



DUNAMIS CAPITAL PLC

Igniting value

ANNUAL

REPORT

2015/16

DUNAMIS CAPITAL PLC

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DUNAMIS CAPITAL PLC
Igniting value

Vision

Igniting Value

Our Values

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

Who we are

Dunamis Capital PLC (the Company) is a strategic investor with principal interests in Financial Services, Real Estate Development and Manufacturing. Originally established in 1985 as Central Securities Limited, over time we have created a promising portfolio of growth oriented companies.

We currently exercise significant control over the underlying subsidiaries of First Capital Holdings PLC (CSE Ticker: CFVF) and Kelsey Developments PLC (CSE Ticker: KDL) in addition to Premier Synthetic Leather Manufacturers (Private) Limited (collectively the Group).

Listed on the Colombo Stock Exchange since 1986, we are traded under the ticker code CSEC.

Reflecting our comfortable liquidity conditions and other credit fundamentals we are rated BBB+ by ICRA Lanka.

OUR PRINCIPAL INTERESTS

FINANCIAL SERVICES		
First Capital Holdings PLC		75.1%
First Capital Limited*		75.0%
First Capital Treasuries PLC*		70.8%
First Capital Asset Management Limited*		74.0%
First Capital Markets Limited*		75.0%
First Capital Investments (Private) Limited*		75.0%
First Capital Equities (Private) Limited*		75.0%
First Capital Trustee Services (Private) Limited *		75.0%
MANUFACTURING		
Premier Synthetic Leather Manufacturers (Private) Limited		100%
REAL ESTATE DEVELOPMENT		
Kelsey Developments PLC		79.9%
Kelsey Property Developers (Private) Limited*		79.9%
Kelsey Homes (Private) Limited*		79.9%

Percentages reflect the Company's effective equity ownership. Asterisk (*) indicates indirect equity ownership through First Capital Holdings PLC or Kelsey Developments PLC as the case may be, of subsidiaries supporting respective core businesses.

First Capital Trustee Services (Private) Limited was incorporated after the balance sheet date of 31 March 2016. For further information on subsidiaries, related investment and post balance sheet events see notes 13 and 45 of the Notes to the Financial Statements.

FINANCIAL SERVICES

Our main interest in this segment is in First Capital Holdings PLC and its subsidiaries (First Capital Group). The First Capital Group capitalises on over 30 years of providing diversified financial services. The full service investment banking offering constitutes of Capital Markets Advisory, Fixed Income, Asset Management and Equities, with subsidiaries contributing distinct assets and capabilities. The First Capital Group serves an array of companies, institutions, government agencies, high net worth individuals and retail clients seeking objective advice, innovative solutions and execution expertise.

REAL ESTATE DEVELOPMENT

Kelsey Developments PLC and its subsidiaries (Kelsey Group) provide specialist operations in real estate development. Pooled expertise and resources are integral to the Kelsey offering which covers the full client service spectrum from land acquisition and sale to the design and development of residential solutions. Active mainly in Colombo and select rapidly modernising suburbs, the Kelsey Group has completed over 200 projects serving over 1,000 satisfied homeowners, creating a considerable portfolio of superior accommodation. The Kelsey Group continues to opportunistically expand its strategic land portfolio.

MANUFACTURING

Premier Synthetic Leather Manufactures (Private) Limited (Primo) is our main interest in the Manufacturing segment. Primo enjoys a unique position as 'first mover' in high-quality synthetic leather production in a predominately import-driven local market. Primo began operations in 2014 and employs a 100 strong workforce. The production facility has an annual capacity of approximately 7.0 million linear meters. Primo caters to retail and wholesale buyers of superior PVC in automotive, stationery applications, furnishing and interiors, acting as supply partner to several illustrious brands. To gain competitive advantage in this market dominated by inexpensive imports, Primo focuses on providing bespoke solutions with an array of functional and sensorial features.

IGNITING VALUE

We strive to create shareholder value and sustainable growth by investing in companies with the potential for superior earnings and dividend growth over the long term.

We continuously monitor and measure risks and opportunities against the risk appetite and risk-bearing capacity as determined by the Board of Directors.

HOW WE MANAGE OUR INVESTMENTS

We exert considerable influence on our underlying subsidiaries through executive board representation. We have decision-making involvement in all material aspects including the appointment and removal of directors, capital structure, mergers and acquisitions and business strategy.

We also strive to ensure that investee companies adhere to the Dunamis Capital Group perspectives and requirements in view of corporate values, governance, risk management, information management, brand and reputation building, human resource development and sustainability.

Non-subsidiary investments may comprise both listed and unlisted companies not controlled by the Company. Investments in which we do not have board representation are treated as our trading portfolio.

In keeping with our corporate philosophy of Igniting Value we offer strategic, financial and managerial support, creating a conducive environment for deal-making, strategic alliances, reputation building and innovation.

Going forward, we intend to manage our investments with a greater level of decentralisation, encouraging autonomous operations across our subsidiaries.

GROUP FINANCIAL HIGHLIGHTS

Year ended 31 March		2016	2015
Operating performance			
Revenue	Rs. '000	2,906,828	2,816,906
Profit/(Loss) before tax	Rs. '000	(396,837)	671,592
Profit/(Loss) after tax	Rs. '000	(414,515)	569,651
Financial position			
Total Assets	Rs. '000	25,186,331	24,012,720
Total shareholders' funds	Rs. '000	1,195,478	1,780,186
Stated capital	Rs. '000	445,994	445,994
Total liabilities	Rs. '000	23,990,853	22,232,534
Key indicators			
Earnings/(Loss) per share	Rs.	(3.57)	2.77
Net assets per share	Rs.	6.35	10.91
Market price per share	Rs.	17.00	23.90
Market capitalisation	Rs.	2,090,949,850	2,939,629,495
Number of shares issued		122,997,050	122,997,050

CHAIRPERSON'S REVIEW

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

OVERVIEW

Our diversified portfolio constitutes three principal interests - Financial Services, Real Estate Development and Manufacturing which reflected mixed performance in 2015/16. The prevailing macroeconomic and political transition proved challenging for the Financial Services segment represented by First Capital Holdings PLC and its subsidiaries (First Capital Group). The Real Estate Development segment represented by Kelsey Developments PLC and its subsidiaries (Kelsey Group) delivered strong pre-sales, profitability and improved performance across the business. The Manufacturing segment comprising Premier Synthetic Leather Manufacturers (Private) Limited (Primo) reflected anticipated early stage revenue growth underpinned by strategic improvements to product quality and distribution network.

FINANCIAL HIGHLIGHTS

Group Earnings

Group revenues increased marginally during the year under consideration to Rs.2.9 Bn. Revenue erosion in the Financial Services segment was more than off-set by combined revenues of the Real Estate Development and Manufacturing segments. The Group cost of sales rose to Rs. 2.2 Bn in 2015/16 relative to Rs. 1.3 Bn in the previous year, attributable mainly to the development activities of the Kelsey Group.

We reported a consolidated after-tax loss of Rs. 414 Mn during 2015/16 in comparison to a profit after tax of Rs. 570 Mn in the preceding year. The bottom line was negatively impacted by the decrease in First Capital Group's profitability due to adverse market conditions.

Dividends Paid

A total of Rs. 123 Mn was paid in dividends to shareholders, with Rs. 51 Mn paid to shareholders with non-controlling interest.

Cash Flow, Liquidity and Credit Rating

The Group's cash and cash equivalents recorded a net decrease of Rs. 347 Mn for the year compared with a decrease of Rs. 302 Mn in the previous year.

The Group funds its investments and operations from several capital sources, including commercial banks, the money market and debt market. We secured an issuer rating of BBB+ from ICRA Lanka which considers our liquidity position and

ability to invest further in the business operations and growth of our portfolio alongside credit fundamentals.

Performance of Principal Interests

As a strategic investor, we take a long-term view on our diversified portfolio. A significant component of our revenues traditionally comes from the Financial Services segment or more accurately the Fixed Income business of the First Capital Group, primarily driven by First Capital Treasuries PLC, its primary dealer, performance of which is interest rate sensitive.

With our corporate philosophy of Igniting Value we have over the years continued to capitalise on organic growth opportunities and supplemented them with select acquisitions. We have in place clear strategies for value addition to strengthen investee companies further. Although more needs to be done to strengthen respective business models, overall we are relatively satisfied with the positioning of our investments during a year of mixed fortunes.

FINANCIAL SERVICES

» Financial Highlights

The First Capital Group recorded a net trading income of Rs. 504 Mn reflecting a 67% decrease YoY. Results were severely impacted due to the Fixed Income business comprising mainly primary dealing underperforming in prevailing market conditions. First Capital Group's consolidated net profit amounted to Rs. 47 Mn reflecting a 95% decrease YoY from Rs. 985 Mn in 2014/15 which included a one-off gain of Rs. 233 Mn resulting from the deemed disposal of an equity investment.

» Strategy

Our long term strategy for the First Capital Group is ensuring scalability and sustainability of its diversified offering. The main focus lies in reducing reliance on the First Capital Group's Fixed Income business and gaining traction in fee based services – Capital Markets Advisory, Wealth Management and Equities.

Over 2015/16, despite the erosion in the Fixed Income business's performance, critical deal pipeline has been built and maintained in the First Capital Group's Capital Markets Advisory business. Notwithstanding the operational environment, strong corporate debt mobilisation of Rs. 16 Bn was recorded. First Capital's advisory arm ranked second highest in terms of debt IPO volumes on the CSE raising over Rs. 7 Bn for its clients in the calendar year. Distribution and reputation building reflected well in an expanded Wealth Management AUM

Chairperson's Review Contd.

of Rs. 5.4 Bn while the launch of First Capital Equity Fund, an ethical fund, enhanced its multi-asset focus. Simultaneously, international strategic alliances are being explored for furthering resilience in the Equities business.

Capital Markets Advisory and Wealth Management businesses of the First Capital Group in particular performed creditably recording a collective trading income of Rs. 167 Mn (Rs. 154 Mn in 2014/15). This reflects the capacity to earn stable fee income streams. Further potential for fee based services exists and will be exploited strategically, going forward.

REAL ESTATE DEVELOPMENT

» Financial Highlights

The sale of 45 residential units of the Templer's Square development in Mount Lavinia drove the Kelsey Group's revenues up to Rs. 1 Bn in 2015/16 up markedly from Rs. 103 Mn in 2014/15. Realised contribution from Templer's Square for the year amounted to Rs. 128 Mn. Performance strength reflects prevalent demand by target buyers for the Kelsey product and successful efforts to strategically coincide with the housing and economic cycle. A consolidated profit after tax of Rs. 54 Mn was recorded compared to an after-tax loss of Rs. 32 Mn in the previous year. The Kelsey Group's balance sheet was freed of long-term borrowings and a renewed financial diligence is in effect to minimise financial costs, mitigating the operating risks of delivery.

» Strategy

We perceive long-term value for the Kelsey Group due to the multiple demand growth drivers in residential real estate - continued rapid urbanisation, urban migration and improving disposable income. The group is differentiated as a provider of affordable semi-luxury residential solutions targeting discerning middle-income clientele. In the year under consideration demand conditions proved opportune within this target group.

The Kelsey Group has gained increased visibility over future profitability and cash generation from pre-sales and land holdings. Estimated contribution from pre-sales realisable in 2016/17 from Templer's Square, Mount Lavinia amounts to approximately Rs. 162 Mn. The

development pipeline constitutes of 98 residential units over a collective land extent of 33 acres encompassing Templer's Square, Mount Lavinia and Verdant Villas, Negombo.

The strategic land portfolio acquired at the start of the new financial year 2016/17 has a collective estimated saleable area of 1,054 perches and are situated in Mount Lavinia and Biyagama. These are earmarked to be opportunistically sold or developed to elicit value in the range of Rs. 1.5 Bn to Rs. 1.8 Bn.

Our strategy is to continue to exercise financial discipline while undertaking medium-term development projects aimed at a niche target group. Revenue is to be further complemented through strategic land acquisition that meets our hurdle returns.

MANUFACTURING

» Financial Highlights

Having commenced full scale commercial operation in 2014, Primo's revenues reflected the anticipated upward movement and corresponding increases in cost base as activity firmed up. In 2015/16 Primo revenues grew to Rs. 395 Mn from Rs. 141 Mn in the previous year. Revenue growth however has not been sufficient at this early stage to cover fixed costs, resulting in a net loss of Rs. 132 Mn for the year under consideration.

» Strategy

We see long-term value in leveraging on Primo's early mover advantage in a sizeable market for premium synthetic leather. Primo differentiates its product suite by providing sensorial and functional choice of colour, design, quality, consistency and availability. Through this distinction Primo intends to compete effectively with low quality imports with the vision of becoming the local market's preferred supplier. Currently Primo supplies several premium brands in the automotive, interior, furniture and stationery applications sectors. Through renewed efforts on marketing, distribution and reputation building we intend to secure the necessary demand levels to support requisite capacity utilisation, economies and revenue enhancement.

OPERATIONS AND TEAM DEVELOPMENT

We provide effective internal operations within our standalone investment arm and also services such as human resources, risk management and finance shared across the Group. Skilled and experienced managers regularly review policies and practices governing internal controls designed to ensure the consistent achievement of relevant objectives.

Our core operational team has been strengthened through senior hires during the year. To improve the effectiveness of our treasury, corporate finance and portfolio management functions, our employees have undergone external technical training programmes and business workshops during the year.

CORPORATE GOVERNANCE

The Board of Directors is ultimately accountable for the performance of the Company and consider strategy, risk management, profitability and sustainability as inseparable. The Group embraces shared values which include integrity and accountability amongst others. To ensure transparency, fairness and objectivity, we have adopted best practices in corporate governance and compliance as a company listed on the CSE. Details relating to corporate governance appear on pages 22 to 23 of the Annual Report.

Risk management is pivotal to our sustainability and the Board considers it a component of good governance helping safeguard shareholders' interests and the Group's assets. More details relating to our principal risks and risk mitigation appear on pages 10 to 15 of the Annual Report.

IN CLOSING

We are cautiously optimistic about regaining momentum in the coming year. At the time of publication of this report, there is greater clarity regarding the monetary policy stance and interest rate environment. Hence, there is some cause for positivity for our Financial Services segment and we anticipate improved market conditions, deal flows and trading opportunities as the year advances.

We intend to navigate the operational challenges posed on the non-financial interests of Real Estate Development and Manufacturing in line with the applicable strategies, being mindful of their inherent cyclicity and risks.

We are confident that our strengths – distinctive strategic positioning, team expertise and capabilities as well as an enhanced focus on shared values would enable us to succeed in the long term.

My sincere gratitude goes to my fellow Board members for providing invaluable counsel and strategic direction. I wish to also mark with a sense of loss the passing of a respected Board member, Nihara Rodrigo, President's Counsel.

I wish to thank the management and staff for their continued commitment and efforts.

My sincere thanks go to our stakeholders including shareholders, clients, regulators and business partners whose support is pivotal to our smooth functioning.

I look forward to sharing news of our progress with you in the future.

(Sgd.)

Manjula Mathews
Chairperson

BOARD OF DIRECTORS

MANJULA MATHEWS
MBA (Cantab), FCMA (UK)
Chairperson

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

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

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

Other principal appointments

Chairperson: First Capital Holdings PLC, Kelsey Developments PLC, Premier Synthetic Leather Manufacturers (Private) Limited

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

DINESH SCHAFFTER
LLB (Hons), Executive MBA (INSEAD), ACMA (UK)
Managing Director

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

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

Other principal appointments

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

EARDLEY PERERA
Chartered Marketer
Independent Non-Executive Director

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

Other principal appointments

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

CHANDANA L. DE SILVA
BSc(Lond), FCA (England & Wales), FCA (SL)
Independent Non-Executive Director

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

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

Other principal appointments

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

SALIYA WICKRAMASURIYA

BSc (Hons) (Lough)

Independent Non-Executive Director

Saliya Wickramasuriya, a physicist by training, joined the upstream oil and gas industry in 1984, working for Schlumberger, the world's largest oilfield services provider. Following 12 years on rigs as a Wireline Field Engineer, he held training, operations management, product development and marketing positions in the North Sea, Middle East, USA and West Africa.

He was appointed Chairman/Director General of the Sri Lanka Board of Investment in 2004 and Chairman of the Sri Lanka Ports Authority from 2006 to 2008. He is currently the Director General of the Petroleum Resources Development Secretariat, an institution tasked with developing Sri Lanka's emerging oil and gas industry.

Saliya holds a Bachelor of Science (Honours) Degree in Engineering Physics from Loughborough University, UK and through his various assignments, possesses extensive experience in a spectrum of technical and marketing disciplines as well as areas of strategy and national policy development.

Other principal appointments

Director: RemediumOne (Private) Limited, Heritors Holdings (Private) Limited

NISHAN DE MEL

BA (Harvard), MPhil (Oxon), DPhil (Oxon)

Independent Non-Executive Director

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

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

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

Other principal appointments

Director: Verite Research (Private) Limited, Hideaway Homes (Private) Limited, Eureka Technology Partners (Private) Limited, 24/7 Techies (Private) Limited, Ainsa (Private) Limited

NIHARA E. RODRIGO*

President's Counsel

Independent Non-Executive Director

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

Other principal appointments:

Non-Executive Director: First Capital Holdings PLC, Premier Synthetic Leather Manufacturers (Private) Limited

**Nihara Rodrigo passed away in August 2015*

RISK MANAGEMENT

AN INTEGRATED APPROACH

Dunamis Capital PLC (the Company) is an investment holding company. To effectively manage risk, we take cognisance of the risks and opportunities impacting the Company and its principal interests in Financial Services, Real Estate Development and Manufacturing (collectively the Group) and other portfolio investments.

In our view, ethical leadership and teams which share Group-wide values are central to executing risk management by ensuring entrepreneurial spirit, effective corporate governance and focus on reputation. The successful management of our portfolio is dependent upon the all-inclusive understanding of the businesses of our investee companies.

The sustainability of investee companies is dependent upon their ability to identify market trends and other operational challenges which can materially impact their businesses. Through executive representation on the Boards of investees by the Company's Board, we exert significant influence on their day to day operation, whilst providing financial, operational and strategic support. As such, both Company level and investee-specific risk management frameworks are interactive, and collectively provide comprehensive strategic and control processes to address Group-wide risk.

RISK MANAGEMENT STRUCTURE

Group risk management begins with oversight by the Company's Board of Directors. The Board holds quarterly meetings and monthly performance reviews at which strategy and performance are a central focus together with embedded risk management aspects. Board interest prevalently rests on principal risks including strategic risk, reputational risk, regulatory risk, investment risk, market risk, people and retention risk and credit risk amongst others discussed in detail in the Risk Matrix.

The Board retains overall authority regarding the determination of risk appetite and risk parameters in the course of achieving corporate objectives. Acting within delegated authority of the Board, the Audit Committee, headed by an Independent Non-Executive Director, is mandated to monitor and review the array of financial and non-financial risks we are exposed to. It also evaluates the risk management process and effectiveness of the systems of internal control in place. The Group's Risk and Compliance division is tasked to render combined Group risk assessment and report on significant exposures to the Audit Committee.

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

Self-governing risk management structures exist at investee company level. Investee companies are primarily responsible for managing risk within each of their businesses. Investees ensure that appropriate, adequately designed and effective risk management frameworks are in place and that these are compliant with the Group's risk governance standards. Extant risk reporting structures are appropriately segregated by responsibilities applicable to business operations and risk management.

