of its originally assessed standard of performance and this expenditure can be measured and attributed to the asset reliably. All other expenditure is expensed as incurred.

Amortisation

Intangible assets, except for goodwill, are amortised on a straight line basis in the Statement of Income from the date when the asset is available for use, over the best estimate of its useful economic life based on a pattern in which the asset's economic benefits are consumed by the Group. The estimated useful life of software is three years. Expenditure on an intangible item that

Notes to the financial statements

was initially recognised as an expense by the Company in previous Annual Financial Statements or Interim Financial Reports are not recognised as part of the cost of an intangible asset at a later date. Amortisation methods, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate.

Retirement and Disposal

An intangible asset is derecognised on disposal or when no future economic benefits are expected from its use and subsequent disposal.

5.9 Property, Plant and Equipment

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

Basis of Recognition

Property, plant and equipment are recognised if it is probable that future economic benefits associated with the assets will flow to the Group and cost of the asset can be reliably measured.

Measurement

An item of property, plant and equipment that qualifies for recognition as an asset is initially measured at its cost. Cost includes expenditure that is directly attributable to the acquisition of the asset and cost incurred subsequently to add to, replace part of, or service it. Purchased software that is integral to the functionality of the related equipment is capitalised as part of computer equipment.

Cost Model

The Group applies the cost model to property, plant and equipment and records items at cost of purchase together with any incidental expenses thereon less accumulated depreciation and any accumulated impairment losses.

Subsequent Costs

The subsequent cost of replacing a component of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within that part will flow to the Group and its cost can be reliably measured. The costs of day to day servicing of property, plant and equipment are charged to the Statement of Income as incurred. Costs incurred in using or redeploying an item are not included under the carrying amount of an item.

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 Statement of Income 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.

Depreciation

The Group provides depreciation from the date the assets are available for use up to the date of disposal, at the following rates on a straight line basis over the periods appropriate to the estimated useful lives based on the pattern in which the asset's future economic benefits are expected to be consumed by the Company. Depreciation of an asset ceases at the earlier of the date that the asset is classified as held for sale or the date that the asset is derecognised. Depreciation does not cease when the assets become idle or is retired from active use unless the asset is fully depreciated.

Asset Type	Depreciation Rate	
Office Equipment	3-6	years
Computer hardware	3-5	years
Motor Vehicles	3-5	years
Plant and machinery	2-15	years
Furniture, Fixtures & Fittings	3-8	years

5.10 Investment Property

Investment properties are properties held either to earn rental income or for capital appreciation or both but not for sale in the ordinary course of business, used in the production or supply of goods or services or for administrative purposes.

Basis of recognition

Investment property is recognised if it is probable that future economic benefits that are associated with the investment property will flow to the Group and the cost of the investment property can be reliably measured.

Measurement

An investment property is measured initially at its cost. The cost of a purchased investment property comprises of its purchase price and any directly attributable expenditure. The cost of a self constructed investment property is its cost at the date when the construction or development is complete.

The Group applies the cost model for investment properties in accordance with Sri Lanka Accounting Standard 40 (LKAS 40) "Investment Property". Accordingly land and building classified as investment properties are stated at cost less any accumulated depreciation and any accumulated impairment losses.

Derecognition

Investment properties are derecognised when disposed of, or permanently withdrawn from use because no future economic benefits are expected. Transfers are made to and from investment properties only when there is a change in use.

5.11 Impairment of Non-Financial Assets

The carrying amounts of the Group's non-financial assets, other than deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. The recoverable amount of an asset or Cash Generating Unit (CGU) is the greater of its value in use and its fair value less costs to sell. For goodwill and intangible assets that have indefinite useful lives, the recoverable amount is estimated each year. An impairment loss is recognised if the carrying amount of an asset exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. 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.

5.12 Inventories

Inventories are valued at the lower of cost and net realisable value, after making due allowances for obsolete and slow moving items. Net realisable value is the price at which inventories can be sold in the ordinary course of business less the estimated cost of completion and the estimated cost necessary to make the sale.

The cost incurred in bringing inventories to its present location and condition is accounted using the following cost formulae:-

Raw materials	At purchase cost on weighted average cost basis.
Work-in-progress	At the cost of land, construction, infrastructure, other appropriate overheads and relevant finance charges based on work / cost certified.
Consumables & spares	At purchase cost on weighted average cost basis.
Good in transit	At purchase cost.
Real estate stock	At the actual incurred cost.

5.13 Dividends Payable

Provision for final dividend is recognised at the time the dividend is recommended and declared by the Board of Directors, is approved by the shareholders. Interim dividend payable is recognised when the Board approves such dividend in accordance with the Companies Act, No. 7 of 2007.

5.14 Employee Benefits

5.14.1 Defined Benefit Plan

A defined benefit plan is a post employment benefit plan other than a defined contribution plan. Such as a gratuity scheme.

Gratuity

Gratuity is a payment to staff who satisfy the criteria as per the Gratuity Act at the time of leaving the services of the Company. The liability to an employee arises only on completion of five years of continued service under the Payment of Gratuity Act, No. 12 of 1983. The Company has provided for gratuity liability based on the gratuity formula method, for the current financial year. The liability is not externally funded.

5.14.2 Defined Contribution Plan

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

Employees' Provident Fund

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

Employees' Trust Fund

The company contributes 3% of the salary of each employee to the Employee's Trust Fund.

5.15 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.

5.16 Commitments and Contingencies

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

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

Notes to the financial statements

5.17 Interest

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 liability (or, where appropriate, a shorter period) to the carrying amount of the financial asset or 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.

Interest income and expense presented in the Statement of Comprehensive Income include interest on financial assets and financial liabilities measured at amortised cost calculated on an effective interest basis and fair value changes in qualifying derivatives.

Fair value changes on all other financial assets and liabilities carried at fair value through profit or loss, are presented in net trading income in the Statement of Comprehensive Income.

Interest income on available-for-sale investment securities calculated on an effective interest basis is also included in interest income.

5.18 Dividend Income

Dividend income is recognised in the Statement of Income on an accrual basis when the Company's right to receive the dividend is established.

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

5.19 Fee and Commission

Fees 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.

5.20 Construction Revenue

Construction revenue is recognised by reference to the stage of completion. Stage of completion is measured by reference to the work certified by a qualified engineer.

5.21 Profit / Loss on Sale of Property, Plant and Equipment

Profit / loss on sale of property, plant and equipment is recognised in the period in which the sale occurs and is classified as other income.

5.22 Income Tax Expense

Income tax expense comprises of current and deferred tax. Income tax expense is recognised in the Statement of Income except to the extent that it relates to items recognised directly in equity or in Other Comprehensive Income.

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

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

5.22.1 Deferred Tax

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

Deferred tax is not recognised for:

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

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

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.

5.22.2 Offsetting

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

5.22.3 Withholding Tax on Dividends (WHT)

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

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

5.23 Earnings per Share (EPS)

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

5.24 Cash Flow Statement

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

5.25 Events Occurring after the Reporting Period

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

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

6. Comparative Information

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

7. New SLFRS issued but not yet effective as at balance sheet date

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

to existing standards that are expected to be relevant to the group's financial statements when they become effective. Noted below are the main standards that will become effective in due course:

7.1 SLFRS 10 – Consolidated Financial Statements

Under SLFRS 10 there will be one approach for determining consolidation for all entities, based on the concept of power, variability of returns and their linkage. This will replace the current approach which emphasises legal control or exposure to risk or rewards depending on the nature of the entity. This will be applicable retrospectively subject to transitional provisions that provides few exemptions. This SLFRS replaces LKAS - 27 Consolidated Financial Statements and SIC - 12 Consolidation – Special Purpose Entities.

7.2 SLFRS 11 – Joint Arrangements

This places more focus on the investor's rights and obligations than on structure of the arrangement and introduces the concept of a joint operation. This SLFRS replaces LKAS - 31 Interest in Joint Ventures and SIC - 13 Jointly Controlled Entities - Non-Monetary Contribution by Ventures. This also requires a joint venturer to recognise its interest in a joint venture as an investment and account for that investment using equity method instead of proportionate consolidation.

7.3 SLFRS 12 – Disclosure of Interest in Other Entities

This includes the disclosure requirement for subsidiaries, joint arrangements and associates and introduces new requirements for unconsolidated structured entities.

7.4 SLFRS 13 – Fair Value Measurement

This standard establishes a single source of guidance for all fair value measurements required or permitted by SLFRS. It clarifies definition of fair value as an exit price, which is designed as a price at which an orderly transaction to sell the asset or transfer the liability would take place between market participants at the measurement date under current market conditions. This standard collectively enhances disclosures about fair value measurement.

Notes to the financial statements

For the year ended 31 March,	Group		Company	
	2013	2012	2013	2012
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
8. Revenue				
Financial services	1,763,760	935,443	-	-
Property development	231,485	164,657	-	-
Export manufacturing	56,081	45,828	-	-
	2,051,326	1,145,928	-	-
Less: Inter company revenue	(113,254)	(48,709)	-	-
	1,938,072	1,097,219	-	-

9. Other income

Dividend income (Note 9.1)	-	-	424,883	21,888
Profit on sale of investments (Note 9.2)	-	21,217	465,505	21,217
Rent income	24,880	11,309	24,880	11,309
Interest income	2,391	59	1,674	-
Profit on sale of property, plant and equipment	-	3,426	-	3,426
Profit on sale of investment property	15,000	-	15,000	-
Miscellaneous income	6,226	15,026	322	-
	48,497	51,037	932,264	57,840

9.1 In June 2012, the Company received dividend income from PVIC Management Company Limited of Rs. 17/- per share amounting to Rs. 424.883 Mn.

9.2 In March 2013, the Company accepted a share repurchase option offered by PVIC Management Company Limited and sold 18,704,498 shares at Rs. 39.80 realising a profit of Rs. 465.505 Mn.

10. Other expenses

Bad debt provision	44,223	156,701	-	-
Provision for diminution in value of investment property	-	35,000	-	35,000
Impairment of goodwill	19,261	42,016	-	-
Loss on disposal of a subsidiary	3,036	-	-	-
Provision for group balance receivable	-	-	-	47,032
Miscellaneous expenses	-	65,336	-	-
	66,520	299,053	-	82,032

11 Finance expenses

Interest on borrowings	8,728	6,880	75,970	53,777
Interest on finance leases	-	641	-	-
Overdraft interests	-	333	-	277
	8,728	7,854	75,970	54,054

For the year ended 31 March,

	Group		Company	
	2013	2012	2013	2012
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
12. Profit / (loss) before taxation				
Profit /(loss) before taxation is stated after charging the following:				
Directors' emoluments	30,020	22,831	12,218	14,150
Auditors' remuneration	2,259	1,478	577	375
Staff cost	67,907	58,337	9,503	8,088
Employers contribution to EPF and ETF	14,000	10,617	1,672	1,445
Retirement benefit cost	4,396	1,604	593	11
Depreciation	10,817	11,846	4,162	5,467
Amortisation of intangible assets	935	43,284	13	-
Provisions for impairment of investments in subsidiaries	-	-	3,217	67,382
Provision for impairment of goodwill	-	42,016	-	-
Provisions for impairment of investment property	-	35,000	-	35,000
Provisions for group balances receivable	-	-	-	47,032
Legal fees	1,900	2,146	-	886
Financial value added tax	-	2,169	-	-
Provision for bad debts	44,223	156,701	-	-

13. Taxation

The Company and its subsidiaries are liable to taxation at the rate of 28% except for First Capital Holdings PLC which is liable to taxation at the rate of 12% on Venture Capital operations in accordance with the provisions of Inland Revenue Act No. 10 of 2006 and subsequent amendments thereto.