Our approach to risk management is designed to provide reasonable, but not absolute, assurance that our assets are safeguarded, the risks impacting the business are continuously assessed and mitigated and all information required to be disclosed is reported to the senior management. Risks are prioritised through the assessment of impact and probability. Under the Company's Impact/Probability methodology, risk impact varies from Critical to Low and the probability of occurrence from Certain to Remote, defining their potential impact on cash flow, operating results, financial position and reputation.

RISK MATRIX

Due to the diversity of our portfolio, the following risk matrix focuses on the key risks of the Company and its subsidiaries, except where the materiality of such information is deemed insufficient to warrant detailed disclosure.*

Identified Risk	Mitigation Measures
<p>STRATEGIC RISK</p> <p>Strategic risk refers to the uncertainties and untapped opportunities embedded in our strategies and how well they are executed.</p> <p>In view of our current business model, related control objectives encompass how effectively we manage our portfolio and the appropriateness of our investment strategy.</p> <p>Strategic risk may also refer to the circumstance where adopting and executing our strategic objectives may inevitably diverge from requisite ethical compliance.</p>	<p>We exert significant influence over the management of underlying investee companies to ensure that strategies, goals and deliverables are met and that salient risks are duly managed.</p> <p>We have adopted and implemented an appropriate long-term strategy within Board approved risk appetite. Strategies are duly communicated to the Company’s management and through respective Board representation and Group-wide communication, to our investees. The Company’s Board meets on a quarterly basis and holds monthly performance reviews. Management meetings headed by the CEO are held on a weekly basis to ascertain that performance goals are on target and aligned with strategy.</p> <p>We have instated an ethical and visible leadership via governance structures and related processes. An embedded system of shared values include integrity, accountability, teamwork and a performance driven culture. Maintenance thereof across the Group supports the alignment of strategic intent and compliance.</p>
<p>REPUTATION RISK</p> <p>Reputational risk is the potential for loss of earnings and adverse impact on market capitalisation resulting from stakeholders taking a negative view on the Company and/or its actions.</p> <p>Maintaining the significance of our corporate presence in the investment environment is vital as this enables us to acquire meaningful stakes in selected investment opportunities.</p> <p>The reputation of our investee companies also determine sustainability of respective businesses in terms of stakeholder value, customer and investor confidence and consequently Group earnings.</p>	<p>We have a defined business approach and investment strategy. Funds are carefully targeted at investments underpinned by strong long-term fundamentals that support a solid viability case. We act as effective strategic /private investors from due diligence to exit. Through executive board representation in our investee companies, we exercise day to day operational oversight and provide financial and strategic support.</p> <p>The Group marketing team engages in strengthening stakeholder engagement including investor relations. We have enhanced our strategy in brand and reputation building raising public awareness regarding our business focus and that of our investee companies. Particularly with respect to the Financial Services segment, public awareness has been raised regarding the governance and ethical perspectives via the web and other media.</p>

Risk Management Contd.

Identified Risk	Mitigation Measures
<p>Reputation Risk Contd.</p>	<p>An embedded system of shared values and ethics and maintenance thereof is in place Group-wide. Formalised corporate values and codes of conduct are in effect at the Company and investee level.</p> <p>We continuously encourage our collective teams through shared values and established processes to focus on reputation in all decision making, including client and supplier related interactions.</p> <p>Our investee companies conduct constant service level reviews and provide proactive responses to client feedback in mitigating reputational risk.</p> <p>Other key risks discussed in this matrix also impact reputation. We have detailed at length, controls in effect to mitigate such financial and operating risks.</p>
<p>INVESTMENT RISK</p> <p>The Company's investment choices and how they are managed affect the long-term growth and profits of our business.</p> <p>Investment risk is defined as the probability of not achieving the returns as per expectations.</p> <p>Control objectives include not only successful portfolio management but also ensuring that opportunity risks are managed to avoid the loss of investment opportunities that meet our investment criteria.</p>	<p>Our range of strategies and our business plans are designed to ensure that resources are prioritised towards those investment alternatives having significant long-term upside potential.</p> <p>We have a defined investment strategy and evaluation process. Early identification of irregular investee risk profiles is enabled through internal processes centering on portfolio performance analysis.</p> <p>Fortnightly Investment Committee meetings ensure key investment decisions are preceded by comprehensive analysis, detailed reporting and key management consensus.</p> <p>To mitigate opportunity losses, our experienced investment managers have efficient operational processes and controls in place. Senior level support in the negotiation processes and comprehensive due diligence aids in minimising lost opportunities.</p>
<p>MARKET RISK</p> <p>This is the risk of a change in the actual or effective market value or earnings of a portfolio of financial instruments caused by adverse movements in market variables such as equity, bond prices, foreign exchange and interest rates, credit spreads, recovery rates and correlations, as well as implied volatilities in all of the above.</p>	<p>Market risks are reviewed and monitored across the Group. Key fundamentals monitored include liquidity risk, asset pricing and interest rate risk.</p> <p>The dedicated research team of the Financial Services segment provides insights to the management regarding the potential impact of market and macroeconomic conditions on our financial portfolio, related forecasts and market risks.</p>

Identified Risk	Mitigation Measures
<p>INTEREST RATE RISK</p> <p>Interest Rate Risk refers to the probability that financing activities would be affected by fluctuations in market interest rates.</p> <p>Adverse movement in interest rates will affect our income and the value of our portfolios.</p>	<p>Financial models enabling simulation and projections have been developed to support informed decisions on the impact of interest movements on the Group's performance.</p> <p>The Financial Services segment reports a daily sensitivity reading on financial assets and reviews this against preset limits to ensure imminent risks are identified and mitigated.</p>
<p>LIQUIDITY RISK</p> <p>We may face the potential risk of not having sufficient funds in the short term to meet financial obligations.</p> <p>A material and sustained shortfall in our cash flow could undermine our credit rating, impair investor confidence and also restrict our ability to raise funds.</p>	<p>A sound cash administration and funding strategy is in place to mitigate liquidity risk.</p> <p>We maintain diverse sources of finance. Terms of trade with banks are reviewed to ensure adequate risk sharing.</p> <p>We also have a secure controlled environment to administer liquidity management.</p>
<p>FOREIGN EXCHANGE RISK</p> <p>Adverse movements and fluctuations in foreign exchange rates against the domestic currency could affect the pricing strategy and the cost model of the Manufacturing segment.</p> <p>Exchange rate movements also affect interest rates which impact our profitability either directly or indirectly through our principal interests.</p>	<p>Exchange rate movements are regularly monitored for currencies where the Group carries exposure.</p> <p>The Manufacturing segment follows a cost plus pricing strategy to mitigate potential foreign exchange risk.</p>
<p>CREDIT RISK</p> <p>Credit risk is the possibility of losses resulting from the failure or unwillingness of a borrower or counterparty to meet contractual obligations.</p>	<p>The Company ensures that credit decisions are made on a rational basis, in accordance with approved policies and procedures. Credit customers are, where appropriate, subject to a credit analysis before establishing business relationships.</p> <p>The Financial Services segment effects detailed controls for credit risk sub-areas inclusive of concentration and counterparty risk.</p> <p>Effective collateral management and customer screening methods under the independent review of Risk and Compliance division aids in mitigating counter party and default risk embedded in credit.</p> <p>In the Manufacturing segment, an appropriate level of credit appraisal, collateral management and debtor- management is carried out on sole distributors and corporate customers.</p>

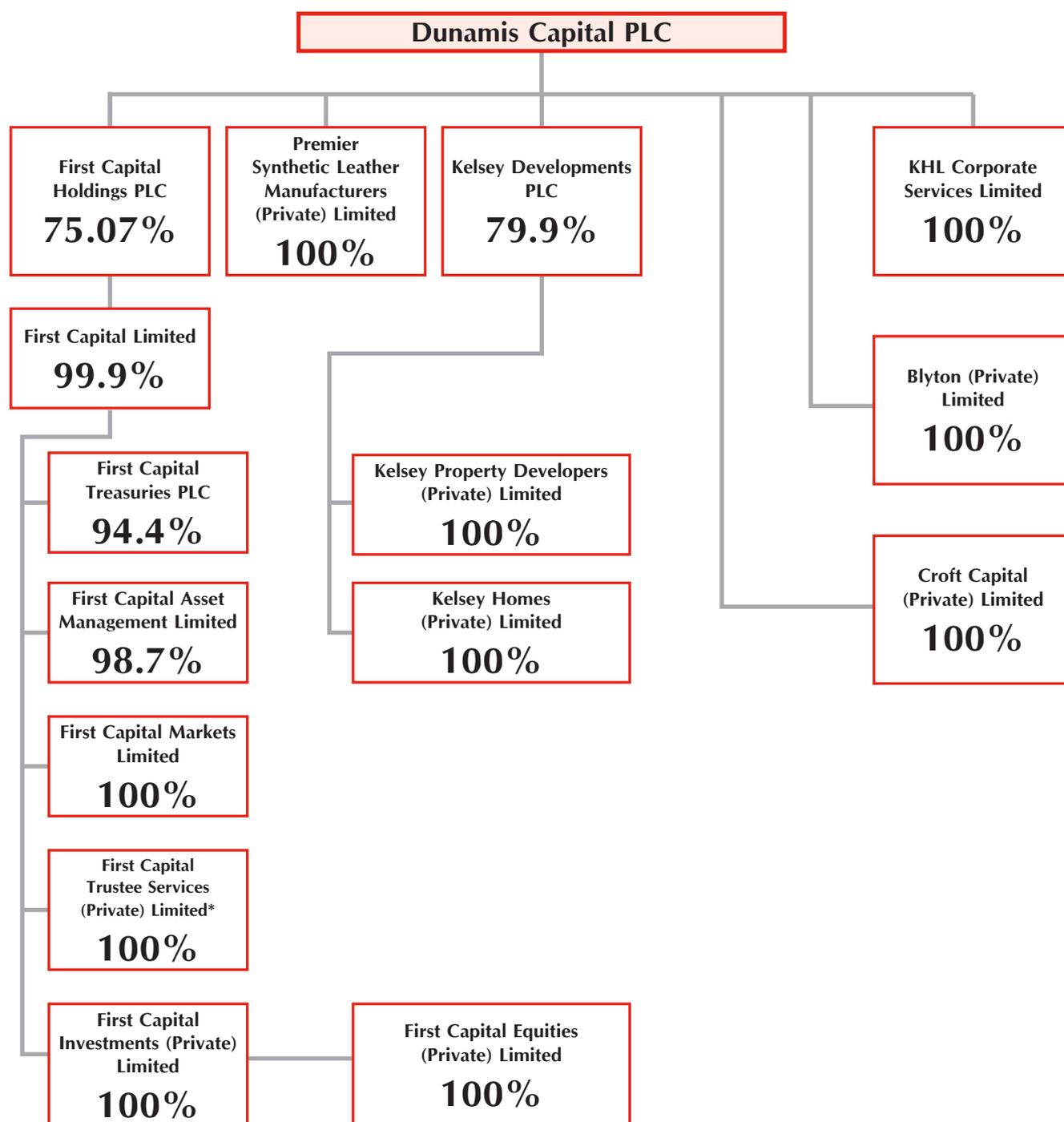
Risk Management Contd.

Identified Risk	Mitigation Measures
<p>REGULATORY RISK</p> <p>Compliance with laws and regulations is an essential part of the Group's business operations, with particularly stringent requirements applicable to the regulated and/or listed businesses.</p> <p>Failure to comply with laws and regulations could expose the Group to civil and/or criminal actions leading to damages or fines against us and/or our employees with possible consequences on our corporate reputation.</p> <p>Changes to laws and regulations could have a material impact on the cost of doing business.</p>	<p>The Group is committed to complying with the laws and regulations applicable for each business line which it operates in.</p> <p>Our legal and regulatory specialists are focused on monitoring and reviewing our practices to provide reasonable assurance that we remain aware of and in line with all relevant laws and legal obligations.</p>
<p>PEOPLE AND RETENTION RISK</p> <p>A skilled workforce is essential for the continued success of our business. Our ability to attract, develop and retain suitably skilled and experienced people is critical for our growth and competitiveness.</p> <p>The loss of management or other key personnel or the inability to identify, attract and retain qualified personnel could adversely affect operations and financial results.</p>	<p>We have a centralised Human Resources function across the Group. An integrated management development process which includes regular performance appraisals is in place. These are underpinned by documented job descriptions detailing common skills, competencies and the leadership behavioral framework.</p> <p>We have an effective Remuneration Committee in place. Remuneration is kept at competitive levels relative to those prevailing in the market.</p> <p>We have targeted programmes to retain superior talent at senior level. We maintain close dialogue with key personnel Group-wide through the centralised HR function.</p>
<p>PROCESS AND OPERATIONAL RISK</p> <p>Process and operational Risk is the risk of losses resulting from inadequate or failed internal processes and operations, including financial, administration, human resources and all other departmental activities of the Company and wholly owned subsidiaries under the control of the management of the Company.</p>	<p>Extensive on-going training is provided to ensure that employees are fully aware of their responsibility of complying with correct operational procedures in order to optimize operational efficiency and individual accountability at all levels of the Group.</p> <p>Skilled and experienced managers regularly review policies and practices governing internal controls designed to ensure the consistent achievement of relevant objectives.</p>
<p>SUPPLY CHAIN RISK</p> <p>Disruptions to the resource supply chain and adverse dependencies and concentration of suppliers, could adversely affect the Group's sustainability, specifically in its Real Estate Development and Manufacturing segments.</p>	<p>To ensure the smooth functioning of business operations and mitigate supply chain risk the following broad measures are in place ;</p> <ul style="list-style-type: none"> » Input product and service quality is closely monitored to ensure they meet the rigorous quality standards required and suppliers are reviewed regularly for supply effectiveness and reliability.

Identified Risk	Mitigation Measures
<p>Supply Chain Risk Contd.</p> <p>The Group's Financial Services segments in particular its fund based operations require diversification of funding sources at the best price, close matching of duration/tenor with minimum downside volatility to minimise funding liquidity risk.</p>	<ul style="list-style-type: none"> » Supplier portfolios are constantly expanded and balanced to minimise dependencies whilst building win-win relationships with the better suppliers. » Macro environmental risks that impact the supply chain are monitored and assessed to minimise the impact on the supply chain of the Group. » Price and price volatility is minimised whilst maintaining minimum tenor mismatches and sources of funding are diversified, particularly in relation to the Financial Services segment.
<p>SYSTEM AND INFORMATION RISK</p> <p>Our operations are increasingly dependent on IT systems and the management of information and consequently a greater emphasis is placed on the need for secure and reliable IT systems and infrastructure and careful management of the information that is in our possession.</p> <p>Disruption of IT systems could inhibit the Group's business operations in a number of ways, including disruption to trading and investment, production, cash flows, information sharing, administration and communication, ultimately impacting results.</p>	<p>Group IT policy has been updated to reflect the dynamic changes that are taking place in the global technological environment.</p> <p>We have policies covering the protection of both business and personal information, as well as the use of IT systems and applications by our employees.</p> <p>Our employees are trained to understand and observe these requirements. Vendor and outsourcing relationships are governed by service level agreements.</p> <p>A comprehensively documented Business Continuity Plan is in place, validated by external consultants and our staff is fully trained in its operation in the event of a disaster.</p> <p>Bi-annual DR drills are conducted and validated by external experts to further enhance the Group's preparedness to face a potential business disruption caused by a disaster to our primary business and data centers.</p>

**Risk Management practices in effect at First Capital Holdings PLC and Kelsey Developments PLC, our listed investees, are set out in detail in respective annual reports, which are publicly available.*

GROUP STRUCTURE



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

FINANCIAL CALENDAR 2015/16

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

REPORTS	DATE OF RELEASE
1st Quarter 2015/2016 Interim Financial Report (Unaudited)	13 August 2015
2nd Quarter 2015/2016 Interim Financial Report (Unaudited)	13 November 2015
3rd Quarter 2015/2016 Interim Financial Report (Unaudited)	15 February 2016
4th Quarter 2015/2016 Interim Financial Report (Unaudited)	20 May 2016

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 2016 which were approved by the Directors on 02 August 2016.

REVIEW OF OPERATIONS

The Company reported a loss after tax of Rs. 44 Mn. A more comprehensive review of the operations of the Company during the financial year is contained in the Chairperson's review on pages 5 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.

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.

FINANCIAL RESULTS

The Group's net loss after tax was Rs. 414 Mn compared with net profit after tax of Rs. 570 Mn in the previous year.

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

	2015/16 Rs.'000	2014/15 Rs.'000
Revenue	2,906,828	2,816,906
Profit/(Loss) before tax	(396,837)	671,592
Profit/(Loss) after tax	(414,515)	569,651
Total Comprehensive income/(expense)	(409,520)	356,797
Attributable to equity		
holders of the parent	(437,732)	193,034
Non- controlling interests	28,212	163,763
Total	(409,520)	356,797

The financial statements of the Company are set out in pages 28 to 93 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 21 of the Annual Report.

DIRECTORATE

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

1. Ms. Manjula Mathews
2. Mr. Dinesh Schaffter
3. Mr. Eardley Perera
4. Mr. Chandana de Silva
5. Mr. Saliya Wickramasuriya
6. Dr. Nishan de Mel

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

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

Directors and their shareholdings as at 31 March 2016 were as follows :

	No. of Shares 31.03.2016	No. of Shares 31.03.2015
Ms. Manjula Mathews	38,564,398	32,419,346
Mr. Dinesh Schaffter	20,274,918	20,274,918
Mr. Eardley Perera	Nil	Nil
Mr. Chandana de Silva	300,000	130,000
Mr. Nihara Rodrigo	N/A	13,000
Mr. Saliya Wickramasuriya	Nil	Nil
Dr. Nishan de Mel	Nil	Nil

RESIGNATION /RETIREMENT AND RE-ELECTION

Mr. Saliya Wickramasinghe retires by rotation in terms of the Articles of Association of the Company and being eligible offers himself for re-election.

In terms of Section 211 of the Companies Act No. 07 of 2007, Mr. Eardley Perera who is 70 years of age, retires from the Board at the Annual General Meeting and offers himself for reappointment.

The continuing Directors recommend both the re-election and the re-appointment.

RELATED PARTY TRANSACTIONS

Related party transactions of the Company have been reviewed by the Related Party Transactions Review Committee and declared at meetings of the Directors and are detailed in Note 48 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 has control or exercises significant influence have been classified as related party transactions where appropriate and disclosed in Note 48 to the financial statements.

REMUNERATION AND FEES

Details of Directors' remuneration and fees are set out in Note 9 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 out its business in an orderly manner, safeguard its assets and to secure as far as possible the reliability and accuracy of records.

A comprehensive report on risk management is presented on pages 10 to 15 of the Annual Report.

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. Compliance with recommended Corporate Governance practices are disclosed in pages 22 to 23 of the Annual Report.

The performance of the Company is evaluated at 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 2015/16.

SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted in the preparation of the financial statements are given on pages 35 to 49. There were no changes in the accounting policies adopted by the Company during the year under review from those adopted in the preceding year.

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 except for as stated in Note 43.

CAPITAL EXPENDITURE

Details of capital expenditures and their movements during the year are given in Note 12 to the financial statements.

RESERVES

The movements in reserves during the financial year 2015/16 have been presented in the Statement of Changes in Equity on pages 31 to 32 to the Financial Statements.

INCOME TAX EXPENSES

Income tax expenses have been computed in accordance with the provisions of the Inland Revenue Act No. 10 of 2006 and subsequent amendments thereto as disclosed in Note 10.1 to the financial statements.

STATED CAPITAL

The stated capital of the Company as at 31 March 2016 was Rs. 445.9Mn consisting of 122,997,050 ordinary shares.

Annual Report of the Board Of Directors Contd.

SHARE INFORMATION AND SUBSTANTIAL SHAREHOLDERS

As at 31 March 2016, there were 2,564 registered shareholders. Share information and the twenty largest shareholders as at 31 March 2016 are listed on pages 94 to 95 of the Annual Report.

Information relating to market value of a share and information on share trading is stated under Shareholder and Investors' information on pages 94 to 95 of the Annual Report.

CORPORATE DONATIONS

During the year under review the Group made charitable donations of Rs. 7 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 occurring after the financial reporting date which require an adjustment to or a disclosure in the financial statements, other than as disclosed in Note 45 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 9 to the financial statements.

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

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

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

INDEPENDENT AUDITOR'S REPORT

The independent Auditor's report on the financial statements is given on pages 26 to 27 of the Annual Report.

AUDITOR'S RIGHT TO INFORMATION

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

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

ANNUAL GENERAL MEETING

The 31st Annual General Meeting of the Company will be held on 02 September 2016. The notice convening the meeting and the agenda are given on page 103.

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

(Sgd.)

Manjula Mathews
Chairperson

(Sgd.)

A.D.E.I. Perera
Director

02 August 2016
Colombo

STATEMENT OF DIRECTORS' RESPONSIBILITY

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

The Directors of the Company are responsible for ensuring that the Company and its subsidiaries keep proper books of accounts of all the transactions and prepare and present financial statements to the shareholders in accordance with the relevant provisions of the Companies Act, No. 7 of 2007 and other statutes which are applicable in the preparation of financial statements. The financial statements comprise of the Statements of Financial Position as at 31 March 2016, the Statement of Comprehensive Income, Statement of Changes in Equity, Statement of Cash Flows for the year ended and Notes thereto. The Directors are required to prepare these financial statements on a going concern basis unless 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 2016 and
- » the profit and loss of the Company and its subsidiaries for the financial year then ended.

The financial statements of the Company and its Subsidiaries for the year ended 31 March 2016 incorporated in this report have been prepared in accordance with the Companies Act, No. 7 of 2007, the Sri Lanka Accounting Standards (LKASs/SLFRSs) 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 02 August 2016 in accordance with Section 150 (1) (c) and 152 (1) (c) of the Companies Act.

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

proper books of accounts and regularly review financial reports at their meetings. The Board also reviews and approves all interim financial statements prior to their release.

The Board of Directors accepts the responsibility for the integrity and objectivity of the financial statements presented. The Directors confirm that the financial statements have been prepared using appropriate Accounting Policies on a consistent basis and appropriate estimates and judgments are 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 systems.

The Auditors of the Company, Messrs KPMG, Chartered Accountants, who were reappointed in accordance with a resolution passed at the last Annual General Meeting were provided with all necessary information required by them in order to carry out their audit and to express an opinion which is contained on pages 26 to 27 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
Secretaries

02 August 2016
Colombo

CORPORATE GOVERNANCE

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

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 four Non-Executive Independent Directors and two Executive Directors all of whom possess a broad range of skills and experience across a range of industries and functional areas. Detailed profiles of each member of the Board are provided in a separate section of this Annual Report. (pages 8 to 9)

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

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

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

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

The Directors are responsible for the formulation of the Company's business strategy and in ensuring the existence of an adequate risk management framework. The Non-Executive

Directors bring independent judgment to bear on issues of strategy and performance. The Board is satisfied with the effectiveness of the system of internal control in the Company for the period up to the date of signing the Financial Statements.

The Board carries responsibility for ensuring that the senior management team possesses the relevant skills and expertise required in the management of the Company and that a suitable succession planning strategy is in place. Directors also ensure adherence to laws and regulations pertaining to the functioning of the organisation. The Finance Manger functions as the Compliance Officer to ensure compliance with all regulatory and statutory requirements and proper reporting of all compliance matters to the Board.

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

The Non Executive Directors of the Board have submitted declarations of their independence, as required by the listing rule 7.10.2(b). The Board regularly evaluates the independence of the Directors and is satisfied with their independence.

The Remuneration Committee consists of two Non-Executive Directors namely, Mr. Eardley Perera and Mr. Chandana de Silva. Mr. Eardley Perera functions as the Chairman of the committee. Mr. Nihara Rodrigo functioned as the Chairman of the Remuneration Committee until his demise in August 2015 and Mr. Eardley Perera was appointed as the Chairman in place of Mr. Nihara Rodrigo with effect from August 2015. The committee is mandated with ensuring accountability, transparency and fairness in reward structures that recognise the relationship between performance and reward. The committee functions with delegated authority from the Board and is responsible for setting the Company's remuneration policy and ensuring its continued ability to attract and retain high caliber candidates.

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

The Audit Committee comprises of two Non-Executive Directors namely Mr. Chandana de Silva as the Chairman and Mr. Eardley Perera. The committee met five times up to the date of approval of Mr. Nihara Rodrigo functioned as a member of the Audit Committee until his demise in August 2015. Prior to Mr. Eardley Perera's appointment in July 2016, Mr. Saliya Wickramasinghe functioned as an Audit Committee member. The Committee reviews all management 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.

The Related Party Transactions Review Committee was established during the year 2015/2016 comprising of two Non-Executive Directors and an Executive Director namely, Mr. Saliya Wickramasuriya, Mr. Chandana de Silva and Mr. Dinesh Schaffter. Mr. Saliya Wickramasuriya functioned as the Chairman of the Committee and Mr. Eardley Perera was appointed to the committee as the Chairman in place of Mr. Saliya Wickramasuriya with effect from 13 July 2016.

The company has adopted the Code of Best Practice on Related Party Transactions and complied with the requirements under Section 9 of the Listing Rules of The Colombo Stock Exchange.

Messrs KHL Corporate Services Limited serve 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. The Company Secretaries keep the Board informed of relevant new regulations and requirements.

AUDIT COMMITTEE REPORT

COMPOSITION

The Audit Committee of Dunamis Capital PLC has oversight over Dunamis Capital PLC and selected subsidiaries including the listed entity Kelsey Developments PLC and its subsidiaries. The Audit Committee is comprised of two Independent Non-Executive Directors of the Company and is chaired by Mr. Chandana de Silva.

The other member of the Board appointed Audit Committee is Mr. Eardley Perera. Mr. Nihara Rodrigo functioned as a member of the Audit Committee until his demise in August 2015. Prior to Mr. Eardley Perera's appointment in July 2016, Mr. Saliya Wickramasinghe functioned as an Audit Committee member.

Brief profiles of the members of the Board appointed Audit Committee are given on pages 8 to 9 of the Annual Report.

MEETINGS

Five audit committee meetings were held during the year under review. The Chairperson, Managing Director, Chief Financial Officer, Chief Operating Officer, Finance Manager, External Auditors and Internal Auditors of the selected subsidiaries 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:

- » reviewing quarterly accounts and 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 underlying rationale and basis for the significant estimates and judgments in 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 actions taken by management to ensure that the recommendations contained in the management letter were implemented was reviewed. Further, the draft annual financial statements for 2015/16 were also reviewed with the External Auditors prior to release.

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

The fees payable to the Auditors were recommended by the Committee to the Board for approval.

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

(Sgd.)

Chandana de Silva

Chairman – Audit Committee

02 August 2016

Colombo

RELATED PARTY TRANSACTIONS REVIEW COMMITTEE REPORT

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

PURPOSE OF THE COMMITTEE

The purpose of the Related Party Transactions Review Committee (the Committee) as set out in its Charter which was adopted by the Board with effect from 23 December 2015 is to review in advance proposed related party transactions, other than those transactions explicitly exempted in conformity with the listing rules, which are not of an on-going or recurrent nature and in the case of related party transactions which are of an on-going or recurrent nature, to establish guidelines for the senior management to follow.

COMPOSITION OF THE COMMITTEE

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

Mr.Saliya Wickramasuriya- Independent Non-Executive Director (Chairman)*

Mr.Chandana de Silva- Independent Non-Executive Director
Mr.Dinesh Schaffter – Managing Director

* (Resigned on 13 July 2016)

Mr. A.D.E.I. Perera was appointed to the committee as the Chariman in place of Mr.Saliya Wickramasuriya with effect from 13 July 2016.

The Company Secretary functions as the Secretary to the Committee.

MEETINGS

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

DURING THE YEAR UNDER REVIEW:

Non-recurrent related party transactions which exceeded the thresholds were immediately disclosed to the market as per Section 9 of the Continuing Listing Requirements of the CSE. Non-recurrent related party transactions that require disclosure in the Annual Report are given in Note 48.5.1 of the Financial Statements.

There were no recurrent related party transactions that exceeded the thresholds that required the immediate market disclosure or shareholder approval as required under Section 9 of the Continuing Listing Requirements of the CSE. Recurrent related party transactions that require disclosure in the Annual Report are given in Note 48.5.2 of the Financial Statements.

DECLARATION BY THE BOARD OF DIRECTORS

A declaration by the Board of Directors relating to compliance under the listing rules is given on pages 22 to 23 of the Annual Report.

(Sgd.)

A.D.E.I. Perera

*Chairman – Related Party
Transactions Review Committee*

02 August 2016
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 statement of financial position as at March 31, 2016, and the statements of profit or loss and other comprehensive income, changes in equity and, cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information set out on pages 28 to 93 of the annual report.

Board's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation

of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Board, as well as evaluating the overall presentation of the financial statements.

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

Opinion

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

Without qualifying our opinion on the consolidated financial statements, we draw attention to;

- » Note 43 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.
- » Note 16.1 to the financial statements regarding the matter relating to the acquisition notice issued under sub-section (1) of section 5 of the Land Acquisition Act in the Gazette notification, No. 1885/20 dated 20 October 2014, in respect of the investment property situated at Upper Lake Road, Nuwara Eliya.



Report on Other Legal and Regulatory Requirements

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

- a) The basis of opinion and scope and limitations of the audit are as stated above.
- b) In our opinion:
 - » we have obtained all the information and explanations that were required for the audit and, as far as appears from our examination, proper accounting records have been kept by the Company,
 - » The financial statements of the Company, give a true and fair view of its financial position as at March 31, 2016, and of its financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

Without qualifying our opinion on the financial statements of the Company, we draw attention to;

- » Note 22.1 to the financial statements which explains recoverability of Rs. 615 Mn from Blyton (Pvt) Limited (a fully owned subsidiary) will depend on the outcome of the acquisition notice issued by the government under sub-section (1) of section 5 of the Land Acquisition Act in the Gazette notification No. 1885/20 dated 20 October 2014, for the property situated at Upper Lake Road, Nuwara Eliya.
- » The financial statements of the Company, and the Group comply with the requirements of sections 151 and 153 of the Companies Act No. 7 of 2007.

A handwritten signature in black ink, appearing to be 'KPMG'.

CHARTERED ACCOUNTANTS

Colombo

02 August 2016

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March	Note	Group		Company	
		2016 Rs. '000	2015 Rs. '000	2016 Rs. '000	2015 Rs. '000
Revenue	4	2,906,828	2,816,906	-	-
Cost of sales		(2,187,501)	(1,281,299)	-	-
Gross profit		719,327	1,535,607	-	-
Dividend income		45,411	1,400	189,412	305,074
Other income	5	125,043	309,410	270,644	230,426
		889,781	1,846,417	460,056	535,500
Gain/(loss) on fair valuation of financial investments- held for trading	6	(200,125)	(195,414)	(94,151)	109,278
		689,656	1,651,003	365,905	644,778
Operating Expenses					
Distribution expenses		(84,172)	(79,002)	-	-
Administrative expenses		(588,918)	(502,313)	(113,110)	(64,714)
Other expenses	7	(127,439)	(204,084)	(31,070)	(30,661)
Finance expenses	8	(295,570)	(199,937)	(262,650)	(213,026)
		(406,443)	665,667	(40,925)	336,377
Share of profit from equity accounted investee (net of tax)		9,606	5,925	-	-
Profit/(Loss) before taxation	9	(396,837)	671,592	(40,925)	336,377
Income tax expenses	10.1	(17,678)	(101,941)	(2,647)	(14,791)
Profit/(Loss) for the year		(414,515)	569,651	(43,572)	321,586
Other Comprehensive income/(expense)					
Items that will never be reclassified to profit or loss					
Actuarial gain/(loss) on defined benefit plans		3,431	1,869	1,484	(2,173)
Actuarial loss on defined benefit plans (Equity accounted investee)		-	(391)	-	-
Items that are or may be reclassified to profit or loss					
Gain/(loss) on fair valuation of financial investments-available for sale		-	20,812	-	-
Reclassification of fair valuation reserve of financial investments- available for sale to profit or loss		-	(233,285)	-	-
Loss on fair valuation of financial investments - available for sale (Equity accounted investee)		-	(295)	-	-
Available for sale financial assets reclassified to profit or loss (Equity Accounted Investee)		1,564	(1,564)	-	-
Other comprehensive income/ (expense)		4,995	(212,854)	1,484	(2,173)
Total comprehensive income/(expense) for the year		(409,520)	356,797	(42,088)	319,413
Profit/(Loss) attributable to:					
Equity holders of the parent		(438,905)	340,546	(43,572)	321,586
Non-controlling interest		24,390	229,105	-	-
		(414,515)	569,651	(43,572)	321,586
Total comprehensive income/(expense) attributable to:					
Equity holders of the parent		(437,732)	193,034	(42,088)	319,413
Non-controlling interests		28,212	163,763	-	-
		(409,520)	356,797	(42,088)	319,413
Basic Earnings/(Loss) per share (Rs.)	11.1	(3.57)	2.77	(0.35)	2.61

Figures in brackets indicate deductions.

The notes disclosed on pages 35 to 93 form an integral part of these Consolidated Financial Statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at,	Note	Group		Company	
		31.03.2016 Rs. '000	31.03.2015 Rs. '000	31.03.2016 Rs. '000	31.03.2015 Rs. '000
Assets					
Non-current assets					
Property, plant and equipment	12	365,124	388,774	2,412	4,860
Capital work in progress		13,847	-	-	-
Investment in subsidiaries	13	-	-	1,871,245	1,734,717
Other investments- Preference shares	14	100,000	100,000	100,000	100,000
Investment in equity accounted investee	15	-	408,876	-	-
Investment property	16	718,030	358,779	37,630	536,042
Investment in venture capital	17	-	6,000	-	-
Deferred tax assets	18	48,660	40,259	-	-
Intangible assets	19	215,169	215,518	-	5
Trade and other receivables	21	-	3,814	-	-
Total non-current assets		1,460,830	1,522,020	2,011,287	2,375,624
Current assets					
Inventories	20	1,615,863	1,603,506	-	-
Trade and other receivables	21	1,229,796	705,988	327,395	9,030
Group balances receivable	22	-	-	855,647	37,332
Financial investments - Held for trading	23	12,261,906	11,110,975	1,107,287	874,524
Financial investments - Available for sale	24	2,000	2,000	-	-
Financial investments - Loans and receivables	25	8,376,585	8,925,273	71,138	5,982
Derivative financial instruments	26	40,861	40,609	-	-
Cash at banks and in hand		156,074	57,933	2,003	1,594
Total current assets		23,683,085	22,446,284	2,363,470	928,462
Non-current assets held for sale	27	42,416	44,416	-	-
Total assets		25,186,331	24,012,720	4,374,757	3,304,086
Equity and liabilities					
Stated capital	28	445,994	445,994	445,994	445,994
Capital reserve		22,500	22,500	-	-
Risk reserve	29	617,092	615,559	-	-
Retained earnings/Accumulated losses		(304,123)	258,783	284,879	449,964
Fair valuation reserve	30	-	(1,173)	-	-
Equity attributable to equity holders of the company		781,463	1,341,663	730,873	895,958
Non-controlling interests		414,015	438,523	-	-
Total equity		1,195,478	1,780,186	730,873	895,958
Non-current liabilities					
Deferred tax liabilities		1,373	1,373	1,373	1,373
Employee benefits	31	42,620	34,349	9,601	8,092
Borrowings on debentures	32	2,774,872	1,743,325	2,044,473	1,017,549
Interest bearing borrowings		557,310	2,423,142	500,000	-
Total non-current liabilities		3,376,175	4,202,189	2,555,447	1,027,014

Consolidated Statement of Financial Position Contd.

As at,	Note	Group		Company	
		31.03.2016 Rs. '000	31.03.2015 Rs. '000	31.03.2016 Rs. '000	31.03.2015 Rs. '000
Current liabilities					
Trade and other payables	33	1,540,183	1,253,990	27,373	23,805
Interest bearing borrowings	34	3,572,593	1,400,700	529,949	1,062,909
Group balances payable	35	470,225	187,000	-	1,226
Securities sold under re-purchase agreements	36	14,245,097	14,836,258	-	-
Derivative financial instruments	37	20,835	31,359	-	-
Bank overdrafts		765,745	321,038	531,115	293,174
Total current liabilities		20,614,678	18,030,345	1,088,437	1,381,114
Total equity and liabilities		25,186,331	24,012,720	4,374,757	3,304,086
Net asset per share (Rs.)		6.35	10.91	5.95	7.28

Figures in brackets indicate deductions.

The notes disclosed on pages 35 to 93 form an integral part of these Consolidated Financial Statements.

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



Niwani Perera
Finance Manager

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



Manjula Mathews (Ms.)
Chairperson



A.D.E.I. Perera
Director

02 August 2016
Colombo

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2016 Group	Attributable to equity holders of parent							Non- Controlling Interest	Total Equity
	Stated	Capital	Risk	Retained	Fair	Total			
	Capital	Reserve	Reserve	Earnings/ Accumulated Losses	Valuation Reserve				
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000		
Balance as at 1 April 2014	445,994	22,500	455,128	346,936	147,817	1,418,375	556,411	1,974,786	
Total comprehensive income for the year									
Profit for the year	-	-	-	340,546	-	340,546	229,105	569,651	
Other comprehensive income/(expense) (Note 30)	-	-	-	1,478	(148,990)	(147,512)	(65,342)	(212,854)	
Total comprehensive income/ (expense)	-	-	-	342,024	(148,990)	193,034	163,763	356,797	
Transactions with equity holders									
Distribution to equity holders									
Dividend paid									
-Interim 2014/15 (1 st)	-	-	-	(122,997)	-	(122,997)	(50,663)	(173,660)	
-Interim 2014/15 (2 nd)	-	-	-	(122,997)	-	(122,997)	(50,663)	(173,660)	
Total distribution to equity holders	-	-	-	(245,994)	-	(245,994)	(101,326)	(347,320)	
Changes in ownership interest									
Adjustment due to acquisition	-	-	-	(23,752)	-	(23,752)	(180,325)	(204,077)	
Total changes in ownership interest	-	-	-	(23,752)	-	(23,752)	(180,325)	(204,077)	
Transfer to risk reserve	-	-	160,431	(160,431)	-	-	-	-	
Total transactions with equity holders	-	-	160,431	(430,177)	-	(269,746)	(281,651)	(551,397)	
Balance as at 31 March 2015	445,994	22,500	615,559	258,783	(1,173)	1,341,663	438,523	1,780,186	
Balance as at 1 April 2015	445,994	22,500	615,559	258,783	(1,173)	1,341,663	438,523	1,780,186	
Total comprehensive income/ (expense) for the year									
Profit/(Loss) for the year	-	-	-	(438,905)	-	(438,905)	24,390	(414,515)	
Other comprehensive income	-	-	-	-	1,173	1,173	3,822	4,995	
Total comprehensive income/ (expense)	-	-	-	(438,905)	1,173	(437,732)	28,212	(409,520)	
Transactions with equity holders									
Distribution to equity holders									
Dividend paid - Final 2014/15	-	-	-	(122,997)	-	(122,997)	(50,663)	(173,660)	
Total distribution to equity holders	-	-	-	(122,997)	-	(122,997)	(50,663)	(173,660)	
Changes in ownership interest									
Effect of change in holding percentage without change in control	-	-	-	529	-	529	(2,057)	(1,528)	
Total changes in ownership interest	-	-	-	529	-	529	(2,057)	(1,528)	
Transfer to risk reserve	-	-	1,533	(1,533)	-	-	-	-	
Total transactions with equity holders	-	-	1,533	(124,001)	-	(122,468)	(52,720)	(175,188)	
Balance as at 31 March 2016	445,994	22,500	617,092	(304,123)	-	781,463	414,015	1,195,478	

Consolidated Statement of Changes in Equity Contd.