Income tax expense

Current tax expense	5,962	10,748	90	1,555
Under/(over) provision	(1,380)	231	(1,555)	-
Deferred tax expense (Note 20)	2,752	140	-	-
Taxes on dividends	15,122	4,966	-	-
	22,456	16,085	(1,465)	1,555

Reconciliation of accounting profit to income tax

Profit/(loss) before taxation	362,879	(485,166)	805,856	(170,621)
Inter group adjustments	419,517	479,343	-	-
	782,396	(5,823)	805,856	(170,621)
Expenses disallowed for tax	156,591	52,388	29,126	89,350
Expenses deductible for tax	(154,875)	(21,438)	(29,995)	(3,915)
Other income (net)	(365)	8,787	(365)	8,545
Tax exempt income	(907,747)	(156,467)	(907,101)	(49,295)
	(124,000)	(122,553)	(102,479)	(125,936)
Increase in carried forward loss	145,296	160,938	102,800	131,491
	21,296	38,385	321	5,555
Income tax using the corporation tax rate	5,963	10,748	90	1,555
(Over)/under provision during prior years	(1,380)	231	(1,555)	-
Income tax charge / (reversal) for the period	4,583	10,979	(1,465)	1,555
Withholding tax on inter-company dividend	15,121	4,966	-	-
Income tax expenses	19,704	15,945	(1,465)	1,555
Deferred tax expense	2,752	140	-	-
	22,456	16,085	(1,465)	1,555

Notes to the financial statements

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

A decision made by the Board of Review of the Department of Inland Revenue in respect of income tax for the year 2003/04 acknowledged the above position in July 2010 and consequently no tax provisions have been made in this regard in the financial statements. However the said judgment above does not preclude the Inland Revenue from issuing assessments in the future. Details relating to current assessments have been disclosed in Note 39.2.2 to the financial statements (contingent liabilities).

14. Earnings/(loss) per share

14.1 Basic earnings /(loss) per share

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

	Group		Company	
For the year ended 31 March,	2013	2012	2013	2012
Profit/(loss) attributable to equity holders of the parent (Rs. '000)	236,126	(379,863)	807,321	(172,176)
Weighted average number of ordinary shares in issue	122,997,050	122,997,050	122,997,050	122,997,050
Earnings / (loss) per share (Rs.)	1.92	(3.09)	6.56	(1.40)

14.2 Diluted Earnings / (loss) per share

There were no potential dilutive ordinary shares outstanding at anytime during the year ended 31 March 2013. Therefore Diluted Earnings per share is the same as Basic Earnings per share.

15. Property, plant and equipment

Group	Freehold motor vehicles Rs. '000	Leased motor vehicles Rs. '000	Computer hardware Rs. '000	Furniture, fixtures & fittings Rs. '000	Office equipment Rs. '000	Plant & machinery Rs. '000	Total Rs. '000
Cost/Valuation							
As at 1 April 2011	27,647	4,866	10,820	28,803	32,980	9,398	114,514
Additions	9,300	-	85	669	859	39	10,952
Disposals	(14,600)	(4,866)	-	(625)	(6)	-	(20,097)
As at 31 March 2012	22,347	-	10,905	28,847	33,833	9,437	105,369
Adjustment due to disposal of a subsidiary	(199)	-	(802)	-	(554)	(9,397)	(10,952)
Additions	5,146	-	1,775	23,406	4,578	-	34,905
Disposals	-	-	(9)	(15,109)	-	-	(15,118)
As at 31 March 2013	27,294	-	11,869	37,144	37,857	40	114,204
Accumulated Depreciation							
As at 1 April 2011	19,497	4,193	9,896	18,835	27,730	5,669	85,820
Charge for the year	4,164	-	623	3,482	2,795	782	11,846
Disposals	(10,865)	(4,193)	-	(324)	-	-	(15,382)
As at 31 March 2012	12,796	-	10,519	21,993	30,525	6,451	82,284
Adjustment due to disposal of a subsidiary	(199)	-	(774)	-	(506)	(6,432)	(7,911)
Charge for the year	4,286	-	240	3,438	2,853	-	10,817
Disposals	-	-	(5)	(14,571)	-	-	(14,576)
As at 31 March 2013	16,883	-	9,980	10,860	32,872	19	70,614
Net Book Value							
As at 31 March 2013	10,411	-	1,889	26,284	4,985	21	43,590
As at 31 March 2012	9,551	-	386	6,854	3,308	2,986	23,085
As at 01 April 2011	8,150	673	924	9,968	5,250	3,729	28,694

Company	Freehold motor vehicles	Computer hardware	Furniture & fittings	Office equipment	Total
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Cost					
As at 1 April 2011	21,050	1,569	11,320	1,156	35,095
Additions	8,700	29	56	-	8,785
Disposals	(14,600)	-	(625)	-	(15,225)
As at 31 March 2012	15,150	1,598	10,751	1,156	28,655
Additions	-	738	-	5	743
Disposals	(75)	(9)	-	-	(84)
As at 31 March 2013	15,075	2,327	10,751	1,161	29,314
Accumulated Depreciation					
As at 1 April 2011	13,483	1,160	4,561	696	19,900
Charge for the year	3,565	310	1,395	197	5,467
Disposals	(10,865)	-	(319)	-	(11,184)
As at 31 March 2012	6,183	1,470	5,637	893	14,183
Charge for the year	2,640	88	1,344	90	4,162
Disposals	(73)	(5)	-	-	(78)
As at 31 March 2013	8,750	1,553	6,981	983	18,267
Net Book Value					
As at 31 March 2013	6,325	774	3,770	178	11,047
As at 31 March 2012	8,967	128	5,114	263	14,472
As at 01 April 2011	7,567	409	6,759	460	15,195

Notes to the financial statements

16. Investment in subsidiaries

	Number of shares				Company holding %				Group holding %				Company			
	31.03.2013	31.03.2012	01.04.2011	31.03.2013	31.03.2012	01.04.2011	31.03.2013	31.03.2012	01.04.2011	31.03.2013	31.03.2012	01.04.2011	Rs. '000	Rs. '000	Rs. '000	Rs. '000
First Capital Holdings PLC - Direct	(i) 70,235,233	5,132,218	2,196,100	69.37	5.07	2.17	69.37	5.07	2.17	1,062,290	91,213	47,414				
- Indirect	-	63,857,985	63,857,985	-	-	-	-	63.07	63.07	-	-	-				
Kelsey Developments PLC	(iii) 12,120,286	-	-	69.50	-	-	69.50	-	-	128,453	-	-				
PVIC Management Company Limited	(ii) 6,263,098	24,993,098	24,993,098	99.88	99.97	99.97	99.88	99.97	99.97	93,851	373,004	373,004				
Kelsey Holdings Limited	(iii) -	340,835	340,835	-	100	100	-	100	100	-	186,500	186,500				
Sittho Apparel Holdings Limited	6,875,011	6,875,011	6,875,011	100	100	100	100	100	100	18,963	18,963	18,963				
The Montessori Workshop (Pvt) Limited	(iv) -	6,999	6,999	-	100	100	-	100	100	-	96,484	96,484				
Magna Supermarkets Limited	6,000,000	6,000,000	6,000,000	100	100	100	100	100	100	60,000	60,000	60,000				
Less: Provision- Kelsey Holdings Limited										1,363,557	826,164	782,365				
Sittho Apparel Holdings Limited										-	(63,500)	(63,500)				
The Montessori Workshop (Pvt) Limited										(18,963)	(18,963)	(18,963)				
Magna Supermarkets Limited										-	(67,382)	-				
Investment in subsidiaries as at 31 March										(60,000)	(60,000)	(60,000)				
										1,284,594	616,319	639,902				

- (i) In December 2012, 63,857,985 Ordinary Shares of First Capital Holdings PLC (63.07% of its issued Share Capital) were transferred from PVIC Management Company Limited (99.97% subsidiary of Dunamis Capital PLC) to Dunamis Capital PLC. This private transfer was approved by the Securities and Exchange Commission of Sri Lanka.
- (ii) In March 2013, PVIC Management Company Limited repurchased 18.71Mn of its own shares at a cost of Rs. 744.7 Mn in accordance with the provisions of Section 64 of the Companies Act No. 07 of 2007.
- (iii) In March 2013, the Company amalgamated with its fully owned subsidiary, Kelsey Holdings Limited in accordance with the provisions of Section 242 of the Companies Act No. 07 of 2007. Following the amalgamation Kelsey Developments PLC is directly owned by Dunamis Capital PLC.
- (iv) In January 2013, the Company disposed of 7000 shares (100% of the shares in issue) of The Montessori Workshop (Pvt) Limited for a total consideration of Rs. 26 Mn.

As at,	Group			Company		
	31.03.2013	31.03.2012	01.04.2011	31.03.2013	31.03.2012	01.04.2011
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
17. Investment property						
Land and buildings (Note 17.1)	350,000	350,000	-	350,000	350,000	-
Land (Note 17.2)	96,042	96,042	-	96,042	96,042	-
	446,042	446,042	-	446,042	446,042	-
Less: Provision for diminution in value	(50,000)	(50,000)	-	(50,000)	(50,000)	-
	396,042	396,042	-	396,042	396,042	-
Less: Disposals during the year	(300,000)	-	-	(300,000)	-	-
	96,042	396,042	-	96,042	396,042	-

17.1 During the year Land and Buildings situated at No.165, Kynsey Road, Colombo 08 was sold for Rs. 315 Mn realising a profit of Rs. 15 Mn. This asset was held on the books at Rs. 300 Mn after provisions for diminution in value of Rs. 50 Mn.

17.2 Land classified as Investment Property consists of land in Nuwara Eliya in which the company held an undivided 18/87 share as at the reporting date.

As at,	Group			Company		
	31.03.2013	31.03.2012	01.04.2011	31.03.2013	31.03.2012	01.04.2011
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
18. Group balances receivable						
Kelsey Holdings Limited (subsidiary)	-	-	-	-	177,032	177,032
Less: Current receivable (Note 24)	-	-	-	-	(47,032)	(47,032)
	-	-	-	-	130,000	130,000

19. Investment in venture capital

Jayasevana Housing (Pvt) Limited	12,550	12,550	12,550	-	-	-
MFB Cards (Pvt) Limited	100	100	100	-	-	-
	12,650	12,650	12,650	-	-	-
Less: Disposal during the year	(2,000)	-	-	-	-	-
Specific allowance for impairment (Note 19.1)	(4,650)	(4,650)	(4,650)	-	-	-
	6,000	8,000	8,000	-	-	-

The financial statements of above venture capital investments held under First Capital Holdings PLC (a subsidiary), have not been consolidated as at the reporting date in accordance with Section 153 (6A) of the Companies Act No. 07 of 2007 since they are not in operation and of no real value to the shareholders of the Company due to the insignificant amount involved. Further First Capital Holdings PLC has fully provided for the investment in MFB Cards (Pvt) Limited and for irrecoverable amounts of Jayasevana Housing (Pvt) Limited. First Capital Holdings PLC holds 100% of the share in the above investments.

19.1 Specific allowance for impairment

Jayasevana Housing (Pvt) Limited	4,550	4,550	4,550	-	-	-
MFB Cards (Pvt) Limited	100	100	100	-	-	-
	4,650	4,650	4,650	-	-	-

Notes to the financial statements

As at,	Group			Company		
	31.03.2013	31.03.2012	01.04.2011	31.03.2013	31.03.2012	01.04.2011
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
20. Deferred tax assets						
Balance at the beginning of the year	49,485	49,625	56,831	-	-	-
Recognised/ (reversed) during the year	(2,752)	(140)	(7,206)	-	-	-
Balance at the end of the year	46,733	49,485	49,625	-	-	-

Deferred tax asset is recognised by capitalising the brought forward tax losses if there is an assurance beyond reasonable doubt that future taxable income will be available sufficiently to allow the benefit of the loss to be realised.

The deferred tax asset has been computed on the basis of 28% (Corporate tax rate which is applicable for year 2012/13 and 2011/12).

	Software Rs. '000	Goodwill Rs. '000	Total Rs. '000
21. Intangible assets			
Group			
Gross value			
Balance as at 1 April 2011	15,527	425,012	440,539
Additions	369	-	369
Balance as at 31 March 2012	15,896	425,012	440,908
Additions	2,196	-	2,196
Adjustment due to amalgamation	-	(19,261)	(19,261)
Balance as at 31 March 2013	18,092	405,751	423,843
Amortisation / impairment			
Balance as at 1 April 2011	13,341	90,355	103,696
Amortisation/impairment	1,268	42,016	43,284
Balance as at 31 March 2012	14,609	132,371	146,980
Amortisation	935	-	935
Balance as at 31 March 2013	15,544	132,371	147,915
Net book value			
As at 31 March 2013	2,548	273,380	275,928
As at 31 March 2012	1,287	292,641	293,928
As at 01 April 2011	2,186	334,657	336,843

21.1 Goodwill on acquisition of subsidiary companies

	Carrying Value 31.03.2013 Rs. '000	Carrying Value as at 31.03.2012 Rs. '000	Carrying Value as at 01.04.2011 Rs. '000
First Capital Holdings PLC	153,101	153,101	153,101
PVIC Management Company Limited	120,279	120,279	120,279
Kelsey Holdings Limited	-	19,261	19,261
The Montessori Workshop (Pvt) Limited	-	-	42,016
	273,380	292,641	334,657

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 2013.

	Software Rs. '000	Total Rs. '000
Company		
Gross value		
Balance as at 1 April 2011	-	-
Additions	-	-
As at 31 March 2012	-	-
Additions	50	50
Disposal	-	-
As at 31 March 2013	50	50
Amortisation / impairment		
Balance as at 1 April 2011	-	-
Amortisation	-	-
Balance as at 31 March 2012	-	-
Amortisation	13	13
Balance as at 31 March 2013	13	13
Net book value		
As at 31 March 2013	37	37
As at 31 March 2012	-	-
As at 01 April 2011	-	-

Notes to the financial statements

As at,	Group			Company		
	31.03.2013	31.03.2012	01.04.2011	31.03.2013	31.03.2012	01.04.2011
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
22. Inventories						
Real estate stock	364,204	258,475	103,620	-	-	-
Work in progress	849	112,063	849	-	-	-
Raw materials and components	528	24,665	12,598	-	-	-
Consumables	110	110	268	-	-	-
	365,691	395,313	117,335	-	-	-
Provision for slow moving inventories	(1,378)	(2,210)	(1,798)	-	-	-
	364,313	393,103	115,537	-	-	-

23. Trade and other receivables

Trade receivables	352,487	453,541	885,554	-	-	-
Other receivables	158,880	17,206	60,982	50,884	207	-
Deposits, advances and pre payments	8,484	1,899	28,809	-	227	813
Tax recoverable	10,614	21,684	10,973	2,606	3,132	2,865
Staff debtors	1,095	2,105	4,186	-	-	-
Debenture interest receivable	1,504	-	-	1,504	-	-
	533,064	496,435	990,504	54,994	3,566	3,678
Less: Specific allowance for impairment	(85,883)	(41,660)	(41,660)	-	-	-
	447,181	454,775	948,844	54,994	3,566	3,678

24. Group balances receivable

	Relationship					
Kelsey Holdings Limited (Note 18)	Subsidiary	-	-	-	47,032	47,032
The Montessori Workshop (Pvt) Limited	Subsidiary	-	-	-	2,530	-
KHL Corporate Services Limited	Affiliate	-	2,820	1,132	2,820	1,131
		-	2,820	1,132	52,382	48,163
Less: Specific allowance for impairment		-	-	-	(47,032)	-
		-	2,820	1,132	5,350	48,163

25. Financial investments- Held for trading

Quoted shares (Note 25.1)	23,140	38,528	35,127	-	-	-
Government Securities (Note 25.2)	9,769,002	3,665,440	8,134,113	-	-	-
Other investments	-	-	101,125	-	-	101,125
	9,792,142	3,703,968	8,270,365	-	-	101,125

As at,	No. of Shares			Market Value			Cost		
	31.03.2013	31.03.2012	01.04.2011	31.03.2013	31.03.2012	01.04.2011	31.03.2013	31.03.2012	01.04.2011
				Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
25.1 Quoted investments - Group									
Laugfs Gas PLC	-	-	907,700	-	-	35,127	-	-	17,464
ACL Cables PLC	-	2,000	-	-	125	-	-	132	-
Browns & Company PLC	156,600	161,600	-	18,463	25,064	-	-	26,987	-
Piramal Glass Ceylon PLC	-	134,600	-	-	821	-	-	915	-
DFCC Bank PLC	-	720	-	-	81	-	-	73	-
John Keells Holdings PLC	-	1,914	-	-	394	-	-	309	-
Tea Smallholder Factories PLC	-	800	-	-	39	-	-	36	-
Environment Resources Investments PLC	-	10,000	-	-	168	-	-	230	-
Royal Ceramics Lanka PLC	47,000	47,000	-	4,677	5,405	-	-	5,875	-
Seylan Bank PLC	-	9,000	-	-	261	-	-	465	-
Sierra Cables PLC	-	80,000	-	-	264	-	-	57	-
Commercial Bank of Ceylon PLC	-	556	-	-	56	-	-	56	-
Colombo Land and Development Company PLC	-	150,000	-	-	5,850	-	-	6,450	-
Total				23,140	38,528	35,127	-	41,585	17,464
Gain/(loss) from marked to market valuation				-	-	-	-	(3,057)	-
				23,140	38,528	35,127	-	38,528	17,464

As at,	Group			Company		
	31.03.2013	31.03.2012	01.04.2011	31.03.2013	31.03.2012	01.04.2011
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
25.2 Government securities						
Treasury bills	9,086,599	2,198,058	672,946	-	-	-
Treasury bonds	682,403	1,467,382	7,461,167	-	-	-
	9,769,002	3,665,440	8,134,113	-	-	-

Of the government securities classified as dealing securities, the following amounts had been pledged as collateral for re-purchase agreements entered into by the group.

As at,	Group			Company		
	31.03.2013	31.03.2012	01.04.2011	31.03.2013	31.03.2012	01.04.2011
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Government securities						
Treasury bills (Face value)	9,553,271	1,508,367	713,061	-	-	-
Treasury bonds (Face value)	669,877	1,798,955	6,906,714	-	-	-
	10,223,148	3,307,322	7,619,775	-	-	-

Notes to the financial statements

As at,	Group			Company		
	31.03.2013	31.03.2012	01.04.2011	31.03.2013	31.03.2012	01.04.2011
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
26. Financial investments- Available for sale						
Investment in Bartleet Transcapital Limited	1,000	1,000	1,000	-	-	-
Investment in Lanka Financial Service Bureau Limited	1,000	1,000	1,000	-	-	-
Investment in Orient Finance PLC (Note 26.1)	344,563	90,465	-	-	-	-
	346,563	92,465	2,000	-	-	-

26.1 During the year 2011/12 First Capital Holdings PLC (a subsidiary), acquired a 20% stake in Orient Finance PLC at a cost of Rs. 90.465 Mn. The investee company was listed on the Colombo Stock Exchange on 7 June 2012. Although First Capital Holdings PLC holds an equity stake of 20% in the said investee company, it does not exert a significant influence over the financial and operating policies of the investee. Hence in accordance with LKAS 28 the said investment is not considered as an Investment in Associate.

As at,	Group			Company		
	31.03.2013	31.03.2012	01.04.2011	31.03.2013	31.03.2012	01.04.2011
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
27. Financial investments- Loans and receivables						
Corporate debt securities	429,012	1,315,299	834,264	-	-	-
Loan investments	265,721	285,846	426,106	-	-	-
Quoted debentures	207,803	24,920	25,089	66,960	-	-
Investments under re-sale agreements (Note 27.1)	2,305,468	830,733	665,196	-	-	-
Fixed deposits and other investments (Note 27.2)	409	207	207	-	-	-
	3,208,413	2,457,005	1,950,862	66,960	-	-

27.1 Investments under re-sale agreements

Government securities	2,283,665	808,930	665,196	-	-	-
Corporate debt securities	21,803	21,803	-	-	-	-
	2,305,468	830,733	665,196	-	-	-

27.2 Fixed deposits and other investments

Fixed deposits and other investments at cost	5,409	5,207	5,207	-	-	-
Less : Specific allowance for impairment	(5,000)	(5,000)	(5,000)	-	-	-
	409	207	207	-	-	-

28. Derivative financial instruments (Assets)

Interest rate swaps	8,387	17,583	74,328	-	-	-
Forward purchase contracts	1,991	-	-	-	-	-
	10,378	17,583	74,328	-	-	-

As at,	Group			Company		
	31.03.2013	31.03.2012	01.04.2011	31.03.2013	31.03.2012	01.04.2011
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
29. Non-current assets held for sale						
Land and building	-	-	350,000	-	-	350,000
Investments in the process of liquidation (Note 29.1)	101,360	101,360	101,360	-	-	-
	101,360	101,360	451,360	-	-	350,000
Less: Specific allowance for impairment	(58,944)	(21,142)	(36,142)	-	-	(15,000)
	42,416	80,218	415,218	-	-	335,000

29.1 Investments in the process of liquidation

	31.03.2013		31.03.2012		01.04.2011	
	Number of shares	Carrying value	Carrying value	Carrying value	Carrying value	Carrying value
		Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Ceyspence (Pvt) Limited	2,861,856	71,432	71,432	71,432	71,432	71,432
Ceyaki Shipping (Pvt) Limited	3,116,600	29,928	29,928	29,928	29,928	29,928
		101,360	101,360	101,360	101,360	101,360
Less: Specific allowance for impairment		(58,944)	(21,142)	(21,142)	(21,142)	(21,142)
		42,416	80,218	80,218	80,218	80,218

The above non-current assets held for sale represent equity investments in shipping businesses made by subsidiary companies. All these investments are in the process of liquidation and stated at their realisable values as at the reporting date.