For the year ended 31 March 2016 Company	Stated Capital Rs. '000	Retained Earnings Rs. '000	Total Equity Rs. '000
Balance as at 1 April 2014	445,994	376,545	822,539
Total comprehensive income for the year			
Profit for the year	-	321,586	321,586
Other comprehensive expense	-	(2,173)	(2,173)
Total comprehensive income	-	319,413	319,413
Transactions with equity holders			
Distribution to equity holders			
Dividend paid			
-Interim 2014/15 (1 st)	-	(122,997)	(122,997)
-Interim 2014/15 (2 nd)	-	(122,997)	(122,997)
Total distribution to equity holders	-	(245,994)	(245,994)
Total transactions with equity holders	-	(245,994)	(245,994)
Balance as at 31 March 2015	445,994	449,964	895,958
Balance as at 1 April 2015	445,994	449,964	895,958
Total comprehensive income/ (expense) for the year			
Loss for the year	-	(43,572)	(43,572)
Other comprehensive income	-	1,484	1,484
Total comprehensive income/ (expense)	-	(42,088)	(42,088)
Dividend paid-Final 2014/15	-	(122,997)	(122,997)
Total distribution to equity holders	-	(122,997)	(122,997)
Total transactions with equity holders	-	(122,997)	(122,997)
Balance as at 31 March 2016	445,994	284,879	730,873

Figures in brackets indicate deductions.

The Notes disclosed on pages 35 to 93 form an integral part of these Consolidated Financial Statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March,	Note	Group		Company	
		2016 Rs. '000	2015 Rs. '000	2016 Rs. '000	2015 Rs. '000
Cash flows from operating activities					
Profit/(Loss) before income tax		(396,837)	671,592	(40,925)	336,377
Adjustments for :					
Depreciation on property plant and equipment	12	43,558	45,847	3,183	3,288
Amortisation/impairment of intangible assets	19	2,946	3,053	5	16
Interest paid		295,570	199,937	262,650	213,026
Dividend income		(45,411)	(1,400)	(189,412)	(305,074)
Gain on sale of listed shares		(80,492)	(11,547)	(80,492)	(40,250)
Gain on disposal of a subsidiary		-	(3,280)	-	(156,105)
Gain on disposal of an investment property		-	-	(140,708)	-
Gain on disposal of property plant and equipment		-	(271)	-	(1,000)
Gain/(Loss) on fair valuation of financial investments-Held for trading		200,126	195,414	94,151	(109,278)
Share of profit on equity accounted investee		(11,170)	-	-	-
Excess paid for acquisition of subsidiary		6,343	-	-	-
Gain on disposal of equity accounted investee		(12,699)	-	-	-
Gain on disposal of financial investments-Available for sale		-	(233,285)	-	-
Provision for retirement benefit obligations		12,444	11,398	2,992	2,351
Specific allowance for slow moving inventory		20,208	22,418	-	-
Specific allowance for impairment of trade and other receivables		3,973	50,574	-	-
De-recognition of goodwill		-	120,279	-	-
Inventory written off		37,483	-	-	-
Provision for non-moving inventories		26,208	-	-	-
Write-off of ESC recoverable / VAT receivable		-	5,289	-	5,289
Operating profit/(loss) before working capital changes		102,250	1,076,018	(88,556)	(51,360)
Change in inventories		55,407	(923,866)	-	-
Change in trade and other receivables		(27,442)	181,310	6,635	(2,137)
Change in group balances receivables		-	-	(141,565)	1,101
Change in financial investments - Available for sale		-	69,653	-	-
Change in financial investments - Loans and receivables		548,688	(5,105,377)	(65,156)	92,609
Change in financial investments - Held for trading		(1,150,931)	727,635	(246,421)	-
Change in trade and other payables		273,439	724,363	3,567	1,694
Change in borrowings against re-purchase agreements		(591,161)	2,557,523	-	-
Change in group balances payable		-	187,000	(1,226)	(881,810)
Change in capital working progress		283,225	-	-	-
Cash used in operations		(506,525)	(505,741)	(532,722)	(839,903)
Interest paid		(295,570)	(199,937)	(262,650)	(213,026)
Income tax paid		(27,815)	(83,087)	(2,647)	-
Gratuity paid		(1,098)	(1,385)	-	-
Net cash used in operations		(831,008)	(790,150)	(798,019)	(1,052,929)

Consolidated Statement of Cash Flows Contd.

For the year ended 31 March	Note	Group		Company	
		2016 Rs. '000	2015 Rs. '000	2016 Rs. '000	2015 Rs. '000
Cash flows from investing activities					
Acquisition of investment property	16	(359,251)	-	(37,630)	-
Acquisition of property, plant and equipment		(38,003)	(22,905)	(735)	(313)
Acquisition of intangible assets		(2,597)	(5,837)	-	-
Investment in preference shares	14	-	(100,000)	-	(100,000)
Investment in subsidiaries		-	(354,942)	(136,527)	(329,742)
Investment in equity accounted investee		-	(81,451)	-	-
Investment in shares- Held for trading		(271,432)	(953,677)	-	(765,246)
Investment in listed debentures		-	(1,262,385)	-	-
Investment in deposits		-	(5,000)	-	(5,000)
Proceeds from sale of property, plant and equipment		-	5,500	-	1,000
Proceeds from sale of investments- Held for trading		-	327,089	-	135,097
Proceeds from disposal of debentures		-	35,078	-	33,592
Proceeds from maturity of fixed deposits		5,000	7,738	-	7,738
Proceeds from disposal of a subsidiaries		-	5,400	-	5,400
Proceeds from sale of equity accounted investee		433,918	-	-	-
Proceeds from redemption of preference shares		-	-	-	600,000
Dividend receipts		45,411	1,400	189,412	305,074
Advance paid on property	21.2	(492,552)	-	(325,000)	-
Net cash flows used in investing activities		(679,506)	(2,403,992)	(310,480)	(112,400)
Cash flows from financing activities					
Dividend paid		(122,997)	(245,994)	(122,997)	(245,994)
Dividend paid to shareholders with non-controlling interests		(50,663)	(101,326)	-	-
Settlement of interest bearing loans and borrowings		(1,865,832)	-	(532,960)	-
Proceeds from interest bearing loans and borrowings		2,171,893	1,819,459	500,000	182,642
Borrowings on debentures		1,031,547	1,420,214	1,026,924	937,780
Net cash flows from financing activities		1,163,948	2,892,353	870,967	874,428
Net change in cash and cash equivalents		(346,566)	(301,789)	(237,532)	(290,901)
Cash and cash equivalents at the beginning of the year (Note A)		(263,105)	38,684	(291,580)	(679)
Cash and cash equivalents at the end of the year (Note B)		(609,671)	(263,105)	(529,112)	(291,580)
Note A					
Cash at bank and in hand		57,933	51,102	1,594	3,962
Bank overdrafts		(321,038)	(12,418)	(293,174)	(4,641)
Cash and cash equivalents as at 31 March		(263,105)	38,684	(291,580)	(679)
Note B					
Cash at bank and in hand		156,074	57,933	2,003	1,594
Bank overdrafts		(765,745)	(321,038)	(531,115)	(293,174)
Cash and cash equivalents as at 31 March		(609,671)	(263,105)	(529,112)	(291,580)

Figures in brackets indicate deductions.

The Notes disclosed on pages 35 to 93 form an integral part of these Consolidated Financial Statements.

NOTES TO THE FINANCIAL STATEMENTS

1. REPORTING ENTITY

Dunamis Capital PLC (“Company”) is a public limited liability company incorporated and domiciled in Sri Lanka on 18 December 1985. The registered office and place of business of the Company is No. 2, Deal Place, Colombo 03. The shares of the Company have a primary listing on the Colombo Stock Exchange. The staff strength of the Group as at 31 March 2016 is 244 (2015 – 221).

The Consolidated Financial Statements of the Company as at and for the year ended 31 March 2016 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

1.1.1 Company

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

1.1.2 Operating Subsidiaries

Name of Subsidiary	Principal Activities
First Capital Holdings PLC	Engages in investment activities and management of subsidiaries.
First Capital Limited (Note A below)	Engages in debt structuring, corporate finance and advisory services and investment in and management of subsidiaries.
First Capital Treasuries PLC	Engages in business operations as a Primary Dealer in Government Securities.
First Capital Markets Limited	Engages in the granting of margin trading facilities for trading of listed securities and acting as a stock dealer/ broker in listed debt securities.

Name of Subsidiary	Principal Activities
First Capital Asset Management Limited	Engages in the management of clients’ investment portfolios and the management of Unit Trusts.
First Capital Investments (Private) Limited (Note A below)	Engages in the management of subsidiaries.
First Capital Equities (Private) Limited	Engages in a Stock Brokering activities of listed securities.
Kelsey Developments PLC	Engages in investment activities and management of subsidiaries.
Kelsey Homes (Private) Limited	Engages in construction, development and sale of lands, Quality residential houses and apartments.
Kelsey Property Developers (Private) Limited	Engages in construction, development and sale of lands, Quality residential houses and apartments.
Premier Synthetic Leather Manufacturers (Pvt) Limited	Engages in manufacturing, and sale of synthetic leather products.
KHL Corporate Services Limited	Engages in secretarial and registrar functions.

Note A

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

2. BASIS OF PREPARATION

2.1 Statement of Compliance

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

Notes to the Financial Statements Contd.

2.2 Approval of Financial Statements by Directors

The Consolidated Financial Statements for the year ended 31 March 2016 were authorised for issue by the Board of Directors on 02 August 2016.

2.3 Basis of Measurement

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

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

2.4 Functional and Presentation Currency

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

2.5 Materiality and Aggregation

Each material class of similar items is presented separately in the financial statements. Items of dissimilar nature or function are presented separately unless they are immaterial. Assets and liabilities are grouped by nature and listed in an order that reflects their relative liquidity and maturity pattern.

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

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

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

2.6 Use of Judgments and Estimates

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

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

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

2.6.1 Going Concern

The Company's management has made an assessment of its ability to continue as a going concern and is satisfied that it has the resources to continue in business for the foreseeable future. Furthermore, management is not aware of any material uncertainties that may cast significant doubt upon the company's ability to continue as a going concern. Therefore, the Financial Statements continue to be prepared on the going concern basis. Other than those disclosed in Note 43.

2.6.2 Fair Valuation of Financial Instruments

Where the fair values of financial assets and financial liabilities recorded in the statement of financial position cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of mathematical models. The inputs to these models are derived from observable market data where possible. However, if this is not available, judgment is required to establish fair values. The valuation of financial instruments is described in more detail in Note 40.

2.6.3 Impairment of Available for Sale Investments

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

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

2.6.4 Defined Benefit Obligations

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

making assumptions on discount rates, expected rates of return on assets, future salary increases, mortality rates and future pension increases. All assumptions are reviewed at each reporting date. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty. See Page 66 for the assumptions used.

2.6.5 Useful Life Time of Property, Plant and Equipment

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

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements, and have been applied consistently by Group entities, except for the change in accounting policy as explained below.

3.1 Basis of Consolidation

3.1.1 General

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

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

3.1.2 Business Combinations

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

The Group measures goodwill at the acquisition date as:

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

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

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

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

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

3.1.3 Subsidiaries

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

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

The Consolidated Financial Statements are prepared to 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 interest and the other components of equity related to the subsidiary.

3.1.4 Step Acquisition to Achieve Significant Influence

The Group elect remeasurement approach for Step Acquisition to Achieve Significant Influence. Under this approach, the previously held interest is remeasured to fair value through profit or loss. Obtaining significant influence is seen as an economic event that changes the nature of the investment, which is also consistent with the approach for the loss of significant influence.

When significant influence achieved in stages, the Group remeasure its previously held equity interest in the acquiree at its acquisition-date fair value and recognise the resulting gain or loss, if any, in profit or loss.

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

3.1.5 Non-Controlling Interest

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

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

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

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

3.1.6 Acquisitions of Non-Controlling Interest

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

A list of Subsidiaries within the Group is provided in Note 13.

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

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

3.1.8 Loss of Control

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

3.1.9 Transactions Eliminated on Consolidation

Intra-group balances, and income and expenses arising from intra-Group transactions are eliminated in preparing the Consolidated Financial Statements. Unrealised gains arising from transactions with equity accounted investees are eliminated to the extent of the Group's interest in the investee against the investment in the investee. Unrealised losses are eliminated in the same way as unrealised gains except that they are only eliminated to the extent that there is no evidence of impairment.

3.1.10 Interest in Equity Accounted Investees

The Group's interest in equity accounted investee comprises interest in associate. Associates are those entities in which the Group has significant influence, but not control or joint control, over the financial and operating policies. Interests in associates are accounted for using equity method. They are initially recognised at cost. Subsequent to initial recognition the Consolidated Financial Statements include the Group's share of profit or loss and Other Comprehensive Income of equity accounted investees, until the date on which significant influence ceases.

3.1.11 Material Gains or Losses, Provisional Values or Error Corrections

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

3.1.12 Unconsolidated Structured Entities

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

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

3.2 Foreign Currency

3.2.1 Foreign Currency Transactions

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

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

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

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

3.3 Interest Income

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

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

Interest income and expense presented in the statement of profit or loss and OCI include:

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

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

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

3.4 Gain on Sale of Financial Investments Held for Trading

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

3.5 Gain on Redemption of Units

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

3.6 Gain on Disposal of Financial Investments Available for Sale

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

3.7 Interest Rate Swap Income

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

3.8 Gain on Fair Valuation of Financial Investments Held for Trading

Gain on Fair Valuation of Financial Instruments Held for Trading' comprises unrealised gains on fair valuation (marked to market valuation) of government securities, quoted shares and listed debentures, are presented in profit or loss in the statement of profit or loss and other comprehensive income.

3.9 Fee and Commission Income

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

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

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

3.10 Dividends

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

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

3.11 Income Tax

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

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

3.11.1 Current Tax

Income tax expense comprises of current and deferred tax. Income tax expense is recognised in the Statement of profit or loss 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.

3.11.2 Deferred Tax

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

settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted on the reporting date.

Deferred tax is not recognised for:

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

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

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

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

3.11.3 Other Tax Exposures

3.11.3.1 Withholding Tax on Dividends (WHT)

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

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

3.11.3.2 Value Added Tax on Financial Services (FSVAT)

The total value addition of Group companies computed based on the section 25A of the VAT Act No. 14 of 2002 and subsequent amendments thereto is liable for Value Added Tax on Financial Services at 11% (Prior to 1 January 2015 – 12%).

3.11.3.3 Value Added Tax (VAT)

The Fee and Commission income of the Group companies as defined in the VAT Act No. 14 of 2002 and subsequent amendments thereto is liable for Value Added Tax at 11% (Prior to 1 January 2015 – 12%).

3.11.3.4 Economic Service Charge (ESC)

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

3.11.3.5 Nation Building Tax (NBT)

In accordance with the provisions of the Nation Building Tax Act, No. 9 of 2009 and the subsequent amendments thereto, Nation Building Tax is payable at the rate of 2% with effect from 1 January 2011 on the liable turnover.

3.12 Financial Assets and Financial Liabilities

3.12.1 Recognition

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

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

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

3.12.2 Classification

Financial Assets

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

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

Financial Liabilities

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

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

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

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

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

3.12.2.2 Loans and Receivables

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

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

3.12.2.3 Held-to-Maturity Financial Assets (HTM)

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

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

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

3.12.2.4 Available-for-Sale Financial Assets (AFS)

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

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

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

3.12.2.5 Financial Liabilities Measured at Amortised Cost

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

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

3.12.3 Derecognition

3.12.3.1 Financial Assets

The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

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

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

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

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

3.12.3.2 Financial Liabilities

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

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

3.12.4 Reclassification

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

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

- » To the available for sale category where in rare circumstances, they are no longer held for the purpose of selling or repurchasing in the near term; or
- » To the loan and receivables category where they are no longer

held for the purpose of selling or repurchasing in the near term and they would have met the definition of a loan and receivable at the date of reclassification and the Group has the intent and ability to hold the assets for the foreseeable future or until maturity.

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

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

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

3.12.5 Offsetting

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

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

3.12.6 Amortised Cost Measurement

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

3.12.7 Identification and Measurement of Impairment

At each reporting date, the Group assesses whether there is objective evidence that financial assets not carried at fair value through profit or loss are impaired. A financial asset or a Group of financial assets is impaired when objective evidence demonstrates

that a loss event has occurred after the initial recognition of the asset(s) and that the loss event has an impact on the future cash flows of the asset(s) that can be estimated reliably.

Objective evidence that financial assets are impaired includes:

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

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

Those found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Loans and advances and held-to-maturity investment securities that are not individually significant are collectively assessed for impairment by grouping together loans and advances and held-to-maturity investment securities with similar risk characteristics.

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

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

If the terms of a financial asset are renegotiated or modified or an existing financial asset is replaced with a new one due to financial difficulties of the borrower, then an assessment is made of whether the financial asset should be derecognised. If the cash

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flows of the renegotiated asset are substantially different, then the contractual rights to cash flows from the original financial asset are deemed to have expired. In this case, the original financial asset is derecognised and the new financial asset is recognised at fair value. The impairment loss before an expected restructuring is measured as follows.

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

Impairment losses are recognised in profit or loss and reflected in an allowance account against loans and receivables or held-to-maturity investment securities. If an event occurring after the impairment was recognised causes the amount of impairment loss to decrease, then the decrease in impairment loss is reversed through profit or loss.

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

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

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

3.13 Cash and cash equivalents

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

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

3.14 Sale and repurchase agreements

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

3.15 Derivative financial instruments

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

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

3.16 Property, plant and equipment

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

3.16.1 Recognition and Measurement

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

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

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

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

3.16.2 Subsequent Costs

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

3.16.3 Depreciation

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

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

Asset Type	Useful Life Time (Years)
Building	20
Office equipment	3-6
Computer hardware	3-5
Motor vehicles	3-5
Plant and machinery	2-20
Furniture, fixtures & fittings	3-8

3.16.4 Derecognition

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

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

3.17 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.

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 - LKAS 40 on "Investment Property". Accordingly, land classified as investment properties are stated at cost less any accumulated impairment losses and buildings classified as investment properties are stated at cost less any accumulated depreciation and any accumulated impairment losses.

The Group obtains the services of independent valuers who are not connected with the Company in order to determine the fair value of its investment properties for disclosure purposes and such fair values have been disclosed as required by Sri Lanka Accounting Standard - LKAS 40 on "Investment Property".

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

When the use of a property changes such that it is reclassified as property and equipment, its fair value at the date of reclassification becomes its cost for subsequent accounting. Investment properties are derecognised when disposed of, or permanently withdrawn from use because no future economic benefits are expected.

3.18 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.

Notes to the Financial Statements Contd.

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

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

3.19 Intangible assets and goodwill

3.19.1 Goodwill

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

3.19.2 Software

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

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

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

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

3.19.3 Business License

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

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

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

3.20 Impairment of Non-Financial Assets

At each reporting date, the Group reviews the carrying amounts of its non-financial assets (other than investment properties and

deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

Goodwill is tested annually for impairment.