As at,	No. of Shares			Group			Company		
	31.03.2013	31.03.2012	01.04.2011	31.03.2013	31.03.2012	01.04.2011	31.03.2013	31.03.2012	01.04.2011
				Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
30. Stated capital									
Balance at the beginning of the year	122,997,050	122,997,050	98,397,640	445,994	445,994	200,000	445,994	445,994	200,000
Rights issue	-	-	24,599,410	-	-	245,994	-	-	245,994
	122,997,050	122,997,050	122,997,050	445,994	445,994	445,994	445,994	445,994	445,994

31. Fair value reserve

As at,	Group			Company		
	31.03.2013	31.03.2012	01.04.2011	31.03.2013	31.03.2012	01.04.2011
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Balance at the beginning of the year	-	-	-	-	-	-
Transfers made during the year	176,268	-	-	-	-	-
Balance at the end of the year	176,268	-	-	-	-	-

Gain on fair value of financial investments - available for sale has been transferred to the fair value reserve during the year. The above gain arose from the group's equity stake in Orient Finance PLC.

Notes to the financial statements

As at,	Group			Company		
	31.03.2013	31.03.2012	01.04.2011	31.03.2013	31.03.2012	01.04.2011
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
32. Deferred tax liabilities						
As at beginning of the year	1,373	1,373	6,203	1,373	1,373	1,373
Adjustment due to disposal of a subsidiary	-	-	(4,830)	-	-	-
As at the end of the year	1,373	1,373	1,373	1,373	1,373	1,373

33. Retirement benefit obligations

Balance at the beginning of the year	12,081	13,043	21,208	1,215	1,204	1,201
Adjustment due to disposal of a subsidiary	(1,395)	-	(10,525)	-	-	-
Provision made during the year	2,379	2,222	3,848	303	285	297
Interest charge during the year	1,903	1,396	808	139	161	94
Deficit / (surplus) for the year	114	(2,014)	(719)	151	(435)	(154)
Paid during the year	(177)	(2,566)	(1,577)	-	-	(234)
Balance at the end of the year	14,905	12,081	13,043	1,808	1,215	1,204

The total amount charge to profit or loss in respect of retirement benefit is made up as follows:

Gratuity charge for the year	2,379	2,222	3,848	303	285	297
Interest charge for the year	1,903	1,396	808	139	161	94
Deficit/(surplus) for the year	114	(2,014)	(719)	151	(435)	(154)
	4,396	1,604	3,937	593	11	237

34. Trade and other payables

Trade creditors	-	3,189	1,002	-	-	-
Advances from customers	35,289	16,230	10,019	-	13,571	-
Retention payable	3,792	1,186	3,595	-	-	-
Accrued expenses	84,625	27,271	48,482	7,025	7,547	-
Other creditors	35,438	93,398	93,877	-	-	11,526
Provision for statutory liabilities	4,262	9,054	19,188	90	1,856	306
Advance against assets held for sale	80,218	80,218	80,218	-	-	-
	243,624	230,546	256,381	7,115	22,974	11,832

As at,	Group			Company		
	31.03.2013	31.03.2012	01.04.2011	31.03.2013	31.03.2012	01.04.2011
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
35. Interest bearing borrowings						
Borrowings on corporate debt securities	497,653	1,338,305	1,016,176	-	-	-
Other short term borrowings	78,464	-	-	-	-	-
	576,117	1,338,305	1,016,176	-	-	-

36. Group balances payable

First Capital Limited	Subsidiary	-	-	-	302,578	384,176	334,542
PVIC Management Company Limited	Subsidiary	-	-	-	250,730	462,620	355,268
Nextventures Limited	Affiliate	287	32,303	124,804	287	32,303	124,804
		287	32,303	124,804	553,595	879,099	814,614

37. Derivative Financial Instruments (Liabilities)

Forward sale contracts	-	-	117	-	-	-
Forward purchase contracts	837	-	-	-	-	-
	837	-	117	-	-	-

38. Related Party Disclosures

38.1 Directorships in other Companies

The directors of Dunamis Capital PLC are also Directors of the following companies with which the company and its subsidiaries had transactions during the year.

Name of the companies	Relationship	Ms. Manjula Mathews	Mr. Dinesh Schaffer	Mr. Nihara E. Rodrigo	Mr. Eardley Perera	Mr. Chandana L. De Silva
First Capital Holdings PLC	Subsidiary	✓	✓	✓	✓	-
First Capital Limited	Subsidiary	✓	✓	-	-	-
First Capital Asset Management Limited	Subsidiary	✓	✓	-	-	-
First Capital Treasuries Limited	Subsidiary	✓	✓	✓	✓	-
First Capital Markets Limited	Subsidiary	✓	✓	-	-	-
Kelsey Developments PLC	Subsidiary	✓	✓	✓	✓	✓
Kelsey Property Developers (Pvt) Limited	Subsidiary	✓	✓	-	-	-
Kelsey Homes Limited	Subsidiary	✓	✓	-	-	-
PVIC Management Company Limited	Subsidiary	✓	✓	-	-	-
Premier Synthetic Leather Manufacturers (Pvt) Ltd	Subsidiary	✓	✓	✓	✓	✓
Janashakthi Insurance PLC	Affiliate	✓	-	-	-	-
Nextventures Limited	Affiliate	✓	✓	-	-	-
KHL Corporate Services Limited	Affiliate	-	✓	-	-	-

Notes to the financial statements

The company carried out transactions in the ordinary course of its business with parties who are defined as related parties as per Sri Lanka Accounting Standards LKAS 24 "Related Party Disclosures," the details of which are reported below.

38.2 Transactions with subsidiary companies

Nature of transaction	Company	
	2013 Rs. '000	2012 Rs. '000
Interest income	447	-
Interest expense	67,397	50,329
Dividend income	424,883	21,887
Reimbursement of administrative expenses	-	21,600
Profit on disposal of shares	465,505	-
Short term lendings	-	179,562
Short term borrowings	-	846,726
Dividend received	424,883	-
Repurchase of shares in PVC Management Company Limited	744,658	-
Acquisition of shares in First Capital Holdings PLC	957,870	-
Payments made for services received	219	-

38.3 Transactions with affiliated companies

Nature of transaction	Group		Company	
	2013 Rs. '000	2012 Rs. '000	2013 Rs. '000	2012 Rs. '000
Interest income	113,185	38,601	-	-
Interest expense	20,466	12,582	8,573	3,266
Resale agreement	668,004	-	-	-
Reimbursement of administrative expenses	3,600	17,400	3,600	3,600
Investment in corporate debt securities	352,103	-	-	-
Payments made for services received	-	857	-	432
Secretarial fees paid	1,184	-	566	-
Short term lendings	161,086	473,837	-	2,820
Short term borrowings	75,285	108,979	69,233	32,303

38.4 Disclosures in relation to related party transactions in accordance with the Continuing Listing Requirements of the Colombo Stock Exchange

Date of transaction	Name of the related party	Relationship between the entity and related party	Amount Rs. '000	Rationale for entering into the transaction
Company				
30 June 2012	PVIC Management Company Limited	Subsidiary Company	424,883	Dividend received
30 December 2012	PVIC Management Company Limited	Subsidiary Company	957,870	Acquisition of shares in First Capital Holdings PLC owned by PVIC Management Company Limited
28 February 2013	Nextventures Limited	Affiliate Company	80,000	The Company settled borrowing facilities obtained from Nextventures Limited
01 March 2013	Nextventures Limited	Affiliate Company	17,727	The Company settled borrowing facilities obtained from Nextventures Limited
07 March 2013	First Capital Limited	Subsidiary Company	153,255	The Company settled borrowing facilities obtained from First Capital Limited
19 March 2013	PVIC Management Company Limited	Subsidiary Company	744,658	The Company received the proceeds and the share repurchase carried out by PVIC Management Company Limited
Group				
31 December 2012	First Capital Limited & Nextventures Limited	Subsidiary Company	325,000	Nextventures Limited settled a short term borrowing facility obtained from First Capital Limited

38.5 Transactions with key management personnel

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 of the Company and their immediate family members have been classified as key management personnel of the entity. Compensation paid to key management personnel is disclosed in Note 12 to the financial statements. Other transactions with key management personnel are as follows.

Nature of transaction	Income / expenses		Balance as at 31 March	
	2013 Rs. '000	2012 Rs. '000	2013 Rs. '000	2012 Rs. '000
Interest paid on account of repurchase agreements	11,232	14,144	-	-
Interest received on account of resale agreements	693	16	-	-

Notes to the financial statements

39. Contingent liabilities and litigations

39.1 Company

There were no material contingent liabilities which require disclosures in the financial statements as at the balance sheet date.

39.2 Group

39.2.1 First Capital Holdings PLC

The Department of Inland Revenue has raised assessments relating to turnover tax in prior years amounting to Rs.8.324M. Management is of the view that no liability would arise since the assessment is outside the scope of chargeability to Turnover Tax and accordingly no provision has been made in the Financial Statements.

39.2.2 First Capital Treasuries Limited

An assessment of income tax of Rs.101.346M was received for the year 2008/09. The company has appealed to the Tax Appeals Commission against the determination of the Commissioner General of Inland Revenue in favour of the Inland Revenue. Management is of the view that no liability would arise since the assessment is outside the scope of chargeability to Income Tax and accordingly no provision has been made in the Financial Statements.

39.2.3 Kelsey Developments PLC

Kelsey Developments PLC is one of the Defendants, on behalf of its clients, in a Partition Case to establish title in respect of a property situated at Nawala. Based on legal advice, management is of the opinion that a loss is not probable. Accordingly provision has not been made in the Financial Statements.

40. Capital commitments

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

41. Going concern of subsidiaries

41.1 Kelsey Property Developers (Private) Limited

The financial statements are prepared on the assumption that the Company is a going concern. i.e. as continuing in operation for the foreseeable future.

However, during the year the Company incurred a net loss of Rs. 52.700 Mn (2012 – Rs. 32.156 Mn). As at 31st March 2013 the Company's current liabilities exceeded its current assets by Rs.194.522 Mn (2012- Rs. 141.100 Mn) and the Company had a negative net assets position of Rs.192.467 Mn (2012- Rs. 140.233 Mn)

During the year the Company invested in land stocks of Rs. 50.118 Mn and disposed of inventories valued at Rs. 50.262 Mn.

Land stock of Rs. 333 Mn were held at the end of the year. As the land stocks were purchased using borrowed funds a significant interest cost of Rs. 38.450 Mn was incurred during the year. In accordance with company policy this interest cost was expensed to the Statement of Comprehensive Income and not added to the capital cost of the land.

Subsequent to the reporting date in May 2013, the company sold its property in Nuwara Eliya to its parent company, Dunamis Capital PLC realising a profit of Rs. 177 Mn, resulting in a significant improvement in its net assets position.

During the Financial year 2013/14 the Company proposes to launch a minimum of four real estate projects on which it expects to realise positive income streams.

Taking these circumstances in to consideration the Directors have made an assessment and are confident of the Company's ability to continue as a going concern.

In addition to the above, the parent entity, Kelsey Developments PLC is committed to assist the company in providing all necessary financial support to enable the Company, to meet its obligations as they fall due and to continue the operations of the Company as a going concern.

In view of all of the above the Directors of the Company are of the opinion that the company can be sustained as a going concern.

41.2 Kelsey Homes Limited

The financial statements are prepared on the assumption that the Company is a going concern. i.e. as continuing in operation for the foreseeable future.

During the year the Company incurred a net loss of Rs. 2.440 Mn (2012 Profit – Rs. 0.672 Mn). The accumulated loss as at the reporting date date was Rs. 13.318 Mn(2012- Rs. 10.878 Mn)

As at the reporting date the Company's current assets are sufficient to cover it's current liabilities. Net assets as at the Reporting date stood at a positive value of Rs. 11.682 Mn.

During the year the company has invested in land stocks of more than Rs. 100 Mn and disposed of inventories valued at Rs. 143 Mn approximately relating to several projects .

Further, in the latter part of the year the company introduced a new product "Build plus" aimed at providing construction services to potential clients. The

Company intends to grow this business line in 2013/14 .

During the Financial year 2013/14 the Company proposes to launch a minimum of two housing projects on which it expects to realise positive income streams.

Taking these circumstances into consideration the Directors have made an assessment and are confident of the Company's ability to continue as a going concern.

In addition to the above, the parent entity, Kelsey Developments PLC is committed to assist the company in providing all necessary financial support to enable the Company, to meet its obligations as they fall due and to continue the operations of the Company as a going concern.

In view of all of the above the Directors of the Company are of the opinion that the company can be sustained as a going concern.

41.3 Kelsey Aluminium (Private) Limited

In relation to Kelsey Aluminium (Private) Limited following the cessation of operations, the Board of Directors have decided to prepare the Company's financial statements on a basis other than going concern.

Accordingly, the financial statements have been prepared on a basis more fully explained in this note reflecting that the going concern assumption has not been adopted in preparing these financial statements. Consequently, adjustments have been made to provide for the diminution in value of all fixed assets so as to reduce their carrying value to their estimated realisable amount, and to reclassify fixed assets and long-term liabilities as current assets and liabilities.

The financial statements are prepared using the following basis.

- Fixed assets, trade and other receivables and inventories are stated at the lower of cost and recoverable amount. Potential unrealised gains on disposal are not taken into account.
- Provisions have been made for further liabilities that may arise.
- Prepayments are expensed unless they represent a future cash refund, in which case it was reclassified as receivables.
- The financial statements include only any actual tax liability that may arise.

41.4 Sithro Apparel Holdings Limited

Following the exit of the Company's involvement in the going concern sector the Financial Statement's have been prepared on a basis other than a going concern. The group's current liabilities exceeds its current assets by Rs.40.484 Mn and its total liabilities exceeds its total assets by the same.

41.5 Magna Supermarkets Limited

Following the exit of the Company's involvement in the going concern sector the Financial Statement's have been prepared on a basis other than a going concern. Hence, adjustments have been made to the recorded assets and classifications of liabilities for the year ended 31 March 2013.

42. Assets pledged and guarantees provided

There were no material assets pledged as collateral as at the reporting date, which require adjustments to or disclosure in the financial statements other than those disclosed below:

- 37 Mn of shares held by the Company in First Capital Holdings PLC has been pledged as security over a bank facility taken by Dunamis Capital PLC from Seylan Bank PLC.
- First Capital Holdings PLC has provided a corporate guarantee on behalf of First Capital Limited amounting to Rs.150 Mn against banking facilities provided.

43. Events occurring after the reporting period

There were no material events after the reporting date, which require adjustments to or disclosure in the financial statements other than those disclosed below:

Company

- In May 2013 the company purchased an undivided 48/87 share of a property in Nuwara Eliya from a subsidiary Kelsey Property Developers (Pvt) Ltd for Rs. 440 Mn. The company now holds a 66/87 share of this property.
- The Company invested in a new manufacturing subsidiary which was incorporated in May 2013 Under Section 17(2) of the BOI Law No. 04 of 1978. The total equity investment in this project is expected to be in the region of Rs. 200 Mn.

Group

- In May 2013, a subsidiary of First Capital Holdings PLC acquired 100% of DNH Financial (Private) Limited, a stock brokering company at a cost of Rs. 185 Mn. The effective shareholding of First Capital Holdings PLC is 70% of DNH Financial (Private) Limited. DNH Financial (Private) Limited was subsequently renamed as First Capital Equities (Private) Limited.

44. Comparative figures

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

Notes to the financial statements

45. Directors' responsibility statement

The Board of Directors of the Company is responsible for the preparation and presentation of these financial statements. Please refer to page 19 for the statement of Directors' Responsibility for Financial Reporting.

46. Financial Risk Management

Overview

The group has exposure to the following financial risk through its subsidiaries.

1. Market Risk
2. Liquidity Risk
3. Credit Risk
4. Operational Risk
5. Interest Rate Risk

This note presents information about the group's exposure to each of the above risks, the objectives, policies and processes for measuring and managing risk.

Risk management framework

The Board of Directors has the overall responsibility for the establishment and oversight of the group's risk management framework. Group's risk management policies established to identify and analyse the risk confronted by the group companies 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, products and services offered.

First Capital Holdings PLC & Subsidiaries

The senior management has established an Enterprise Risk Management Committee (ERMC) with the Chief Executive Officer and senior managerial personnel supervising a wide-range of risk categories that includes market, liquidity, credit and operational risk. The Committee members have been assigned the responsibility to manage these risks prudently.

1. Market Risk

First Capital Holdings PLC & Subsidiaries

Market risk is the risk that changes in market prices, such as interest rates and equity prices 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 the acceptable parameters, while optimising the return on risk.

Management of market risk includes the following elements.

- Overall authority for managing market risk is vested with the Board of Directors.
- The operational authority for managing market risk is vested with the investment committee and the ALCO.
- Interest rate risk is managed within the approved limits by the investment committee.

2. Liquidity Risk

First Capital Holdings PLC & Subsidiaries

Liquidity risk is the risk that the group will not have adequate financial resources to meet group company's obligations as and 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 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 companies' reputation.
- Assets and Liability Management Committee (ALCO) is mandated to execute liquidity management policies, procedures and practices.

Kelsey Developments PLC

In order to ensure that the company has adequate financial resources to meet its obligations, project borrowings are structured based on an assessment of project turn-around time. Borrowing facilities are in place to meet other short-term requirements that may arise from time to time.

3. Credit Risk

First Capital Holdings PLC & Subsidiaries

Credit risk is the risk of financial loss to the group if a client or counterparty to financial instruments fails to meet its contractual obligations and arises principally from group's investments in debt securities and advance to clients.

Management of credit risk includes the following elements:

- Formulation credit policies in consultation which 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 auditors.

Kelsey Developments PLC

A risk of non-payment of capital and interest by the customer can be identified as a credit risk. An evaluation of the clients' ability to pay is carried out and this risk is further mitigated by the title to the property being retained by the company until payments are settled in full.

4. Operational Risk

First Capital Holdings PLC & Subsidiaries

Operational risk is the risk of direct or indirect loss arising from a wide range 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 risk such as those arising from legal and regulatory requirements and generally accepted standards of corporate behavior.

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

The primary responsibility of 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.
- 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 auditors. The results of internal audit reviews are discussed with the management of the business unit to which they relate, with summaries submitted to the Audit Committee.

Kelsey Developments PLC

Operational risk arises from deficiencies in systems and processes leading to sub-optimal decisions. Key risks arise in regard to the purchase and sale of land and property. Every prospective purchase is rigorously evaluated to ensure that the project meets the company's minimum criteria. Prior to purchase feasibility reports are prepared to evaluate salability and profitability, comprehensive legal checks are carried out on title, and approvals are obtained from the relevant local authorities.

5. Interest Rate Risk

Kelsey Developments PLC.

The company funds its project purchases using short-term project funding and an increase in interest rates results in an increase in total project funding costs. The company minimizes this risk, by extrapolating expected interest rates and factoring these costs into the project cost prior to purchase of a property. A minimum hurdle rate for return on investment must be obtained prior to approving a property purchase.

An increase in market interest rates directly impacts buyers as a significant number of sales are made to clients who obtain bank loans. As the cost of bank loans increases the demand for housing and real estate reduces directly impacting the company's profitability. The company mitigates this risk by balancing its portfolio of projects between higher-end and lower-end housing and land projects.