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

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

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

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

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

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

3.21 Debt Securities Issued

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

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

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

3.22 Provisions

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

3.23 Commitments and Contingencies

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

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

3.24 Employee Benefits

3.24.1 Defined Contribution Plan

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

3.24.1 (a) Employees' Provident Fund

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

3.24.1 (b) Employees' Trust Fund

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

3.24.2 Defined Benefit Plans

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

Gratuity

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

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

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

3.24.3 Short-term Employee Benefits

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

3.25 Earnings per Share (EPS)

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

3.26 Statement of Cash Flows

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

3.27 Subsequent Events

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

Notes to the Financial Statements Contd.

All material and important events that occurred after the reporting date have been considered and appropriate disclosures are made in Note 45 to the Financial Statements.

3.28 Comparative Information

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

3.29. Segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. All operating segments operating results are reviewed regularly by Group Board of Directors to make decisions about resources to be allocated to the segment and to assess its performance, and for which discrete financial information is available.

The Group's reportable segments comprise of Financial Services, Property Development, Manufacturing and Investment Holdings.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

Expenses that cannot be directly identified to a particular segment are allocated on bases decided by the management and applied consistently throughout the year.

3.30 Policies Related to Specific Business Units

3.30.1 Land Development

3.30.1.(1) Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty.

3.30.1.(2) Construction and selling of houses

Revenue from construction and selling of houses are recognising as per the LKAS 18, when construction completion, 100% collection received and Certificate of Conformity obtained.

3.30.1.(3) Sale of Land

Revenue from sale of Land is recognised only when the risk and rewards pertaining to the land is transferred to the customers.

3.30.1.(4) Rendering of services

Revenue from rendering of services is recognised by reference to the stage of completion. Stage of completion is measured by reference to the work certified.

3.30.1(5) 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 estimated selling 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 costs incurred in bringing inventories to its present location and condition, are accounted for as follows:

Contract work in progress -This cost represents the amounts due from customer for work performed and measured at actual cost incurred until the revenue is recognised as per LKAS 18.

30.30.2 Stock Brokering

3.30.2 (1) Brokerage Income

Brokerage income is recognised at the point of completion (T+1) of each transaction and is accounted for on an accrual basis.

3.30.2 (2) Interest Income

Company is recognising interest income on delayed payments on cash basis. If a customer does not settle this outstanding balance within (T+3) days this additional interest is charged, from the customer. Income other than the above is however accounted for on an accrual basis.

3.31 New Standards issued but not yet effective as at Reporting Date

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

3.31.1 SLFRS 09 - Financial Instruments

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

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

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

3.31.2 SLFRS 15 - Revenue recognition from customer contracts

SLFRS 15 – *“Revenue from Contracts with Customers”* establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces existing revenue recognition guidance under LKAS 18 – *“Revenue”* and LKAS 11 – *“Construction Contracts”*, and IFRIC 13 *“Customer Loyalty Programmes”*.

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

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

Notes to the Financial Statements Contd.

For the year ended 31 March,	Group		Company	
	2016 Rs. '000	2015 Rs. '000	2016 Rs. '000	2015 Rs. '000
4. REVENUE				
Financial services	1,495,794	2,572,949	-	-
Property development	1,016,319	102,742	-	-
Manufacturing	394,557	141,215	-	-
Secretarial	158	-	-	-
	2,906,828	2,816,906	-	-
5. OTHER INCOME				
Gain on sale of investments	-	3,280	-	156,105
Gain on sale of listed shares	80,492	41,755	80,492	41,755
Gain on sale of debentures	-	1,787	-	1,787
Gain on sale of property, plant & equipment	-	1,000	-	1,000
Gain on disposal of Financial Investment- Available for sale	-	233,285	-	-
Gain on disposal of Investment property	-	-	140,708	-
Gain on redemption of unit trust	-	-	1,930	-
Interest income	8,562	10,596	15,132	27,781
Profit share	-	-	32,240	-
Gain on disposal of equity accounted investee	12,699	-	-	-
Exchange gain	9,061	-	-	-
Miscellaneous income	14,229	17,707	142	1,998
	125,043	309,410	270,644	230,426
6. GAIN/ (LOSS) ON FAIR VALUATION OF FINANCIAL INVESTMENTS - HELD FOR TRADING				
Government securities	(66,334)	(226,287)	-	-
Listed debentures	27,005	(51,407)	-	-
Listed shares	(167,194)	92,489	(92,821)	109,278
Unit Trusts	(4,378)	386	(1,330)	-
Derivative financial instruments- Government Securities	10,776	(10,595)	-	-
	(200,125)	(195,414)	(94,151)	109,278
Gain/ (loss) on fair valuation of financial investments - held for trading have been accounted for in accordance with the LKAS 39.				
7. OTHER EXPENSES				
Specific allowance for impairment of trade and other receivables	2,991	8,914	-	-
De-recognition of goodwill	-	120,279	-	-
Specific allowance for impairment of VAT receivable	-	5,289	-	5,289
Loss on disposal of shares	-	3,292	-	3,292
Reversal of preference share dividend	-	6,904	-	6,904
Value added tax/ Nation building tax on Financial Services	26,808	16,436	-	-
Provision for statutory liabilities	16,516	-	16,516	-
Excess paid for acquisition of subsidiary	6,343	-	-	-
Inventory written off	37,483	-	-	-
Provision for non-moving inventories	26,208	-	-	-
Provision for bad debts	3,973	-	-	-
Miscellaneous expenses	7,117	42,970	14,554	15,176
	127,439	204,084	31,070	30,661

For the year ended 31 March,	Group		Company	
	2016 Rs. '000	2015 Rs. '000	2016 Rs. '000	2015 Rs. '000
8. FINANCE EXPENSES				
Interest on short term loans-Related parties	-	-	3,117	30,426
Interest on short term loans-Other	51,906	102,831	57,116	102,831
Interest on term loans	81,665	-	40,418	-
Interest on debentures	161,999	97,106	161,999	79,769
	295,570	199,937	262,650	213,026

9. PROFIT/(LOSS) BEFORE TAXATION

Profit/(Loss) before taxation is stated after charging all expenses including the following :

Directors' emoluments	43,188	47,809	20,417	22,212
Auditors' remuneration - Audit services	3,140	2,320	509	455
- Other services	-	667	-	242
Staff cost	237,107	141,041	43,256	23,713
Depreciation of property, plant and equipment (Note 12)	43,558	45,847	3,183	3,288
Amortisation of intangible assets (Note 19)	2,946	3,053	5	16
Employer's contribution to EPF and ETF	35,793	21,859	3,231	3,929
Employee benefits (Note 31)	12,444	11,398	2,993	2,352
Legal fees	8,109	8,917	1,457	-
Specific allowance for impairment of non-current assets held for sale	2,000	1,000	-	-
Specific allowance for impairment of trade and other receivables	2,991	8,914	-	-
Specific allowance for non moving inventory	26,208	22,418	-	-
Inventory written off	37,483	-	-	-
De-recognition of goodwill	-	120,279	-	-

10. TAXATION

The Company and its subsidiaries are liable for income tax at the rate of 28%, except for First Capital Holdings PLC which is liable for taxation at the rate of 12% on venture capital operations, interest income arising in First Capital Treasuries PLC which is tax free and management fee income relating to Unit Trust operations in First Capital Asset Management Limited which is liable for income tax at the rate of 10% and Premier Synthetic Leather Manufacturers (Private) Limited which enjoy a tax holiday for a period of 6 years commencing from the year of assessment 2014/15, granted by the BOI (Board of Investment) of Sri Lanka.

First Capital Treasuries PLC (subsidiary company) is a primary dealer licensed by the Central Bank of Sri Lanka whose interest income derived through government securities does not form a part of receipt on trade or business for the purpose of computing assessable income of the Company in accordance with the Section 32 of Inland Revenue Act No. 10 of 2006. A decision made by the Board of Review of the Department of Inland Revenue in respect of income tax for the year 2003/04 acknowledged the above position in July 2010. No tax provisions have been made in this regard in the financial statements subsequently. However, the said judgment above does not preclude the Department of Inland Revenue from issuing assessments in the future. Details relating to current assessments have been disclosed in Note 41 to the Financial Statements (Contingent Liabilities).

Notes to the Financial Statements Contd.

For the year ended 31 March,	Group		Company	
	2016 Rs. '000	2015 Rs. '000	2016 Rs. '000	2015 Rs. '000
10.1 Income tax expenses				
Current tax expense	25,881	24,993	2,647	4,941
Under/(over) provision	-	9,850	-	9,850
Deferred tax expense (Note 18)	(8,401)	7,914	-	-
Taxes on dividends	198	59,184	-	-
	17,678	101,941	2,647	14,791
Reconciliation of accounting profit to income tax				
Profit before taxation	(396,837)	671,592	(40,925)	336,377
Inter-group adjustments	(351,886)	(594,901)	-	-
	(748,723)	76,691	(40,925)	336,377
Expenses disallowed for tax	273,328	19,812	28,104	20,088
Expenses deductible for tax	3,533	28,738	-	-
Other income (net)	135,717	27,148	129,937	27,150
Tax exempt income	(223,130)	(302,537)	(223,130)	(306,332)
	(559,275)	(150,148)	(106,014)	77,283
Increase in carried forward loss	(457,428)	(156,785)	(434,051)	(183,221)
	(1,016,703)	(306,933)	(540,064)	(105,938)
Income tax using the corporation tax rate	25,881	24,993	2,647	4,941
Under/(over) provision during prior years	-	9,850	-	9,850
Income tax charge / (reversal) for the period	25,881	34,843	2,647	14,791
Withholding tax on inter-company dividend	198	59,184	-	-
Income tax expenses	26,079	94,027	2,647	14,791
Deferred tax expense (Note 18)	(8,401)	7,914	-	-
	17,678	101,941	2,647	14,791

11. EARNINGS/(LOSS) PER SHARE**11.1 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 the weighted average number of ordinary shares in issue during the year.

	Group		Company	
	2016	2015	2016	2015
Profit/(Loss) attributable to equity holders of the parent (Rs.'000)	(438,905)	340,546	(43,572)	321,586
Weighted average number of ordinary shares in issue	122,997,050	122,997,050	122,997,050	122,997,050
Basic earnings/(loss) per share (Rs.)	(3.57)	2.77	(0.35)	2.61

11.2 Diluted Earnings per share

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

	Land	Building	Motor Vehicles	Computer Hardware	Furniture, Fixtures & Fittings	Office Equipment	Plant & Machinery	Total
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
12. PROPERTY, PLANT AND EQUIPMENT - GROUP								
Cost								
As at 1 April 2015	33,251	82,505	36,594	11,602	45,927	63,180	240,285	513,344
Through Acquisition of subsidiary	-	-	-	920	-	-	-	920
Additions	121	69	9	4,873	4,924	6,368	6,243	22,607
Disposals	-	-	-	(631)	(2,040)	(1,176)	(379)	(4,226)
As at 31 March 2016	33,372	82,574	36,603	16,764	48,811	68,372	246,149	532,645
Accumulated Depreciation								
As at 1 April 2015	-	5,138	27,682	4,670	30,446	44,585	12,049	124,570
Through Acquisition of subsidiary	-	-	-	898	-	-	-	898
Charge for the year	-	4,126	5,788	2,285	11,496	7,591	12,272	43,558
Disposals	-	-	-	(232)	(569)	(704)	-	(1,505)
As at 31 March 2016	-	9,264	33,470	7,621	41,373	51,472	24,321	167,521
Carrying values as at 31 March 2016	33,372	73,310	3,133	9,143	7,438	16,900	221,828	365,124
Carrying values as at 31 March 2015	33,251	77,367	8,912	6,932	15,481	18,595	228,236	388,774

The land and buildings represent the freehold ownership of 5.5 acre land at Akaragama with 2 buildings owned by the Premier Synthetic Leather Manufacturers (Private) Limited and stated at cost as at 31 March 2016.

	Motor Vehicles	Computer Hardware	Furniture, Fixtures & Fittings	Office Equipment	Total
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
12. PROPERTY, PLANT AND EQUIPMENT - COMPANY					
Cost					
As at 1 April 2015	13,575	2,775	10,751	1,178	28,279
Additions	-	707	-	28	735
Disposals	-	-	-	-	-
As at 31 March 2016	13,575	3,482	10,751	1,206	29,014
Accumulated Depreciation					
As at 1 April 2015	10,808	1,940	9,650	1,021	23,419
Charge for the year	1,740	367	1,070	6	3,183
Disposals	-	-	-	-	-
As at 31 March 2016	12,548	2,307	10,720	1,027	26,602
Carrying values as at 31 March 2016	1,027	1,175	31	179	2,412
Carrying values as at 31 March 2015	2,767	835	1,101	157	4,860

Notes to the Financial Statements Contd.

As at,	Number of shares		Company holding %		Cost	
	31.03.2016	31.03.2015	31.03.2016	31.03.2015	31.03.2016 Rs. '000	31.03.2015 Rs. '000
13. INVESTMENT IN SUBSIDIARIES						
First Capital Holdings PLC (a)	76,013,148	75,918,448	75.07	74.98	1,185,122	1,183,594
Kelsey Developments PLC	13,925,990	13,925,990	79.90	79.90	201,123	201,123
Premier Synthetic Leather Manufacturers (Private) Limited						
-Investment in shares	35,000,000	20,000,000	100.00	100.00	350,000	200,000
-Investment in pending issue of shares	-	15,000,000	-	-	-	150,000
Croft Capital (Private) Limited (b)	2,500,001	-	100.00	-	25,000	-
Blyton (Private) Limited (b)	10,000	-	100.00	-	100,000	-
KHL Corporate Services Limited (c)	1,000	-	99.99	-	10,000	-
					1,871,245	1,734,717

- (a) In March 2016, the Company purchased 947,000 Ordinary shares of First Capital Holdings PLC.
- (b) In February 2016, Croft Capital (Private) Limited and Blyton (Private) Limited were constituted as wholly owned subsidiaries in order to function as special purpose vehicles for future acquisitions.
- (c) In February 2016, the Company purchased all of the Ordinary shares of KHL Corporate Services Limited.
- (d) In February 2016, the Company disposed of 100% of Sithro Apparel Holdings Limited and Magna Supermarkets Limited, fully owned subsidiaries which were already provided in full.

13.1 Material non-controlling interest

Financial information of subsidiaries that have material non-controlling interests (NCI) are provided below.

13.1.1 The following subsidiaries have material Non-Controlling Interest.

Name	Operating Segments	Ownership Interests	Held by NCI
		31.03.2016	31.03.2015
First Capital Holdings PLC	Financial Services	24.93%	25.02%
Kelsey Developments PLC	Property Developments	20.10%	20.10%

- 13.2.2 The following is summarised financial information for the First Capital Holdings PLC and Kelsey Developments PLC prepared in accordance with SLFRSs. The information is based on amounts after inter-company eliminations of the sub groups.

As at 31 st March,	First Capital Holdings PLC (Sub group)		Kelsey Developments PLC (Sub group)		Total NCI* after Group related adjustments	
	2016	2015	2016	2015	2016	2015
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Summarised income statement for the period ending 31 March						
Revenue	1,510,990	2,572,949	1,016,319	102,742	-	-
Operating cost	(385,676)	(404,918)	(1,020,380)	(145,520)	-	-
Other income	39,790	244,684	51,384	3,796	-	-
Finance cost	(1,006,676)	(1,042,824)	-	-	-	-
Finance income	-	-	7,465	7,757	-	-
Loss on fair valuation of financial investments	(105,974)	(304,693)	-	-	-	-
	52,454	1,065,198	54,788	(31,225)	-	-
Share of profit from equity accounted investee (net of tax)	9,606	5,925	-	-	-	-
Profit/(Loss) before tax	62,060	1,071,123	54,788	(31,225)	-	-
Income tax expense	(14,600)	(86,224)	(431)	(739)	-	-
Profit/(Loss) for the year	47,460	984,899	54,357	(31,964)	-	-
Other comprehensive income/(expense)	2,104	(210,616)	1,407	(65)	-	-
Total comprehensive income/(expense)	49,564	774,283	55,764	(32,029)	-	-
Profit/(Loss) allocated to material NCI	11,832	246,422	10,926	(6,425)	24,390	229,105
Total comprehensive income/ (expense) allocated to material NCI	12,356	193,726	11,209	(6,438)	28,212	163,763
Summarised statement of financial position as at 31 March						
Current assets	20,610,570	19,863,219	1,678,508	1,573,075	-	-
Non-current assets	169,714	601,382	17,408	11,278	-	-
Total assets	20,780,284	20,464,601	1,695,916	1,584,353	-	-
Current liabilities	17,840,623	17,381,978	1,476,732	1,311,329	-	-
Non-current liabilities	754,785	744,812	5,505	115,110	-	-
Total liabilities	18,595,408	18,126,790	1,482,237	1,426,439	-	-
Net Assets	2,102,215	2,256,078	213,679	157,915	-	-
Net Assets Attributable to NCI	606,743	646,204	42,949	31,741	414,015	438,523
Summarised cash flow information for year ending 31 March						
Cash flows from operating activities	(440,972)	290,321	413,521	136,961	-	-
Cash flows from/(used in) investing activities	434,531	(107,801)	3,743	158,771	-	-
Cash flows from/(used in) financing activities	(202,500)	(180,715)	(320,258)	(280,000)	-	-
Net increase / (decrease) in cash and cash equivalents	(208,942)	1,804	97,005	15,733	-	-
Dividend paid to NCI	-	(35,070)	-	-	-	-

*Non-Controlling Interest

Notes to the Financial Statements Contd.

As at,	Group		Company	
	31.03.2016 Rs. '000	31.03.2015 Rs. '000	31.03.2016 Rs. '000	31.03.2015 Rs. '000
14. OTHER INVESTMENTS- PREFERENCE SHARES				
Kanrich Finance Limited	100,000	100,000	100,000	100,000
	100,000	100,000	100,000	100,000
15. INVESTMENT IN EQUITY ACCOUNTED INVESTEE				
Orient Finance PLC (Stake of 25%)				
No. of Shares	-	28,907,500	-	-
Balance at the beginning of the year	408,876	-	-	-
Transferred from financial investments-Available for sale (Note 24.1)	-	323,750	-	-
Amount invested in equity accounted investee	-	81,451	-	-
Share of :				
- Profit or loss from continuing operations	9,606	5,925	-	-
- Other comprehensive expense	1,564	(2,250)	-	-
Less : Dividend received	-	-	-	-
Disposals made during the year	(420,046)	-	-	-
Equity value of investment as at the year end	-	408,876	-	-
16. INVESTMENT PROPERTY				
Opening balance	358,779	358,779	536,042	536,042
Additions during the year	359,251	-	37,630	-
Disposals during the year	-	-	(536,042)	-
Balance at the end of the year	718,030	358,779	37,630	536,042

16.1 In March 2016, Dunamis Capital PLC disposed of its undivided 66/87 share of a property situated in Nuwara Eliya for a total consideration of Rs. 676.75 Mn to Blyton (Private) Limited (a subsidiary). Consequent to the aforesaid transaction Dunamis Capital PLC has recorded a profit of approximately Rs. 140.7 Mn in the books of the Company. This profit will be eliminated in the consolidated results of the listed entity.
As at the year end the balance receivable from Blyton (Private) Limited amounted to Rs. 615 Mn as explained in Note 22.1 to the Financial Statements.

Further Blyton (Private) Limited purchased an undivided 21/87 share of the same property at Rs.500,000/- per perch for a total consideration of Rs. 283.22 Mn from Nextventures Limited (an affiliate).

The property was placed under an acquisition order, dated 10 June 2014 under gazette notification, No. 1861/6 dated 5 May 2014. The Government had subsequently issued a gazette notification, No. 1866/37 dated 13 June 2014 requesting all interested parties of the said land to appear before Divisional Secretary Nuwara Eliya and later cancelled the same through gazette notification, No.1874/40 dated 8 August 2014. A notice of acquisition was again given under section 5 through gazette notification, No. 1885/20 dated 20 October 2014.

The Board of Directors of Dunamis Capital PLC is unable to determine at this stage whether, as a result of the acquisition order and subsequent gazette notifications, any adjustments would be necessary to the amounts reported in the financial statements as at 31 March 2016 in respect of the carrying value of investment property, profit for the year and retained earnings.

16.2 The Group has adopted the cost model to measure its investment properties. The fair value of the above investment property is Rs.1.2 Bn, which was determined by the valuation carried out by Mr. M.P Perera, an accredited independent valuer (Fellow member of the Institute of Valuers of Sri Lanka) on the basis of market approach on 13 June 2014. Directors are of the view that said value is reasonably approximate to its fair value as at 31 March 2016.

16.3 In March 2016, the Company purchased a 2 acre property in Nilaweli, Trincomalee for investment purpose.

As at,	Group		Company	
	31.03.2016 Rs. '000	31.03.2015 Rs. '000	31.03.2016 Rs. '000	31.03.2015 Rs. '000
17. INVESTMENT IN VENTURE CAPITAL				
Jayasevana Housing (Private) Limited	8,500	8,500	-	-
MFB Cards (Private) Limited	100	100	-	-
	8,600	8,600	-	-
Disposals during the year	(8,600)	-	-	-
Specific allowance for impairment (Note 17.1)	-	(2,600)	-	-
Balance at the end of the year	-	6,000	-	-
17.1 Specific allowance for impairment				
Jayasevana Housing (Private) Limited	-	2,500	-	-
MFB Cards (Private) Limited	-	100	-	-
	-	2,600	-	-
18. DEFERRED TAX ASSETS				
Balance at the beginning of the year	40,259	48,173	-	-
Recognised/ (reversal) during the year (Note 10.1)	8,401	(7,914)	-	-
Balance at the end of the year	48,660	40,259	-	-

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

In terms of an agreement entered with the Board of Investment (BOI) of Sri Lanka under Section 17 of Law No. 14 of 1978, the profits and income of Premier Synthetic Leather Manufacturers (Private) Limited is exempt from income tax for a period of 06 years commencing from the year of assessment 2014/15 till end of financial year 2020, as such there is no deferred tax to be recognised.

Deferred tax assets have been computed at rates ranging from 10%- 28% depending on the rate applicable to the entity and year of assessment.

Notes to the Financial Statements Contd.

	Software Rs. '000	Business License Rs. '000	Goodwill Rs. '000	Total Rs. '000
19. INTANGIBLE ASSETS- GROUP				
Gross value				
As at 1 April 2015	27,557	28,800	326,572	382,929
Additions	2,597	-	-	2,597
Disposals	-	-	-	-
As at 31 March 2016	30,154	28,800	326,572	385,526
Amortisation / impairment/ de-recognition				
As at 1 April 2015	20,277	-	147,134	167,411
Amortisation	2,946	-	-	2,946
Disposals	-	-	-	-
As at 31 March 2016	23,223	-	147,134	170,357
Carrying values as at 31 March 2016	6,931	28,800	179,438	215,169
Carrying values as at 31 March 2015	7,280	28,800	179,438	215,518

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

	Software Rs. '000	Total Rs. '000
19. INTANGIBLE ASSETS- COMPANY		
Gross value		
As at 1 April 2015	50	50
Additions	-	-
Disposals	-	-
As at 31 March 2016	50	50
Amortisation / impairment		
As at 1 April 2015	45	45
Amortisation	5	5
Disposals	-	-
As at 31 March 2016	50	50
Carrying values as at 31 March 2016	-	-
Carrying values as at 31 March 2015	5	5

As at,	Gross Goodwill Rs. '000	Carrying value as at 31.03.2016 Rs. '000	Carrying value as at 31.03.2015 Rs. '000
19.1 Goodwill on acquisition of subsidiary companies			
First Capital Holdings PLC	153,101	153,101	153,101
First Capital Equities (Private) Limited	26,337	26,337	26,337
	179,438	179,438	179,438

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

As at,	Group		Company	
	31.03.2016 Rs. '000	31.03.2015 Rs. '000	31.03.2016 Rs. '000	31.03.2015 Rs. '000
20. INVENTORIES				
Work in progress (Note 20.1)	1,478,048	1,532,885	-	-
Raw materials and components	105,684	56,476	-	-
Finished Goods	52,279	35,922	-	-
Consumables	60	641	-	-
	1,636,071	1,625,924	-	-
Less: Specific allowance for slow moving inventories	(20,208)	(22,418)	-	-
Balance at the end of the year	1,615,863	1,603,506	-	-

20.1 Work in progress comprises project work in progress relating to real estate projects of Kelsey Homes (Private) Limited (subsidiary company) and it includes a borrowing cost of Rs.13.43 Mn capitalised during the year.

As at,	Group		Company	
	31.03.2016 Rs. '000	31.03.2015 Rs. '000	31.03.2016 Rs. '000	31.03.2015 Rs. '000
21. TRADE AND OTHER RECEIVABLES				
Trade receivables - Non-Current	-	3,814	-	-
Trade receivables - Current	484,707	509,986	-	-
	484,707	513,800	-	-
Trade receivables - Current	574,467	754,377	-	-
Less: Specific allowance for impairment	(89,760)	(114,299)	-	-
Less: Interest in suspense	-	(27,675)	-	-
Less: Write offs during the year	-	(102,417)	-	-
Trade receivables - Net (Note 21.1)	484,707	509,986	-	-
Deposits, advances and prepayments	184,825	60,630	857	698
Tax receivable	65,027	68,167	1,135	262
Staff loans	1,223	887	287	150
Advance payment on a property (Note 21.2)	492,552	-	325,000	-
Other receivables	1,462	66,318	116	7,920
Balance at the end of the year	1,229,796	705,988	327,395	9,030

Notes to the Financial Statements Contd.

As at,	Group		Company	
	31.03.2016 Rs. '000	31.03.2015 Rs. '000	31.03.2016 Rs. '000	31.03.2015 Rs. '000
21.1 Trade Receivables				
Margin trading debtors (Note 21.1.a)	311,177	357,444	-	-
Stock broking debtors (Note 21.1.b)	76,894	60,768	-	-
Real estate debtors (Note 21.1.c)	2,038	3,158	-	-
Manufacturing debtors (Note 21.1.d)	93,303	88,616	-	-
Secretarial debtors (Note 21.1.e)	1,295	-	-	-
	484,707	509,986	-	-
21.1.a Margin trading debtors	374,685	420,952	-	-
Less: Specific allowance for impairment	(63,508)	(63,508)	-	-
	311,177	357,444	-	-
21.1.b Stock broking debtors	77,118	163,402	-	-
Less: Specific allowance for impairment	-	(217)	-	-
Less: Write offs during the year	(224)	(102,417)	-	-
	76,894	60,768	-	-
21.1.c Real estate debtors	17,287	44,818	-	-
Less: Specific allowance for impairment	(15,249)	(41,660)	-	-
	2,038	3,158	-	-
21.1.d Manufacturing debtors	104,082	97,530	-	-
Less: Specific allowance for impairment	(10,779)	(8,914)	-	-
	93,303	88,616	-	-
21.1.e Secretarial debtors	1,295	-	-	-
	1,295	-	-	-

21.2 This reflects the advances paid by the Company and its subsidiaries, First Capital Treasuries PLC and Croft Capital (Private) Limited amounting to Rs. 325 Mn (after netting off of inter - company balance amounting to Rs. 50 Mn), Rs. 77.3 Mn and Rs. 140 Mn respectively on account of the acquisition of immovable properties.

As at,	Relationship	Group		Company	
		31.03.2016 Rs. '000	31.03.2015 Rs. '000	31.03.2016 Rs. '000	31.03.2015 Rs. '000
22. GROUP BALANCES RECEIVABLE					
Premier Synthetic Leather Manufacturers (Private) Limited	Subsidiary	-	-	94,426	37,332
Kelsey Homes (Private) Limited	Subsidiary	-	-	31,013	-
Croft Capital (Private) Limited	Subsidiary	-	-	115,062	-
Blyton (Private) Limited (Note 22.1)	Subsidiary	-	-	615,146	-
		-	-	855,647	37,332

22.1 Receivables of Rs. 615.14 Mn from Blyton (Private) Limited consist of the proceeds of Rs. 576.75 Mn relating to the property situated at Upper Lake Road, Nuwara Eliya, and stamp duty amounting to Rs. 38.39 Mn, borne by Dunamis Capital PLC on behalf of Blyton (Private) Limited. Recoverability of this receivable balance will depend on the outcome of the acquisition notice issued by the government as explained in note 16.1 to the Financial Statements. As explained therein, the Company disposed this property for a total consideration of Rs. 676.75 Mn and subsequently Rs. 100 Mn was transferred to Blyton (Private) Limited as consideration for the shares received (Note 13).

As at,	Group		Company	
	31.03.2016 Rs. '000	31.03.2015 Rs. '000	31.03.2016 Rs. '000	31.03.2015 Rs. '000
23. FINANCIAL INVESTMENTS- HELD FOR TRADING				
Quoted shares (Note 23.1)	1,229,983	1,046,166	935,744	874,524
Government securities (Note 23.2)	9,206,855	8,637,938	-	-
Quoted debentures (Note 23.3)	1,267,632	1,262,385	-	-
Investment in unit trusts (Note 23.4)	557,436	164,486	171,543	-
	12,261,906	11,110,975	1,107,287	874,524

As at,	Group		Market Value		Cost	
	No. of Shares		Rs. '000		Rs. '000	
	31.03.2016	31.03.2015	31.03.2016	31.03.2015	31.03.2016	31.03.2015
23.1 Quoted Shares- Group						
Janashakthi Insurance Company PLC	18,953,446	12,635,631	303,032	284,018	341,226	224,346
Commercial Credit & Finance PLC	-	1,073,623	-	55,184	-	20,311
Seylan Bank PLC	4,285,156	3,818,755	280,364	240,582	249,349	198,746
Laugfs Gas PLC- Non-Voting	1,464,217	909,772	52,277	30,932	52,663	30,959
Laugfs Gas PLC- Voting	934,916	1,564,362	34,124	56,001	40,914	65,554
LB Finance PLC	1,090,830	1,016,882	115,737	152,634	93,338	174,021
Hatton National Bank PLC-Voting	300,000	621,052	59,790	102,784	68,207	101,419
Hatton National Bank PLC-Non Voting	783,463	-	133,972	-	131,873	-
Commercial Bank of Ceylon PLC	-	150,000	-	24,532	-	25,292
Lanka IOC PLC	333,002	383,002	10,734	15,262	20,128	22,837
Renuka Agri Foods PLC	5,000,509	5,000,509	15,374	23,239	25,278	25,278
Royal Ceramics Lanka PLC	217,375	217,375	21,581	23,858	25,278	25,278
Softlogic Finance PLC	378,179	669,642	14,365	23,109	14,392	27,205
Textured Jersey Lanka PLC	-	588,798	-	14,031	-	12,431
ACL Cables PLC	207,989	-	20,814	-	25,255	-
MTD Walkers PLC	226,242	-	7,472	-	14,533	-
Lanka Walltile PLC	398,816	-	39,080	-	51,598	-
Nations Trust Bank PLC	475,000	-	34,956	-	50,658	-
Orient Finance PLC	6,666,600	-	86,311	-	100,000	-
Total			1,229,983	1,046,166	1,304,690	953,677

Notes to the Financial Statements Contd.

As at,	Company					
	No. of Shares		Market Value		Cost	
	31.03.2016	31.03.2015	31.03.2016	31.03.2015	31.03.2016	31.03.2015
			Rs. '000	Rs. '000	Rs. '000	Rs. '000
23.1 Quoted Shares- Company						
Janashakthi Insurance Company PLC	17,250,000	11,500,000	276,000	258,750	305,251	198,876
Commercial Credit & Finance PLC	-	1,073,623	-	55,184	-	20,311
Seylan Bank PLC	3,818,755	3,818,755	240,582	240,582	198,746	198,746
Laugfs Gas PLC- Non-Voting	909,772	909,772	32,206	30,932	30,959	30,959
Laugfs Gas PLC- Voting	934,916	934,916	34,124	33,657	40,914	40,914
LB Finance PLC	1,090,830	1,016,882	115,737	152,634	93,338	174,021
Hatton National Bank PLC- Voting	300,000	621,052	59,790	102,785	68,207	101,419
Hatton National Bank PLC- Non Voting	783,463	-	133,972	-	131,873	-
Orient Finance PLC	3,333,300	-	43,333	-	50,000	-
Total			935,744	874,524	919,288	765,246

As at,	Market value		Face value	
	31.03.2016	31.03.2015	31.03.2016	31.03.2015
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
23.2 Government securities- Group				
Treasury bills	1,674,508	3,482,432	1,796,481	3,550,956
Treasury bonds	7,532,347	5,155,506	7,759,078	4,969,786
	9,206,855	8,637,938	9,555,559	8,520,742

23.2.1 Securities pledged as collateral

Of the government securities classified as held for trading the following amounts have been pledged as collateral for re-purchase agreements entered into by the Group.

As at,	Market value		Face value	
	31.03.2016	31.03.2015	31.03.2016	31.03.2015
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Treasury bills	2,816,098	2,816,098	2,869,376	2,869,376
Treasury bonds	4,611,473	4,611,473	4,431,416	4,431,416
	7,427,571	7,427,571	7,300,792	7,300,792

As at,	Group		Company	
	31.03.2016	31.03.2015	31.03.2016	31.03.2015
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
23.3 Quoted debentures				
Lanka Orix Leasing Company PLC	533,041	539,598	-	-
Janashakthi PLC	495,071	482,612	-	-
Lanka Orix Finance PLC	239,520	240,175	-	-
	1,267,632	1,262,385	-	-

As at,	Group		Company	
	31.03.2016 Rs. '000	31.03.2015 Rs. '000	31.03.2016 Rs. '000	31.03.2015 Rs. '000
23.4 Investments in unit trust				
First Capital Wealth Fund	437,331	75,953	171,543	-
First Capital Gilt- Edged Fund	7,535	49,972	-	-
First Capital Money Market Fund	75,093	38,561	-	-
First Capital Equity Fund	36,465	-	-	-
JB Vantage Short Term Gilt Fund	1,012	-	-	-
	557,436	164,486	171,543	-
24. FINANCIAL INVESTMENTS - AVAILABLE FOR SALE				
Bartleet Transcapital Limited	1,000	1,000	-	-
Lanka Financial Service Bureau Limited	1,000	1,000	-	-
Orient Finance PLC (Note 24.1)	-	-	-	-
	2,000	2,000	-	-
24.1. Investment in Orient Finance PLC				
Balance at the beginning of the year	-	302,938	-	-
Gain/ (loss) on fair valuation	-	20,812	-	-
	-	323,750	-	-
Less : Transferred to equity accounted investee (Note 15)	-	(323,750)	-	-
Balance at the end of the year	-	-	-	-
25. FINANCIAL INVESTMENTS- LOANS AND RECEIVABLES				
Corporate debt securities	284,039	177,858	71,074	921
Short term lending (Note 25.1)	2,092,893	1,265,462	-	-
Investments under re-sale agreements (Note 25.2)	5,985,365	7,435,706	-	-
Investments in fixed deposits (Note 25.3)	14,288	46,247	64	5,061
	8,376,585	8,925,273	71,138	5,982
25.1 Short term lending				
Short term lending (Gross)	2,280,553	1,453,122	-	-
Less: Specific allowance of impairment	(187,660)	(187,660)	-	-
Balance at the end of the year	2,092,893	1,265,462	-	-
25.2 Investments under re-sale agreements				
Government securities	5,903,738	7,365,895	-	-
Corporate debt securities	81,627	69,811	-	-
	5,985,365	7,435,706	-	-

Notes to the Financial Statements Contd.

As at,	Group		Company	
	31.03.2016 Rs. '000	31.03.2015 Rs. '000	31.03.2016 Rs. '000	31.03.2015 Rs. '000
25.3 Investments in fixed deposits				
Fixed deposits (Note 25.3.a)	19,288	51,247	64	5,061
Less: Specific allowance for impairment	(5,000)	(5,000)	-	-
Balance at the end of the year	14,288	46,247	64	5,061

25.3.a Investment in fixed deposits of Group amounting to Rs. 12 Mn have been pledged as collateral for banking facilities obtained (As at 31 March 2015 - Group - Rs. 5 Mn).

As at,	Group		Company	
	31.03.2016 Rs. '000	31.03.2015 Rs. '000	31.03.2016 Rs. '000	31.03.2015 Rs. '000
26. DERIVATIVE FINANCIAL INSTRUMENTS				
Forward purchase contracts	40,227	31,398	-	-
Forward sale contracts	634	9,211	-	-
	40,861	40,609	-	-

27. NON-CURRENT ASSETS HELD FOR SALE

Investment in equities (Note 27.1)	42,416	42,416	-	-
Freehold land (Note 27.2)	-	2,000	-	-
	42,416	44,416	-	-

27.1 Investment in equities

	No. of Shares				
Ceyspence (Private) Limited	2,861,856	71,432	71,432	-	-
Ceyaki Shipping (Private) Limited	3,116,600	29,928	29,928	-	-
		101,360	101,360	-	-
Less: Specific allowance for impairment		(58,944)	(58,944)	-	-
Balance at the end of the year		42,416	42,416	-	-

This represents equity investments in shipping business made by First Capital Limited (subsidiary company). All these businesses are in the process of liquidation and stated at their realisable values as at the reporting date. The details relating to tax assessment and litigation of the investment in equities (above) have been disclosed in Note 41.2.3 (b) to the Financial Statements (Contingent Liabilities).

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

This represents the freehold ownership of one acre land in Kegalle under First Capital Limited (subsidiary company). Full provision has been made on account of the said asset as at 31 March 2016.

As at,	No of shares		Group		Company	
	31.03.2016	31.03.2015	31.03.2016 Rs. '000	31.03.2015 Rs. '000	31.03.2016 Rs. '000	31.03.2015 Rs. '000
28. STATED CAPITAL						
Balance at the beginning of the year	122,997,050	122,997,050	445,994	445,994	445,994	445,994
New share issue	-	-	-	-	-	-
Balance at the end of the year	122,997,050	122,997,050	445,994	445,994	445,994	445,994

As at,	Group		Company	
	31.03.2016 Rs. '000	31.03.2015 Rs. '000	31.03.2016 Rs. '000	31.03.2015 Rs. '000
29. RISK RESERVE				
Balance at the beginning of the year	615,559	455,128	-	-
Transfer made during the year	1,533	160,431	-	-
Balance at the end of the year	617,092	615,559	-	-

A sum equivalent to 10% (2014/2015-25%) of the profit after tax of First Capital Treasuries PLC (subsidiary company) has been transferred to the risk reserve in accordance with the directions issued by the Central Bank of Sri Lanka.