Notes to the financial statements

47. Segmental reporting

	Financial services			Property development			Export manufacturing			Other			investment holdings			Inter segment adjustments			Group total		
	2013	2012	Rs.	2013	2012	Rs.	2013	2012	Rs.	2013	2012	Rs.	2013	2012	Rs.	2013	2012	Rs.	2013	2012	Rs.
Total revenue	1,763,760	935,806	231,485	164,657	45,828	56,081	56,081	45,828	-	-	-	-	(113,254)	(49,072)	1,938,072	1,938,072	1,938,072	1,938,072	1,938,072	1,938,072	1,097,219
	1,763,760	935,806	231,485	164,657	45,828	56,081	56,081	45,828	-	-	-	-	(113,254)	(49,072)	1,938,072	1,938,072	1,938,072	1,938,072	1,938,072	1,938,072	1,097,219
Profit / (loss) from operations	517,244	(310,279)	(9,661)	7,409	(18,100)	2,461	(18,100)	(641)	(50)	(148)	881,826	(116,567)	(1,020,213)	(39,627)	371,607	371,607	(477,312)	371,607	(477,312)	(477,312)	
Finance expenses	-	-	(45,378)	(26,180)	(641)	(634)	(641)	(641)	-	-	(75,970)	(54,054)	113,254	73,021	(8,728)	(8,728)	(7,854)	(8,728)	(7,854)	(7,854)	
Profit / (loss) before tax	517,244	(310,279)	(55,039)	(18,771)	(18,741)	1,827	(18,741)	(18,741)	(50)	(148)	805,856	(170,621)	(906,959)	33,394	362,879	362,879	(485,166)	362,879	(485,166)	(485,166)	
Taxation	(23,272)	(14,858)	(431)	498	(78)	(219)	(78)	(78)	-	-	1,465	(1,555)	-	(92)	(22,456)	(22,456)	(16,085)	(22,456)	(16,085)	(16,085)	
Net profit/(loss)	493,972	(325,137)	(55,470)	(18,273)	(18,819)	1,608	(18,819)	(18,819)	(50)	(148)	807,321	(172,176)	(906,959)	33,302	340,423	340,423	(501,251)	340,423	(501,251)	(501,251)	
Attributable to :																					
Equity holders of the parent																			236,126	(379,863)	
Non- controlling interests																			104,297	(121,388)	
																			340,423	(501,251)	
Other comprehensive income																					
Gain on fair value of financial investments available for sale	254,098	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	254,098	-	
Other comprehensive income, net of tax	254,098	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	254,098	-	
Total comprehensive income																					
	748,070	(325,137)	(55,470)	(18,273)	(18,819)	1,608	(18,819)	(18,819)	(50)	(148)	807,321	(172,176)	(906,877)	33,302	594,521	594,521	(501,251)	594,521	(501,251)	(501,251)	
Attributable to :																					
Equity holders of the parent																			412,394	(379,863)	
Non- controlling interests																			182,127	(121,388)	
																			594,521	(501,251)	
Statement of financial position																					
Non current assets	140,117	1,232,561	7,596	1,141	3,124	-	3,124	3,124	-	-	1,391,720	1,156,833	(1,065,785)	(1,623,119)	473,648	473,648	770,540	473,648	770,540	770,540	
Current assets	14,525,376	13,144,359	382,174	385,434	37,463	-	37,463	37,463	1,184	341	122,642	12,296	(841,991)	(6,438,935)	14,189,385	14,189,385	7,140,958	14,189,385	7,140,958	7,140,958	
Non current assets held for sale	42,416	80,218	-	-	-	-	-	-	-	-	-	-	-	-	42,416	42,416	80,218	42,416	80,218	80,218	
Total assets	14,707,909	14,457,138	389,770	386,575	40,587	-	40,587	40,587	1,184	341	1,514,362	1,169,129	(1,970,776)	(8,062,054)	14,705,449	14,705,449	7,991,716	14,705,449	7,991,716	7,991,716	
Non current liabilities	589,148	1,787,962	291,243	2,415	1,396	-	1,396	1,396	-	-	3,181	2,588	(867,294)	(1,780,907)	16,278	16,278	13,454	16,278	13,454	13,454	
Current liabilities	11,912,832	10,714,018	42,033	272,279	18,897	-	18,897	18,897	59,506	42,723	565,166	903,490	22,420	(5,496,654)	12,601,957	12,601,957	6,454,753	12,601,957	6,454,753	6,454,753	
Total liabilities	12,501,980	12,501,980	333,276	274,694	20,293	-	20,293	20,293	59,506	42,723	568,347	906,078	(844,874)	(7,277,561)	12,618,235	12,618,235	6,468,207	12,618,235	6,468,207	6,468,207	

48. Explanations of Transition to LKAS/ SLFRS

48.1 As a result of the transition from previous accounting standards referred to as Generally Accepted Accounting principles (GAAP) to LKAS/ SLFRS on 1 April 2012, the cumulative increase to Group's total equity was Rs. 1.6 Mn.

Transition to LKAS/SLFRS resulted in

- Reclassification of Financial Assets/ Liabilities with no impact on equity
- Re- measurement of Financial Assets/Liabilities with consequential increase/(decrease) to retained earnings and /or other comprehensive income.

48.2 Reconciliation of Comprehensive Income - Group

For the year ended 31 March 2012

	Note	Previous SLAS Rs. '000	Reclassification Rs. '000	Effect of transition to SLFRS Rs. '000	SLFRS Rs. '000
Revenue		1,097,219	-	-	1,097,219
Cost of sales		(972,352)	-	-	(972,352)
Gross profit		124,867	-	-	124,867
Other income		51,037	-	-	51,037
		175,904	-	-	175,904
Gain/(loss) on fair value of financial investments- held for trading	a	-	-	(111,540)	(111,540)
Gain/(loss) on fair value of derivative financial instruments	b	-	-	(56,745)	(56,745)
Distribution expenses		4,536	-	-	4,536
Administrative expenses		181,342	-	-	181,342
Other expenses		299,053	-	-	299,053
Finance expenses		7,854	-	-	7,854
Profit / (loss) before taxation		(316,881)	-	(168,285)	(485,166)
Income tax expenses		(16,085)	-	-	(16,085)
Profit / (loss) for the year		(332,966)	-	(168,285)	(501,251)
Other Comprehensive income, net of income tax					
Gain/(loss) on fair value of financial investments- available for sale	c	-	-	-	-
Other Comprehensive income, net of income tax		-	-	-	-
Total Comprehensive income/(loss) for the year		(332,966)	-	(168,285)	(501,251)

Notes to the financial statements

48.3 Reconciliation of Comprehensive Income - Company

For the year ended 31 March 2012

	Note	Previous SLAS Rs. '000	Reclassification Rs. '000	Effect of transition to SLFRS Rs. '000	SLFRS Rs. '000
Revenue		-	-	-	-
Cost of sales		-	-	-	-
Gross profit		-	-	-	-
Other income		57,840	-	-	57,840
		57,840	-	-	57,840
Gain/(loss) on fair value of financial investments- Held for trading		-	-	-	-
Gain/(loss) on fair value of derivative financial instruments		-	-	-	-
Administrative expenses		24,993	-	-	24,993
Provision for fall in value of investment in subsidiary		67,382	-	-	67,382
Other expenses		82,032	-	-	82,032
Finance expenses		54,054	-	-	54,054
Profit / (loss) before taxation		(170,621)	-	-	(170,621)
Taxation		(1,555)	-	-	(1,555)
Profit / (loss) for the year		(172,176)	-	-	(172,176)
Other Comprehensive income, net of income tax					
Gain/(loss) on fair value of financial investments- available for sale		-	-	-	-
Other Comprehensive income, net of income tax		-	-	-	-
Total Comprehensive income/ (loss) for the year		(172,176)	-	-	(172,176)

48.4 Reconciliation of Equity - Group

Note	As at 1 April 2011				As at 31 March 2012			
	Previous	Reclassification	Impact on	SLFRS	Previous	Reclassification	Impact on	SLFRS
	SLAS Rs. '000	Rs. '000	of SLFRS Rs. '000	Rs. '000	SLAS Rs. '000	Rs. '000	of SLFRS Rs. '000	Rs. '000
ASSETS								
Non current assets								
Property, plant and equipment	28,694	-	-	28,694	23,085	-	-	23,085
Investment in subsidiaries	-	-	-	-	-	-	-	-
Investment property	-	-	-	-	396,042	-	-	396,042
Investment securities	f 1,000	(1,000)	-	-	91,465	(91,465)	-	-
Group balances receivable	-	-	-	-	-	-	-	-
Investment in venture capital	8,000	-	-	8,000	8,000	-	-	8,000
Deferred tax assets	49,625	-	-	49,625	49,485	-	-	49,485
Intangible assets	336,843	-	-	336,843	303,453	(9,525)	-	293,928
Trade and other receivables	-	-	-	-	-	-	-	-
Total non current assets	424,162	(1,000)	-	423,162	871,530	(100,990)	-	770,540
Current assets								
Inventories	115,537	-	-	115,537	393,103	-	-	393,103
Trade and other receivables	948,844	-	-	948,844	454,775	-	-	454,775
Group balances receivable	1,132	-	-	1,132	2,820	-	-	2,820
Short term investments	d 10,127,665	(10,127,665)	-	-	6,177,984	(6,177,984)	-	-
Financial investments - Held for trading	e -	-	8,270,365	8,270,365	-	-	3,703,968	3,703,968
Financial investments - Available for sale	f -	-	2,000	2,000	-	-	92,465	92,465
Financial investments - Loans and receivables	g -	-	1,950,862	1,950,862	-	-	2,457,005	2,457,005
Derivative financial instruments (Assets)	h -	-	74,328	74,328	-	-	17,583	17,583
Cash and cash equivalents	21,970	-	-	21,970	19,239	-	-	19,239
Total current assets	11,215,148	(10,127,665)	10,297,555	11,385,038	7,047,921	(6,177,984)	6,271,021	7,140,958
Non-current assets held for sale	415,218	-	-	415,218	80,218	-	-	80,218
TOTAL ASSETS	12,054,528	(10,128,665)	10,297,555	12,223,418	7,999,669	(6,278,974)	6,271,021	7,991,716
EQUITY AND LIABILITIES								
Stated capital	445,994	-	-	445,994	445,994	-	-	445,994
Risk reserves	292,865	-	-	292,865	292,865	-	-	292,865
Retained earnings	569,772	-	114,041	683,813	339,777	(9,525)	(2,698)	327,554
Equity attributable to equity holders of the parent	1,308,631	-	114,041	1,422,672	1,078,636	(9,525)	(2,698)	1,066,413
Minority interest	626,628	(626,628)	-	-	452,826	(452,826)	-	-
Non-controlling interests	-	-	682,444	682,444	-	-	457,096	457,096
Total equity	1,935,259	(626,628)	796,485	2,105,116	1,531,462	(462,351)	454,398	1,523,509
Non current liabilities								
Deferred tax liabilities	1,373	-	-	1,373	1,373	-	-	1,373
Retirement benefit obligations	13,043	-	-	13,043	12,081	-	-	12,081
Total non current liabilities	14,416	-	-	14,416	13,454	-	-	13,454
Current liabilities								
Trade and other payables	256,382	-	-	256,381	230,546	-	-	230,546
Interest bearing borrowings	1,016,176	-	-	1,016,176	1,338,305	-	-	1,338,305
Group balances payable	124,804	-	-	124,804	32,303	-	-	32,303
Securities sold under re-purchase agreements	i 8,688,590	-	(1,083)	8,687,507	4,846,739	-	-	4,846,739
Derivative Financial Instruments (Liabilities)	j -	-	117	117	-	-	-	-
Bank overdrafts	18,901	-	-	18,901	6,860	-	-	6,860
Total current liabilities	10,104,853	-	(966)	10,103,886	6,454,753	-	-	6,454,753
TOTAL EQUITY AND LIABILITIES	12,054,528	(626,628)	795,519	12,223,418	7,999,669	(462,351)	454,398	7,991,716