As at,	Group		Company	
	31.03.2016 Rs. '000	31.03.2015 Rs. '000	31.03.2016 Rs. '000	31.03.2015 Rs. '000
30. FAIR VALUATION RESERVE				
Balance at the beginning of the year	(1,173)	147,817	-	-
Transfers made to profit or loss during the year (Equity accounted Investee)	1,173	(148,990)	-	-
Balance at the end of the year	-	(1,173)	-	-
31. EMPLOYEE BENEFITS				
Balance at the beginning of the year	34,349	26,205	8,092	3,567
Through acquisition	356	-	-	-
Gratuity charge for the year	8,634	8,155	2,155	1,995
Interest charge for the year	3,810	3,243	838	357
Actuarial (gain)/ loss for the year	(3,431)	(1,869)	(1,484)	2,173
Paid during the year	(1,098)	(1,385)	-	-
Balance at the end of the year	42,620	34,349	9,601	8,092

Notes to the Financial Statements Contd.

31.1 The total amount charged to profit or loss in respect of Retirement Benefit Obligations:

As at,	Group		Company	
	31.03.2016	31.03.2015	31.03.2016	31.03.2015
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Gratuity charge for the year	8,634	8,155	2,155	1,995
Interest charge for the year	3,810	3,243	838	357
	12,444	11,398	2,993	2,352

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

Actuarial (gain)/loss for the year	(3,431)	(1,869)	(1,484)	2,173
	(3,431)	(1,869)	(1,484)	2,173

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

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

31.4 Sensitivity of the assumptions used

Reasonable possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts shown below.

As at,	Effect on employee benefit obligation Increase/(Reduction) in the liability	Group		Company	
		31.03.2016	31.03.2015	31.03.2016	31.03.2015
		Rs. '000	Rs. '000	Rs. '000	Rs. '000
Increase /(decrease) in discount rate	1%	(2,347)	(2,789)	(528)	(469)
	(-1%)	4,079	3,124	572	508
Increase /(decrease) in salary increment	1%	4,101	3,091	577	503
	(-1%)	(1,341)	(2,810)	(542)	(473)

As at,	Group		Company	
	31.03.2016 Rs. '000	31.03.2015 Rs. '000	31.03.2016 Rs. '000	31.03.2015 Rs. '000
32. BORROWINGS ON DEBENTURES				
Debentures issued	2,711,310	1,709,560	2,000,000	1,000,000
Transaction cost	(23,274)	(13,782)	(20,684)	(11,193)
	2,688,036	1,695,778	1,979,316	988,807
Interest payable	86,836	47,547	65,157	28,742
Debentures redeemed	-	-	-	-
Balance as at 31 March (Note 32.1)	2,774,872	1,743,325	2,044,473	1,017,549
32.1 Debenture issued				
Dunamis Capital PLC	2,044,473	1,017,549	2,044,473	1,017,549
First Capital Holdings PLC	515,804	515,079	-	-
First Capital Treasuries PLC	214,595	210,697	-	-
	2,774,872	1,743,325	2,044,473	1,017,549

32.1.1. Debentures issued by the Company- 2014/2019

The debentures consist of 10,000,000 Rated, Senior, Unsecured, Redeemable, 5 year (2014/2019) Debentures of Rs.100/- each issued in August 2014. The debentures are quoted on the Colombo Stock Exchange.

Tenure	No. of Debentures	Face Value Rs. '000	Carrying Value 31.03.2016 Rs. '000	Carrying Value 31.03.2015 Rs. '000	Allotment Date	Maturity Date	Rate of Interest	Frequency on interest
5 year	10,000,000	1,000,000	1,017,549	1,017,549	05-Aug-14	05-Aug-19	12.5% (AER-12.5%)	Annually
	10,000,000	1,000,000	1,017,549	1,017,549				

32.1.2. Debentures issued by the Company- 2015/2020

The debentures consist of 10,000,000 Rated, Senior, Unsecured, Redeemable, 5 year (2015/2020) Debentures of Rs.100/- each issued in December 2015. The debentures are quoted on the Colombo Stock Exchange.

Tenure	No. of Debentures	Face Value Rs. '000	Carrying Value 31.03.2016 Rs. '000	Carrying Value 31.03.2015 Rs. '000	Allotment Date	Maturity Date	Rate of Interest	Frequency on interest
Type A	9,989,500	998,950	1,025,846	-	04-Dec-15	04-Dec-20	12.5% (AER-12.5%)	Annually
Type B	10,500	1,050	1,078	-				
	10,000,000	1,000,000	1,026,924	-				

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32.1.3. Debenture issued by First Capital Holdings PLC (subsidiary company)

The debentures consist of 5,000,000 Rated, Senior, Unsecured, Redeemable, 3 year (2014/17), 4 year (2014/2018) and 5 year (2014/2019) Debentures of Rs. 100/- each issued in March 2014. The debentures are quoted on the Colombo Stock Exchange.

Type	Tenure	No. of Debentures	Face Value Rs. '000	Carrying value	Carrying value	Allotment Date	Maturity Date	Rate of Interest	Frequency on interest
				31.03.2016 Rs. '000	31.03.2015 Rs. '000				
Type A	3 year	1,854,000	185,400	191,293	190,958	12-Mar-14	11-Mar-17	13.50% (AER-13.50%)	Annually
Type B	4 year	1,292,000	129,200	133,268	133,088	12-Mar-14	11-Mar-18	13.75% (AER-13.75%)	Annually
Type C	5 year	1,854,000	185,400	191,243	191,033	12-Mar-14	11-Mar-19	14.00% (AER-14.00%)	Annually
		5,000,000	500,000	515,804	515,079				

32.1.4. Debenture issued by First Capital Treasuries PLC (subsidiary company)

The debentures consist of 5,000,000 Rated, Subordinated, Unsecured, Redeemable, 5 year (2015/2020) debentures at a face value of LKR 100/- issued in February 2015. The debentures are quoted on the Colombo Stock Exchange.

Tenure	No. of Debentures	Face Value Rs. '000	Carrying Value	Carrying Value	Allotment Date	Maturity Date	Rate of Interest	Frequency on interest
			31.03.2016 Rs. '000	Rs. '000				
5 year	5,000,000	500,000	509,953	505,143	05-Feb-15	06-Feb-20	9.5% (AER-9.5%)	Annually
	5,000,000	500,000	509,953	505,143				

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

As at,	Group		Company	
	31.03.2016 Rs. '000	31.03.2015 Rs. '000	31.03.2016 Rs. '000	31.03.2015 Rs. '000
33. TRADE AND OTHER PAYABLES				
Trade creditors- Foreign	2,888	7,168	-	-
Advances from customers (Note 33.1)	1,103,208	865,477	-	-
Retention payable	48,560	21,999	-	-
Accrued expenses	136,352	93,700	-	8,545
Provision for statutory liabilities	77,461	61,681	16,516	15,260
Advance against non-current assets held for sale	80,218	80,218	-	-
Dividend payable	14,774	14,536	-	-
Other payables	76,722	109,211	10,857	-
	1,540,183	1,253,990	27,373	23,805

33.1 Advance received consists of advance money received from the clients of the project in Mount Lavinia by Kelsey Homes (Private) Limited (subsidiary company).

As at,	Group		Company	
	31.03.2016 Rs. '000	31.03.2015 Rs. '000	31.03.2016 Rs. '000	31.03.2015 Rs. '000
34. INTEREST BEARING BORROWINGS				
Borrowings on corporate debt securities	3,572,593	1,062,909	529,949	1,062,909
Other short term borrowings	-	337,791	-	-
	3,572,593	1,400,700	529,949	1,062,909
35. GROUP BALANCES PAYABLE				
	Relationship			
Kelsey Homes (Private) Limited	Subsidiary	-	-	1,226
Owners of Negombo Land	Note 35.1	187,000	-	-
Nextventures Limited	Affiliate	283,225	-	-
		470,225	-	1,226

35.1. In 2014/15, Kelsey Homes (Private) Limited (subsidiary company) purchased a plot of land in Negombo from Ms. Manjula Mathews (Chairperson), Mr. Dinesh Schaffter (Managing Director) and Ms. Tarni Schaffter (spouse of Mr. Dinesh Schaffter) for a consideration of Rs.487 Mn. Of the total consideration, Rs.300 Mn has been settled and the balance Rs.187 Mn remains outstanding.

As at,	Group		Company	
	31.03.2016 Rs. '000	31.03.2015 Rs. '000	31.03.2016 Rs. '000	31.03.2015 Rs. '000
36. SECURITIES SOLD UNDER REPURCHASE AGREEMENTS				
Against government securities	13,008,145	13,917,585	-	-
Against corporate debt instruments	1,236,952	918,673	-	-
	14,245,097	14,836,258	-	-
37. DERIVATIVE FINANCIAL INSTRUMENTS (LIABILITIES)				
Forward sale contracts	20,304	30,132	-	-
Forward purchase contracts	531	1,227	-	-
	20,835	31,359	-	-

38. DIVIDEND

The Board of Directors of Dunamis Capital PLC did not declare dividends for 2015/16 (2014/15 - Rs. 4/- per share totaling Rs. 244.994 Mn.)

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39. INVOLVEMENT WITH UNCONSOLIDATED STRUCTURED ENTITIES

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

Name of the fund	Nature of Business	Date of Incorporation	Managing Company	Investment made by First Capital Limited and First Capital Asset Management Limited (Rs' 000)	Management fee received by First Capital Asset Management Limited (Rs' 000)
First Capital Wealth Fund	The Unit Trust engages in investment in medium term fixed income securities. (i.e. Government Securities and Corporate Debt Securities) on behalf of its clients.	18 August 2010	First Capital Asset Management Limited	437,331	37,689
First Capital Money Market Fund	The Unit Trust engages in investment in Short Term Fixed Income Securities on behalf of its clients.	16 September 2014	First Capital Asset Management Limited	75,093	6,421
First Capital Gilt -Edged Fund	The Unit Trust engages in investment in Government securities on behalf of its clients.	16 September 2014	First Capital Asset Management Limited	7,535	3,063
First Capital Fixed Income Fund	The Unit Trust engages in investment in fixed income securities (i.e. Government Securities and Corporate Debt Securities) on behalf of its clients.	25 April 2014	First Capital Asset Management Limited	-	1,592
First Capital Equity Fund	The Unit Trust engages in investment in equity shares on behalf of its clients.	30 July 2015	First Capital Asset Management Limited	36,465	291

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

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

40. FINANCIAL INSTRUMENTS- FAIR VALUE**40.1 (a) Accounting classifications**

Group - As at 31 March 2016	Loans and receivables / Borrowings				Total carrying amount Rs. '000	Fair value Rs. '000
	Held for trading Rs. '000	at amortised cost Rs. '000	Available for sale Rs. '000	Held to maturity Rs. '000		
Financial assets measured at fair value						
Financial investments - Held for trading	12,261,906	-	-	-	12,261,906	12,261,906
Derivative financial instruments	40,861	-	-	-	40,861	40,861
Financial investments - Available for sale	-	-	2,000	-	2,000	2,000
Investment in preference shares	-	-	100,000	-	100,000	100,000
	12,302,767	-	102,000	-	12,404,767	12,404,767
Financial assets not measured at fair value						
Cash at banks and in hand	-	156,074	-	-	156,074	156,074
Financial investments - Loans and receivables	-	8,376,585	-	-	8,376,585	8,376,585
Trade receivables (Net) (Note 21)	-	484,707	-	-	484,707	484,707
	-	9,017,366	-	-	9,017,366	9,017,366
Total financial assets	12,302,767	9,017,366	102,000	-	21,422,133	21,422,133
Financial liabilities measured at fair value						
Derivative Financial instruments	20,835	-	-	-	20,835	20,835
	20,835	-	-	-	20,835	20,835
Financial liabilities not measured at fair value						
Bank overdrafts	-	765,745	-	-	765,745	765,745
Securities sold under re-purchase agreements	-	14,245,097	-	-	14,245,097	14,245,097
Group balances payables	-	470,225	-	-	470,225	470,225
Interest bearing borrowings	-	4,129,903	-	-	4,129,903	4,129,903
Borrowings on debentures	-	2,774,872	-	-	2,774,872	2,774,872
	-	22,385,842	-	-	22,385,842	22,385,842
Total financial liabilities	20,835	22,385,842	-	-	22,406,677	22,406,677

Notes to the Financial Statements Contd.

40.1 (b) Accounting classifications

Group - As at 31 March 2015	Loans and receivables / Borrowings				Total carrying amount Rs. '000	Fair value Rs. '000
	Held for trading Rs. '000	at amortised cost Rs. '000	Available for sale Rs. '000	Held to maturity Rs. '000		
Financial investments - Held for trading	11,110,975	-	-	-	11,110,975	11,110,975
Derivative financial instruments	40,609	-	-	-	40,609	40,609
Financial investments - Available for sale	-	-	2,000	-	2,000	2,000
Investment in preference shares	-	-	100,000	-	100,000	100,000
	11,151,584	-	102,000	-	11,253,584	11,253,584
Financial assets not measured at fair value						
Cash at banks and in hand	-	57,933	-	-	57,933	57,933
Financial investments - Loans and receivables	-	8,925,273	-	-	8,925,273	8,925,273
Trade receivables (Net) (Note 21)	-	513,800	-	-	513,800	513,800
	-	9,497,006	-	-	9,497,006	9,497,006
Total financial assets	11,151,584	9,497,006	102,000	-	20,750,590	20,750,590
Financial liabilities measured at fair value						
Derivative Financial Instruments	31,359	-	-	-	31,359	31,359
	31,359	-	-	-	31,359	31,359
Financial liabilities not measured at fair value						
Bank overdrafts	-	321,038	-	-	321,038	321,038
Securities sold under re-purchase agreements	-	14,836,258	-	-	14,836,258	14,836,258
Group balances payables	-	187,000	-	-	187,000	187,000
Interest bearing borrowings	-	3,823,842	-	-	3,823,842	3,823,842
Borrowings on debentures	-	1,743,325	-	-	1,743,325	1,743,325
	-	20,911,463	-	-	20,911,463	20,911,463
Total financial liabilities	31,359	20,911,463	-	-	20,942,822	20,942,822

40.1 (c) Accounting Classification

Company - As at 31 March 2016	Held for trading Rs. '000	Loans and receivables / Borrowings at amortised cost Rs. '000	Available for sale Rs. '000	Held to maturity Rs. '000	Total carrying amount Rs. '000	Fair value Rs. '000
Financial assets measured at fair value						
Financial investments - Held for trading	1,107,287	-	-	-	1,107,287	1,107,287
Investment in preference shares	-	-	100,000	-	100,000	100,000
	1,107,287	-	100,000	-	1,207,287	1,207,287
Financial assets not measured at fair value						
Cash at banks and in hand	-	2,003	-	-	2,003	2,003
Financial investments - Loans and receivables	-	71,138	-	-	71,138	71,138
Group balances receivables	-	855,647	-	-	855,647	855,647
	-	928,788	-	-	928,788	928,788
Total financial assets	1,107,287	928,788	100,000	-	2,136,075	2,136,075
Financial liabilities measured at fair value						
	-	-	-	-	-	-
Financial liabilities not measured at fair value						
Bank overdrafts	-	531,115	-	-	531,115	531,115
Interest bearing borrowings	-	1,029,949	-	-	1,029,949	1,029,949
Borrowings on debentures	-	2,044,473	-	-	2,044,473	2,044,473
	-	3,605,537	-	-	3,605,537	3,605,537
Total financial liabilities	-	3,605,537	-	-	3,605,537	3,605,537

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40.1 (d) Accounting Classification

Company - As at 31 March 2015	Held for trading Rs. '000	Loans and receivables / Borrowings at amortised cost Rs. '000	Available for sale Rs. '000	Held to maturity Rs. '000	Total carrying amount Rs. '000	Fair value Rs. '000
Financial assets measured at fair value						
Financial investments - Held for trading	874,524	-	-	-	874,524	874,524
Investment in preference shares	-	-	100,000	-	100,000	100,000
	874,524	-	100,000	-	974,524	974,524
Financial assets not measured at fair value						
Cash at banks and in hand	-	1,594	-	-	1,594	1,594
Financial investments - Loans and receivables	-	5,982	-	-	5,982	5,982
Group balances receivables	-	37,332	-	-	37,332	37,332
	-	44,908	-	-	44,908	44,908
Total financial assets	874,524	44,908	100,000	-	1,019,432	1,019,432
Financial liabilities measured at fair value						
	-	-	-	-	-	-
Financial liabilities not measured at fair value						
Bank overdrafts	-	293,174	-	-	293,174	293,174
Group balances payables	-	1,226	-	-	1,226	1,226
Interest bearing borrowings	-	1,062,909	-	-	1,062,909	1,062,909
Borrowings on debentures	-	1,017,549	-	-	1,017,549	1,017,549
	-	2,374,858	-	-	2,374,858	2,374,858
Total financial liabilities	-	2,374,858	-	-	2,374,858	2,374,858

40.2 Financial instruments- Fair value

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

40.2 (a) Group- As at 31 March 2016	Total carrying value Rs. '000	Level 1 Rs. '000	Level 2 Rs. '000	Level 3 Rs. '000	Total fair value Rs. '000
Financial assets measured at fair value					
Derivative financial instruments					
Forward purchase contracts	40,227	40,227	-	-	40,227
Forward sale contracts	634	634	-	-	634
	40,861	40,861	-	-	40,861
Financial investments - Held for trading					
Investment in government securities	9,206,855	9,206,855	-	-	9,206,855
Investment in listed debentures	1,267,632	-	1,267,632	-	1,267,632
Investment in unit trusts (Note 40.3.2)	557,436	-	557,436	-	557,436
Investment in listed shares	1,229,983	1,229,983	-	-	1,229,983
	12,261,906	10,436,838	1,825,068	-	12,261,906
Financial investments - Available for sale	2,000	-	-	2,000	2,000
	12,304,767	10,477,699	1,825,068	2,000	12,304,767
Financial assets not measured at fair value					
Financial investments- Loans and receivables	8,376,585	-	-	8,376,585	8,376,585
Trade receivables (Net) (Note 21)	484,707	-	-	484,707	484,707
	8,861,292	-	-	8,861,292	8,861,292
Total financial investments	21,166,059	10,477,699	1,267,632	9,420,728	21,166,059
Financial liabilities measured at fair value					
Derivative financial instruments					
Forward purchase contracts	20,304	20,304	-	-	20,304
Forward sale contracts	531	531	-	-	531
	20,835	20,835	-	-	20,835
Financial liabilities not measured at fair value					
Securities sold under re-purchase agreements	14,245,097	-	-	14,245,097	14,245,097
Interest bearing borrowings	4,129,903	-	-	4,129,903	4,129,903
Borrowings on debentures	2,774,872	-	2,809,114	-	2,809,114
Group balance payable	470,225	470,225	-	-	470,225
	21,620,097	470,225	2,809,114	18,375,000	21,654,339
Total financial liabilities	21,640,932	491,060	2,809,114	18,375,000	21,675,174

Notes to the Financial Statements Contd.