Notes to the financial statements

48.5 Reconciliation of Equity - Company

Note	As at 1 April 2011				As at 31 March 2012			
	Previous	Reclassification	Impact on	SLFRS	Previous	Reclassification	Impact on	SLFRS
	SLAS Rs. '000	Rs. '000	of SLFRS Rs. '000	Rs. '000	SLAS Rs. '000	Rs. '000	of SLFRS Rs. '000	Rs. '000
ASSETS								
Non current assets								
Property, plant and equipment	15,195	-	-	15,195	14,472	-	-	14,472
Investment in subsidiaries	639,902	-	-	639,902	616,319	-	-	616,319
Investment property	-	-	-	-	396,042	-	-	396,042
Group balance receivables	130,000	-	-	130,000	130,000	-	-	130,000
Total non current assets	785,097	-	-	785,097	1,156,833	-	-	1,156,833
Current assets								
Trade and other receivables	3,678	-	-	3,678	3,566	-	-	3,566
Group balance receivables	48,163	-	-	48,163	5,350	-	-	5,350
Short term investments	101,125	-	-	101,125	-	-	-	-
Cash and cash equivalents	559	-	-	559	3,380	-	-	3,380
Total current assets	153,525	-	-	153,525	12,296	-	-	12,296
Non-current assets held for sale	335,000	-	-	335,000	-	-	-	-
TOTAL ASSETS	1,273,622	-	-	1,273,622	1,169,129	-	-	1,169,129
EQUITY AND LIABILITIES								
Stated capital	445,994	-	-	445,994	445,994	-	-	445,994
Retained earnings	(10,767)	-	-	(10,767)	(182,943)	-	-	(182,943)
Total equity	435,227	-	-	435,227	263,051	-	-	263,051
Non current liabilities								
Deferred tax liabilities	1,373	-	-	1,373	1,373	-	-	1,373
Retirement benefit obligations	1,204	-	-	1,204	1,215	-	-	1,215
Total non current liabilities	2,577	-	-	2,577	2,588	-	-	2,588
Current liabilities								
Trade and other payables	11,832	-	-	11,832	22,974	-	-	22,974
Group balance payable	814,614	-	-	814,614	879,099	-	-	879,099
Bank overdrafts	9,372	-	-	9,372	1,417	-	-	1,417
Total current liabilities	835,818	-	-	835,818	903,490	-	-	903,490
TOTAL EQUITY AND LIABILITIES	1,273,622	-	-	1,273,622	1,169,129	-	-	1,169,129

Explanations of transition to LKAS/SLFRSs

- a,e** Government securities held for trading were reclassified as financial investments held for trading and measured at fair value. Gain / (loss) on fair value has been recognised in the income statement.
- b,,h,j** Derivative contracts are considered as balance sheet items and accounted at fair value whereas they were previously considered as off balance sheet items. Gain/ (loss) on fair value of derivatives has been recognised in the income statement.
- c,f** Investment securities were reclassified as financial investments available for sale and measured at fair value. Gain/ (loss) on fair value has been recognised in the statement of other comprehensive income.
- d** Investment categorised under short term investments were reclassified as financial investments held for trading and loans and receivables.
- g** Corporate debt securities, reverse repo investments and loan investments were reclassified as financial investments- loans and receivables.
- i** The method of recognising interest income on reverse repo investments was changed to effective interest rate (EIR) method whereas the interest was previously accounted for on a straight line basis.

Investors' Information

1. Stock exchange listing

The issued ordinary shares of Dunamis Capital PLC are listed on the Colombo Stock Exchange.

2. Distribution of shareholding

No. of shares held	31 March 2013				31 March 2012			
	Shareholders		Holding		Shareholders		Holding	
	Number	%	Number	%	Number	%	Number	%
1 - 1000	2,000	67.20	622,568	0.51	2,138	66.05	682,307	0.55
1,001 - 5,000	635	21.34	1,544,939	1.26	712	22.00	1,761,693	1.43
5,001 - 10,000	146	4.91	1,151,382	0.94	173	5.34	1,376,471	1.12
10,001 - 50,000	150	5.04	3,300,474	2.68	167	5.16	3,661,387	2.98
50,001 - 100,000	21	0.71	1,388,385	1.13	25	0.77	1,728,926	1.41
100,001 - 500,000	14	0.47	3,155,779	2.57	12	0.37	3,023,080	2.46
500,001 - 1,000,000	-	-	-	-	-	-	-	-
Over 1,000,000	10	0.34	111,834,524	90.92	10	0.31	110,763,186	90.05
Total	2,976	100.00	122,997,050	100.00	3,237	100.00	122,997,050	100.00

3. Analysis of shareholders

Category of Shareholders	31 March 2013				31 March 2012			
	Shareholders		Holding		Shareholders		Holding	
	Number	%	Number	%	Number	%	Number	%
Individuals	2,866	96.30	32,335,227	26.29	3,117	96.29	33,448,362	27.19
Institutions	110	3.70	90,661,823	73.71	120	3.71	89,548,688	72.81
Total	2,976	100.00	122,997,050	100.00	3,237	100.00	122,997,050	100.00
Resident	2,953	99.23	122,773,967	99.82	3,215	99.32	122,792,142	99.83
Non - Resident	23	0.77	223,083	0.18	22	0.68	204,908	0.17
Total	2,976	100.00	122,997,050	100.00	3,237	100.00	122,997,050	100.00

4. Public holding

Percentage held by the public - 14.33 % (2012 - 45.74%)

5. Share price movements for the year

	2012/13 Rs.	2011/12 Rs.
Highest	12.90	16.80
Lowest	9.50	9.60
Year - end	11.70	10.00

6. Information on share trading and market capitalisation

	2012/13	2011/12
Number of transactions	2,706	27,220
Number of shares traded	10,671,873	74,412,216
Value of shares traded (Rs.)	146,266,975	1,539,593,285
Market capitalisation (Rs.)	1,439,065,485	1,229,970,500

Investors' Information Contd.

Top Twenty Shareholders

Names of the Shareholders	As at 31 March 2013		As at 31 March 2012	
	No of shares	Holding %	No of shares	Holding %
First Capital Markets Limited/ Nextventures Limited	26,244,562	21.34	26,244,562	21.34
Pan Asia Banking Corporation PLC / Ms. M Mathews	26,003,365	21.14	19,003,365	15.45
Mr. D. Schaffter	20,274,918	16.48	20,274,918	16.48
HSBC International Nominees Limited - SSBT-Deutsche Bank	12,398,723	10.08	11,487,018	9.34
Commercial Bank of Ceylon PLC / Janashakthi Limited	9,400,000	7.64	9,400,000	7.64
Janashakthi Limited	7,924,473	6.44	7,924,473	6.44
HSBC International Nominees Limited - UBS AG Singapore Branch	4,475,983	3.64	3,300,100	2.68
Mrs. R. S. L. De Mel	2,000,000	1.63	2,000,000	1.63
Seylan Bank PLC / Janashakthi Limited	1,899,000	1.54	8,899,000	7.24
Nextventures Limited	1,213,500	0.99	1,213,500	0.99
Mr. A. Sithampalam	466,328	0.38	466,328	0.38
Dr. R. M. S. Pieris	304,800	0.25	-	-
Mr. R. E. Rambukwelle	298,850	0.24	308,850	0.25
Mr. D. A. Edussuriya	281,500	0.23	281,500	0.23
Mr. Aruna Enterprises (Pvt) Limited	260,345	0.21	-	-
Mr. D. S. D. De Lanerolle	250,000	0.20	250,000	0.2
Mr. Abeysiri Hemapala Munasinghe	243,727	0.20	243,727	0.2
Mrs. W. A. D. S. Wijesooriya	221,600	0.18	221,600	0.18
Mrs. Julia Anne De Mel	200,000	0.16	200,000	0.16
Mr. Abdul Azeez Mohamed Razik	138,043	0.11	193,650	0.16

Directors' shareholding

Name of the Director	As at 31 March 2013		As at 31 March 2012	
	No of shares	Holding %	No of shares	Holding %
Ms. Manjula Mathews	26,003,365	21.14	19,003,365	15.45
Mr. Dinesh Schaffter	20,274,918	16.48	20,274,918	16.48
Mr. Nihara E. Rodrigo	13,000	0.01	13,000	0.01
Mr. A. D. E. I. Perera	-	-	-	-
Mr. Chandana L. de Silva	-	-	-	-

Decade at a Glance

Group

Year ended 31 March	Current SLFRS (Note A)		As per previous SLASs							
	2013 Rs.000	2012 Rs.000	2011 Rs.000	2010 Rs.000	2009 Rs.000	2008 Rs.000	2007 Rs.000	2006 Rs.000	2005 Rs.000	2004 Rs.000
						(Restated)				
TRADING RESULTS										
Revenue	1,938,072	1,097,219	2,558,495	3,696,121	2,751,202	2,800,245	49,875	69,299	92,009	183,960
Gross profit	584,067	124,867	726,207	1,432,073	424,788	223,131	30,124	12,786	8,928	13,547
Profit/(loss) before taxation	362,879	(485,166)	816,805	849,674	(187,090)	(266,136)	(44,958)	11,524	8,473	15,057
Taxation	(22,456)	(16,085)	367,600	(496,819)	(166,447)	(47,333)	(3,922)	(850)	(611)	(1,076)
Profit/(loss) after taxation	340,423	(501,251)	1,184,405	352,855	(353,538)	(313,469)	(48,880)	10,674	7,862	13,981
Other comprehensive income, net of income tax	254,098	-	-	-	-	-	-	-	-	-
Total comprehensive income / (loss)	594,521	(501,251)	-	-	-	-	-	-	-	-

	Current SLFRS (Note A)			2010 Rs.000	2009 Rs.000	As per previous SLASs				
	2013 Rs.000	2012 Rs.000	2011 Rs.000			2008 Rs.000	2007 Rs.000	2006 Rs.000	2005 Rs.000	2004 Rs.000
						(Restated)				
FINANCIAL POSITION										
Stated capital	445,994	445,994	445,994	200,000	983,976	983,976	345,994	49,199	49,199	49,199
Capital reserves	22,500	-	-	-	-	-	-	-	-	-
Risk reserves	384,104	292,865	292,865	168,717	77,022	30,986	-	-	-	-
Retained earnings	442,356	327,554	683,813	(163,316)	(934,847)	(451,286)	(19,155)	28,584	25,290	23,577
Fair value reserves	176,268	-	-	-	-	-	-	-	-	-
	1,471,222	1,066,413	1,422,672	205,401	126,151	563,676	326,839	77,783	74,489	72,776
Non controlling interests	615,992	457,096	-	-	-	-	-	-	-	-
Minority interest	-	-	682,444	502,236	417,793	358,430	297,192	-	-	-
Total shareholders' fund	2,087,214	1,523,509	2,105,116	707,637	543,944	922,106	624,031	77,783	74,489	72,776
Total assets	14,705,449	7,991,716	12,223,418	11,464,598	12,391,253	13,206,800	9,009,533	78,675	75,424	73,804
Current liabilities	12,601,957	6,454,753	10,103,886	10,692,716	(11,763,218)	(12,146,094)	(8,423,779)	(892)	(935)	(1,028)
Non current liabilities	16,278	13,454	14,416	64,245	(84,362)	(139,600)	61,723	-	-	-
Key indicators										
Earning / (loss) per share	1.92	(3.09)	7.92	1.32	(3.59)	(4.21)	(1.81)	2.17	1.60	2.84
Net assets per share (Rs.)	11.96	8.67	11.57	2.09	1.28	5.73	9.22	15.81	15.14	14.79
Market price per share (Rs.)	11.70	10.00	12.90	10.25	3.60	8.00	8.00	31.25	31.00	14.00
Price earning ratio (Times)	6.09	-	1.63	7.76	-	-	-	14.40	19.38	4.93

Note A

Trading results relating to 2012/13 and 2011/12 have been presented in accordance with the new volume of Sri Lanka Accounting Standards (LKAS/SLFRS). The financial position as at 31 March 2012 and 31 March 2011 have been presented in accordance with the new volume of Sri Lanka Accounting Standards (SLFRS).

Glossary of Financial Terms

- **Accrual basis:** The system of accounting wherein revenue is recognised at the time it is earned and expensed at the time they are incurred, regardless of whether cash has actually been received or paid out.
- **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.
- **Available for sale (AFS)** - AFS are those non – derivative financial assets that are designated as available for sale or are not classified as loans and receivables, held –to –maturity investment or financial assets at fair value through profit or loss.
- **Average Weighted Deposit Rate (AWDR):** Weighted average interest rates offered for interest bearing deposits by commercial banks.
- **Capital reserves:** The profits of a company that (for various reasons) are not regarded as distributable to shareholders as dividends. These include gains on the revaluation of capital assets and share premium.
- **Cash equivalents** - Short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.
- **Commercial Paper:** A short term unsecured promissory note issued in the open market by quoted public companies representing an obligation of the issuing entity.
- **Consolidated financial statements** - Financial statement of a holding company and its subsidiaries based on their combined assets, liabilities and operating results.
- **Contingent liabilities:** Conditions or situations at the Balance Sheet date, the financial effects of which are to be determined by future events which may or may not occur.
- **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".
- **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.
- **Debt securities market:** The over-the-counter (OTC) market in which Debt (fixed income) Securities are traded. This is the wholesale market more or less confined to commercial banks, financial institutions and large corporations.
- **Earnings per share:** Post tax profit divided by the weighted average number of shares in issue during the year.
- **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.
- **Fair value** - The amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.
- **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.
- **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 fail to fulfill the contractual obligations.
- **Held to maturity investment** – Non-derivative financial assets with fixed or determinable payments and fixed maturity that an entity has the positive intention and ability to hold to maturity.
- **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 principal on pre-arranged dates. Normally a fixed rate of interest is exchanged for a floating rate of interest.
- **Issue management:** Management of the issue of equity and debt instruments.
- **Issue price:** Price at which new shares are sold to the public.
- **Liabilities:** Debt or obligations of a business.
- **Margin trading:** A credit facility given to investors who wish to expand their investment portfolio.
- **Market value per share:** The price at which an ordinary share is transacted in the stock market.
- **Market capitalisation:** The market value of a company at a given date is obtained by multiplying the share price by the number of issued shares.
- **Net Assets per Share:** Net assets (total assets less total liabilities) divided by the number of shares issued.
- **Non-controlling interest** - Portion of the profit or loss and net assets of a subsidiary attributable to equity interests that are not owned, directly or indirectly through subsidiaries, by the parent
- **Portfolio:** Income generating assets such as loans, finance leases, investment securities and bills discounted etc.
- **Events occurring after the reporting period:** Significant events that occur between the balance sheet date and the date on which financial statements are authorised for issue.

- **Price earnings ratio:** Market price of a share divided by earnings per share.
- **Primary dealer:** A dealer in government securities licensed by the Central Bank of Sri Lanka.
- **Prime Lending Rate (PLR):** The interest rate that a commercial bank will offer to its best customers.
- **Related parties** - Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions
- **Related party transactions** - A transfer of resources, services or obligations between related parties, regardless of whether a price is charged or not.
- **Repurchase agreement:** An agreement (repo for short) is the simultaneous sale and repurchase of a security on different settlement dates.
- **Return on shareholders' funds:** Post-tax profit divided by average shareholders' funds.
- **Revenue reserves:** Reserves which may be distributed to shareholders as dividends.
- **Reverse repurchase agreement:** An agreement (reverse repo for short) is the simultaneous purchase and resale of a security on different settlement dates.
- **Rights issue:** The issue of new shares with the right given to existing shareholders to purchase them in proportion to their shareholdings. This raises new capital for the company, often including a premium.
- **Shareholders funds:** Shareholders funds consist of issued and fully paid ordinary share capital plus capital and revenue reserves.
- **Swap (currency):** The simultaneous purchase and sale of identical amounts of a currency for different value dates.
- **Subsidiary:** A subsidiary is an enterprise that is controlled by another enterprise (known as the parent company. Control is the power to govern the financial and operating policies of an enterprise so as to obtain benefits from its activities.
- **Substance over form:** The consideration that the accounting treatment and the presentation in financial statements of transactions and the events are governed by their financial reality and not merely by its legal form.
- **Venture capital company:** Venture capital company is an entity which is in the business of providing equity infusions in relation to the commencement or expansion of business projects.

Notice of Meeting

Notice is hereby given that the 28th Annual General Meeting of Dunamis Capital PLC will be held on 30 September 2013 at The Ceylon Chamber of Commerce, No. 50, Nawam Mawatha, Colombo 02 at 10.30 a.m to transact the following businesses:

1. To receive the Report of the Board of Directors and the Audited Financial Statements of the Company for the year ended 31 March 2013 together with the Report of the Auditors thereon.
2. To re-elect Mr. A.D.E.I. Perera who retires by rotation in terms of Article 90 of the Articles of Association of the Company and offers himself for re-election.
3. To re-appoint Messrs KPMG, Chartered Accountants, as Auditors of the Company for the ensuing year and authorise the Directors to determine their remuneration.
4. To authorise the Directors to determine and make donations.

By Order of the Board,

(Sgd)

K H L Corporate Services Limited

Secretaries

Colombo

09 September 2013

Notes:

1. A member entitled to attend and vote at the above meeting is entitled to appoint a proxy to attend and vote on behalf of him/her.
2. A proxy need not be a member of the Company.
3. A Form of Proxy is enclosed for this purpose.
4. The Completed Form of Proxy must be deposited at the Registered Office of the Company, No. 02, Deal Place, Colombo 03, not less than 48 hours before the time fixed for the meeting.

NOTES

NOTES Contd.

Form of Proxy

I / We
 of
 being a member/s of Dunamis Capital PLC, hereby appoint
 Mr/Mrs/Miss
 (holder of N.I.C. No.) of
 whom failing

1. Ms. Manjula Mathews whom failing
2. Mr. Dinesh Schaffter whom failing
3. Mr. Nihara E. Rodrigo whom failing
4. Mr. A.D.E.I. Perera whom failing
5. Mr. Chandana L.de Silva

as my/our Proxy to represent me/us and vote on my/our behalf at the 28th Annual General Meeting of the Company to be held on 30 September 2013 at 10.30 a.m. at The Ceylon Chamber of Commerce, No. 50, Nawam Mawatha, Colombo 02 and at any adjournment thereof and at every poll which may be taken in consequence thereof to transact the following business.

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

	For	Against
1. Receiving of the Report of the Board of Directors and the Audited Financial Statements of the Company for the year ended 31 March 2013 together with the Report of the Auditors thereon.	<input type="checkbox"/>	<input type="checkbox"/>
2. Re-election of Mr. A. D. E. I. Perera , who retires by rotation in terms of Article 90.	<input type="checkbox"/>	<input type="checkbox"/>
3. Re-appointment of Messrs KPMG, as Auditors of the Company for the ensuing year and authorising the Directors to determine their remuneration.	<input type="checkbox"/>	<input type="checkbox"/>
4. Authorising the Directors to determine and make donations.	<input type="checkbox"/>	<input type="checkbox"/>

Signed on thisday of2013

.....
 Signature

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

Form of Proxy Contd.

Instructions for the Completion of the Form of Proxy.

1. Please perfect the Form of Proxy overleaf, after filling in legibly your full name and address, by signing in the space provided and fill in the date of signature and your National Identity Card Number.
2. The completed Form of Proxy should be deposited at the office of the Secretaries, K H L Corporate Services Limited of No. 02, Deal Place, Colombo 03, 48 hours before the time appointed for the holding of the meeting.
3. If an Attorney has signed the Form of Proxy, the relative Power of Attorney should also accompany the completed Form of Proxy for registration, if such Power of Attorney has not already been registered with the Company.
4. If the shareholder is a company or a corporate body, the Proxy should be executed under its Common Seal in accordance with its Articles of Association or Constitution.
5. If there is any doubt as to how the vote is to be exercised, by reason of the manner in which the Form of Proxy has been completed, no vote will be recorded by the Form of Proxy.

Corporate Information

Name of the company

Dunamis Capital PLC

Legal form

Incorporated as a Public Company on 18 December 1985 under the provisions of the Companies Act No. 17 of 1982 and listed on the Colombo Stock Exchange in the year 1986, Re-registered under the Companies Act No. 7 of 2007 on 15 August 2007.

Registered office

No. 02, Deal Place, Colombo 03.

Company registration number

PQ 69

Board of directors

Ms. Manjula Mathews

Mr. Dinesh Schaffter

Mr. Nihara E. Rodrigo

Mr. A.D.E.I. Perera

Mr. Chandana L. de Silva

Secretaries and registrars

K H L Corporate Services Limited

No. 02, Deal Place

Colombo 03

Tel: 011-2639807, 011-2639878

Fax : 011-2639868

Lawyers

M/s. Neelakandan & Neelakandan

Attorneys-at-Law and Notary Public

M & N Building (Level 5)

No. 02, Deal Place

Colombo 03

External Auditors

M/s. KPMG

Chartered Accountants

32A, Sir Mahamed Macan Markar Mawatha

P.O. Box 186

Colombo 03

Principal bankers

DFCC Vardhana Bank PLC

Seylan Bank PLC

www.dunamis.lk



Dunamis Capital PLC
No 02, Deal Place,
Colombo 03, Sri Lanka