40.2 (b) Group- As at 31 March 2015	Total carrying value Rs. '000	Level 1 Rs. '000	Level 2 Rs. '000	Level 3 Rs. '000	Total fair value Rs. '000
Financial assets measured at fair value					
Derivative financial instruments					
Forward purchase contracts	31,398	31,398	-	-	31,398
Forward sales contracts	9,211	9,211	-	-	9,211
	40,609	40,609	-	-	40,609
Financial investments - Held for trading					
Investment in government securities	8,637,938	8,637,938	-	-	8,637,938
Investment in listed debentures	1,262,385	-	1,262,385	-	1,262,385
Investment in unit trust	164,486	-	164,486	-	164,486
Investment in listed shares	1,046,166	1,046,166	-	-	1,046,166
	11,110,975	9,684,104	1,262,385	164,486	11,110,975
Financial investments - Available for sale	2,000	-	-	2,000	2,000
	11,153,584	9,724,713	1,262,385	166,486	11,153,584
Financial assets not measured at fair value					
Financial investments- Loans and receivables	8,925,273	-	-	8,925,273	8,925,273
Trade receivables (Net) (Note 21)	513,800	-	-	513,800	513,800
	9,439,073	-	-	9,439,073	9,439,073
Total financial investments	20,592,657	9,724,713	1,262,385	9,605,559	20,592,657
Financial liabilities measured at fair value					
Derivative financial instruments					
Forward purchase contracts	30,132	30,132	-	-	30,132
Forward sale contracts	1,227	1,227	-	-	1,227
	31,359	31,359	-	-	31,359
Financial liabilities not measured at fair value					
Securities sold under re-purchase agreements	14,836,258	-	-	14,836,258	14,836,258
Interest bearing borrowings	3,823,842	-	-	3,823,842	3,823,842
Borrowings on debentures	1,743,325	-	1,734,983	-	1,734,983
Group balances payables	187,000	187,000	-	-	187,000
	20,590,425	187,000	1,734,983	18,660,100	20,582,083
Total financial liabilities	20,621,784	218,359	1,734,983	18,660,100	20,613,442

40.2 (c) Company- As at 31 March 2016	Total carrying value Rs. '000	Level 1 Rs. '000	Level 2 Rs. '000	Level 3 Rs. '000	Total fair value Rs. '000
Financial assets measured at fair value					
Financial investments - Held for trading					
Investment in listed shares	935,744	935,744	-	-	935,744
Investment in unit trusts	171,543	-	171,543	-	171,543
	1,107,287	935,744	171,543	-	1,107,287
Financial assets not measured at fair value					
Financial investments- Loans and receivables	71,138	-	-	71,138	71,138
	71,138	-	-	71,138	71,138
Total financial investments	1,178,425	1,107,287	-	71,138	1,178,425
Financial liabilities measured at fair value					
	-	-	-	-	-
Financial liabilities not measured at fair value					
Interest bearing borrowings	1,029,949	-	-	1,029,949	1,029,949
Borrowings on debentures	2,104,847	-	2,104,847	-	2,104,847
	3,134,796	-	2,104,847	1,029,949	3,134,796
Total financial liabilities	3,134,796	-	2,104,847	1,029,949	3,134,796
40.2 (d) Company- As at 31 March 2015					
	Total carrying value Rs. '000	Level 1 Rs. '000	Level 2 Rs. '000	Level 3 Rs. '000	Total fair value Rs. '000
Financial assets measured at fair value					
Financial investments - Held for trading					
Investment in listed shares	874,524	874,524	-	-	874,524
	874,524	874,524	-	-	874,524
Financial assets not measured at fair value					
Financial investments- Loans and receivables	5,982	-	-	5,982	5,982
Group balances receivable	37,332	37,332	-	-	37,332
	43,314	37,332	-	5,982	43,314
Total financial investments	917,838	911,856	-	5,982	917,838
Financial liabilities measured at fair value					
	-	-	-	-	-
Financial liabilities not measured at fair value					
Interest bearing borrowings	1,062,909	-	-	1,062,909	1,062,909
Borrowings on debentures	1,017,549	-	987,840	-	987,840
Group balances payable	1,126	1,126	-	-	1,126
	2,081,584	1,126	987,840	1,062,909	2,051,875
Total financial liabilities	2,081,584	1,126	987,840	1,062,909	2,051,875

Notes to the Financial Statements Contd.

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

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

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

40.3 Measurement of fair values

40.3.1 Valuation techniques and significant unobservable inputs

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

Financial instruments measured at fair value

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

40.3.2 Fair Values - Level 2 and Level 3

Reconciliation of level 2 and level 3 fair values

The following table shows a reconciliation from the opening balance to the closing balances for Level 2 and Level 3 fair values.

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

40.4 (a) Sensitivity analysis on Listed Debentures (Group)

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

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

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

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

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

41. CONTINGENT LIABILITIES

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

41.1 Company

- (a) The Department of Inland Revenue issued assessments on Income tax for 2012/13 and 2013/14, amounting to a total of Rs. 40.4 Mn. The Company has appealed against these assessments.

Notes to the Financial Statements Contd.

41.2 Group

41.2.1 First Capital Holdings PLC

- (a) The company has appealed against an assessment of Rs. 5.5Mn issued by the Department of Inland Revenue (DIR) relating to turnover tax from 1994/95 to 1997/98 on the grounds that the related income is outside the scope of chargeability to Turnover Tax.
- (b) The company pledged fixed deposits as guarantee to Hatton National Bank PLC amounting to Rs. 5 Mn against the credit facilities given by the bank to SECO International Marketing Limited. This amount has been provided for in full since the said company is not in operation.

41.2.2 First Capital Treasuries PLC

- (a) First Capital Treasuries PLC has appealed against an assessment for 2008/09 amounting to Rs. 101.3Mn. This has been referred to the Court of Appeal and the hearing is in progress. During the year, First Capital Treasuries PLC received assessments on income tax for 2012/13 and 2013/14 amounting to Rs. 341.1Mn and an assessment on Financial VAT for 2012/13 amounting to Rs. 62.4Mn. In addition, the Commissioner General of Inland Revenue issued a determination in favour of the DIR in relation to Financial VAT - 2010/11 amounting to Rs. 90.2Mn.

41.2.3 First Capital Limited

- (a) The Commissioner General of Inland Revenue issued a determination in favour of the Department of Inland Revenue in relation to income tax appeal of First Capital Limited (2010/11) amounting to Rs. 153.5 Mn. A hearing is in progress with the Tax Appeals Unit of the DIR with respect to income tax 2011/12 amounting to Rs. 16.9Mn. Further, First Capital Limited received an assessment on Financial VAT for 2012/13 amounting to Rs. 18.6Mn.
- (b) A provision of Rs. 23.58 Mn has been made in the financial statements of First Capital Limited as the estimated potential liability arising from a 20% equity interest in Ceyspence (Private) Limited. This entity has been assessed income tax of Rs. 116.76 Mn. Additionally a provision of Rs. 14.2Mn has been made as the estimated potential liability arising from a 20% equity interest in Ceyaki Shipping (Private) Limited in relation to the settlement of a creditor. Both these cases are currently being heard by the Supreme Court of Sri Lanka.

41.2.4 First Capital Equities (Private) Limited

- (a) During the year, First Capital Equities (Private) Limited received an assessment on income tax for 2012/13 amounting to Rs. 7.2Mn. The related appeals against the said assessments and determinations have been duly submitted. Based on the tax consultant's opinion, the Board of Directors of First Capital Holdings PLC is of the view that no liability would arise on the above mentioned tax matters as they are outside the scope of chargeability of taxes.

41.2.5 Kelsey Developments PLC

- (a) 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 in Nawala. Based on legal advice, management is of the opinion that a probabilities of a loss is remote. Accordingly provision has not been made in the Financial Statements.
- (b) Kelsey Developments PLC provides a warranty period of 10 years for structural damages in constructions. The Directors are of the view that no provision is required on such warranty based on historical trend.

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

Forward Contracts

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

42. COMMITMENTS

Company

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

Group

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

(a) Capital Commitments

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

(b) Other Commitments

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

43. GOING CONCERN OF SUBSIDIARIES

43.1. 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 operations for the foreseeable future.

During the year the company generated a net loss of Rs. 3.81 Mn (2015 Net profit - Rs. 1.92 Mn). As at 31 March 2016 the Company's current liabilities exceeded its current assets by Rs. 43.2 Mn (2015 - Rs. 44.38 Mn) and the company had a negative net assets position of Rs. 41.70 Mn (2015 – Rs. 37.89 Mn). However, the Directors having considered their future plans and strategies are confident of the Company's ability to continue as a going concern.

43.2. Premier Synthetic Leather Manufacturers (Private) Limited

The Company's financial statements indicate that the company incurred a net loss of Rs.131,753,965 /- (2014/15 – Rs. 109,741,153/-) and accumulated loss has increased up to Rs. 265,145,518/- (2014/15 – Rs. 133,391,553/-) during the year ended 31st March 2016. At that date the company's current liabilities exceeded its current assets by Rs. 209,686,051/- (2013/14 – Rs. 44,023,783/-) These factors raise substantial doubt about the Company's ability to continue as a going concern. However, the Directors having considered their future plans and strategies are confident of the Company's ability to continue as a going concern.

44. 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;

Company

- » 73.15 Mn of shares in First Capital Holdings PLC have been pledged as security for bank facilities.
- » The Company has provided a corporate guarantee of Rs. 125 Mn on behalf of its wholly owned subsidiary Premier Synthetic Leather Manufacturers (Private) Limited against a banking facility.

Notes to the Financial Statements Contd.

Group

- » Kelsey Homes (Private) Limited has pledged its property in Mount Lavinia as security over a Rs. 400 Mn term loan facility obtained.
- » First Capital Holdings PLC has provided a corporate guarantee on behalf of First Capital Limited (subsidiary company) amounting to Rs. 200Mn for its banking facilities.

45. EVENTS OCCURRING AFTER THE REPORTING DATE

Company

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

Group

- » There have been no material events subsequent to the reporting date which require disclosures/ adjustments in the financial statements other than the following :

Kelsey Developments PLC

- » In April 2016, a new entity was constituted as a wholly owned subsidiary of Kelsey Developments PLC in order to carry out specific project developments.
- » In July 2016, Kelsey Homes (Private) Limited, a subsidiary of Kelsey Developments PLC mortgaged a property in Negombo in order to obtain a loan of Rs. 500 Mn repayable over 3 years.

46. COMPARATIVE FIGURES

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

47. DIRECTORS' RESPONSIBILITY STATEMENT

The Board of Directors of the Company is responsible for the preparation and presentation of these financial statements. The statement of Directors' responsibility in relation to the financial statements of the Group is set out on page 21.

48. RELATED PARTY DISCLOSURE

48.1. Directorships in 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 Schaffter	Mr. Eardley Perera	Mr. Chandana L. De Silva	Mr. Saliya Wickramasuriya	Dr. Nishan de Mel
First Capital Holdings PLC	Subsidiary	✓	✓	✓	✓	-	-
First Capital Limited	Subsidiary	✓	✓	✓	✓	-	-
First Capital Asset Management Limited	Subsidiary	✓	✓	✓	✓	-	-
First Capital Treasuries PLC	Subsidiary	✓	✓	-	✓	-	-
First Capital Markets Limited	Subsidiary	✓	✓	✓	✓	-	-
First Capital Equities (Private) Limited	Subsidiary	✓	✓	✓	✓	-	-
First Capital Investments (Private) Limited	Subsidiary	✓	✓	✓	✓	-	-
Kelsey Developments PLC	Subsidiary	✓	✓	✓	✓	-	-
Kelsey Property Developers (Private) Limited	Subsidiary	✓	✓	-	-	-	-
Kelsey Homes (Private) Limited	Subsidiary	✓	✓	-	-	-	-
Premier Synthetic Leather Manufacturers (Private) Limited	Subsidiary	✓	✓	✓	✓	-	-
KHL Corporate Services Limited	Subsidiary	-	✓	-	-	-	-
Croft Capital (Private) Limited	Subsidiary	-	✓	-	-	-	-
Nextventures Limited	Related Party through KMP	✓	✓	-	-	-	-

KMP- Key Management Personnel

First Capital Asset Management Limited (subsidiary company) manages licensed Unit Trusts namely First Capital Wealth Fund, First Capital Fixed Income Fund, First Capital Gilt Edged Fund, First Capital Money Market Fund and First Capital Equity Fund which are also treated as related parties of the Company.

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

Notes to the Financial Statements Contd.

Nature of the transaction	Company	
	2015/16 Rs. '000	2014/15 Rs. '000
48.2 Transactions with subsidiary companies		
Statement of Profit or Loss and Other Comprehensive Income		
Interest income	10,312	18,045
Interest expense	5,210	30,426
Brokerage fee paid	12,079	13,107
Dividend income received	151,837	305,074
Gain on sale of investments	-	156,105
Gain on redemption of unit trusts	1,930	-
Gain on disposal of land	140,708	-
Profit share	32,240	-
Secretarial fees paid	36	-
Statement of Financial position		
Short term lending	824,634	37,332
Short term borrowings	-	17,863
Investments in unit trusts	340,000	-
Investments in Reverse Repo	71,074	-
Acquisition of shares in First Capital Holdings PLC	1,528	106,207
Acquisition of shares in Kelsey Developments PLC	-	72,671

Nature of the transaction	Group		Company	
	2015/16 Rs. '000	2014/15 Rs. '000	2015/16 Rs. '000	2014/15 Rs. '000
48.3 Transactions with other related parties				
Statement of Profit or Loss and Other Comprehensive Income				
Interest income	91,784	33,719	-	-
Fee income	4,453	2,079	-	-
Brokerage income (Stock broking)	196	1,916	-	-
Gain/(loss) on sale of government securities	24,729	24,622	-	-
Gain/(loss) on sale of corporate debt securities	-	40,042	-	-
Interest expense	26,750	817	-	188
Statement of Changes in Equity				
Dividend paid by unit trust	-	25,675	-	-
Statement of Financial position				
Investment in unit trust	556,424	164,486	-	-
Short term lending	733,063	157,213	-	-
Investment under resale agreements	393,357	4,927	-	-
Repurchase agreements against corporate debt securities	237,144	209,841	-	-
Short term borrowings	65,416	407,173	-	-

48.4 Transactions with key management personnel (KMP) and their Close Family Members (CFM)

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

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

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

Close Family Members are related parties to the Entity.

Nature of transaction	Group		Company	
	2015/16 Rs.'000	2014/15 Rs.'000	2015/16 Rs.'000	2014/15 Rs.'000
Statement of Profit or Loss and Other Comprehensive Income				
Interest expense	3,894	3,717	-	-
Interest income	39	118	-	-
Brokerage income (Stock broking)	1,314	2,579	-	-
Management fee income (Discretionary fund management)	542	714	-	-
Emoluments paid - short term benefits	74,681	89,215	20,417	22,212
Statement of Changes in Equity				
Dividend paid by unit trust	-	3,803	-	-
Statement of Financial position				
Investments under re-sale agreements	-	300	-	-
Securities sold under re-repurchase agreements	4,824	3,517	-	-
Investment in unit trust	61,523	28,553	-	-
Investment in discretionary fund management	55,707	56,282	-	-
Purchase of Land	-	487,000	-	-

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

48.5.1 Non- Recurrent transactions- Company

Name of the related party	Relationship	Value of the Related Party transactions entered into during the financial year (Rs'000)	Value of the Related Party transactions as a % of Equity and as a % of Total Assets (Rs'000)		Terms and conditions of the Related Transactions	The rational for entering into the transactions
			As a % of Equity	As a % of Total Assets		
Blyton (Private) Limited	Subsidiary Company	715,146	91.92%	2.84%	The Company provided Blyton Rs. 576.75 Mn as an interest free loan for a property purchased and the Company will receive 80% of the profit realised upon the sale of the property.	Part of the company's restructuring efforts to facilitate an eventual sale of a property

Notes to the Financial Statements Contd.

48.5.2 (a) Recurrent transactions- Company

Name of the related party	Relationship	Nature of the transaction	Aggregate Value of Related Party transactions entered into during the financial year (Rs'000)	Aggregate Value of the Related Party transactions as a % of Net Revenue/ Income (Rs'000)	Terms and conditions of the Related Party Transactions
First Capital Wealth Fund	Subsidiary Company	Unit trust investment	340,000	12.00%	Investment at the prevailing Unit price
First Capital Treasuries PLC	Subsidiary Company	Investment in Reverse Repo	500,000	17.20%	Investment at the prevailing market rate
First Capital Wealth Fund	Subsidiary Company	Invested in listed Debentures issued by the Company	454,104	15.62%	Rate of 12.5% (AER) as per prospect

48.5.2 (b) Recurrent transactions- Group

Name of the related party	Relationship	Nature of the transaction	Aggregate Value of Related Party transactions entered into during the financial year (Rs'000)	Aggregate Value of the Related Party transactions as a % of Net Revenue/ Income (Rs'000)	Terms and conditions of the Related Party Transactions
First Capital Treasuries PLC/ First Capital Wealth Fund	Subsidiary/ Related Party via Key Management Personnel	Reverse Repos (Lending) to Unit Trust	306,627	20%	Reverse Repos (Lending) made by the Subsidiary at commercial terms.
Dunamis Capital PLC/First Capital Wealth Fund	Parent/Related Party via Key Management Personnel	Investment in Unit Trust	171,543	11%	Investment in Unit Trust made by the Parent Company at the prevailing price.
First Capital Limited/First Capital Wealth Fund	Subsidiary/ Related Party via Key Management Personnel	Investment in Unit Trust	431,331	28%	Investment in Unit Trusts made by First Capital Limited at the prevailing price.
First Capital Limited/ Nextventures Limited	Subsidiary/ Related Party via Key Management Personnel	Short term lending to Nextventures by First Capital Limited	473,855	31%	Short term lending made by the Subsidiary at commercial terms.

49. FINANCIAL RISK MANAGEMENT

The Group has the exposure to the following financial risks through its subsidiaries.

- » Interest Rate Risk
- » Liquidity Risk
- » Credit Risk
- » Foreign Exchange 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 is vested with the Board of Directors.

49.1 Risk Management Framework

Risk Management Framework of the Group has been adopted at both Group and subsidiary levels to enable scarce resources to generate maximum return whilst minimising the associated risk. The Board has overall responsibility for the management of risk and for reviewing the effectiveness of internal control processes. Risk appetite is translated and cascaded to different business activities both quantitatively and qualitatively. We thus aim to deliver superior value to all our stakeholders while achieving an appropriate trade-off between risk and returns.

Our policy for risk management is to respond to risk pro-actively to ensure continued growth of our business in a highly competitive and uncertain environment while sustaining the value creation. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and products and services offered.

49.1 (a) Interest Rate Risk

It is defined as the probability of income losses arising and increased cost of funding the options owing to a change in interest rates. Management of Interest Rate Risk included the following elements;

- » Interest rate risk is responded through establishing better relationship with financial institutions
- » Use of internal fund management models and techniques in order to make informed decisions

49.1 (b) Liquidity Risk

Liquidity risk is the risk that the Group will not have adequate financial resources to meet its obligations as when they fall due. Management of Liquidity Risk includes the following elements;

- » Continuous reviewing of business models and working capital management
- » The Asset and Liability Management Committee (ALCO) of the financial arm of the Group is mandated to execute liquidity management policies and procedures

Notes to the Financial Statements Contd.

Maturity Analysis of the Financial Assets and Financial Liabilities

Group	Carrying Amount Rs.'000	On Demand Rs.'000	Up to 3 Months Rs.'000	3 Months to 1 Year Rs.'000	1-3 Years Rs.'000	3-5 Years Rs.'000	Over 5 Years Rs.'000
Assets							
Cash at banks and in hand	156,074	156,074	-	-	-	-	-
Derivative financial instruments	40,861	-	40,861	-	-	-	-
Financial investments - Held for trading	12,261,906	-	1,324,088	1,730,281	7,129,826	1,799,391	278,321
Financial investments - Available for sale	2,000	-	-	-	-	-	2,000
Financial investments - Loans and receivables	8,376,585	401	8,307,867	68,317	-	-	-
Other financial assets (Trade receivables - Net)	484,707	-	484,707	-	-	-	-
Total As at 31 March 2016	21,322,133	156,475	10,157,523	1,798,598	7,129,826	1,799,391	280,321
As at 31 March 2015	20,646,776	57,933	12,457,113	1,593,957	2,955,063	1,680,023	1,902,687

Liabilities

Bank overdrafts	765,745	765,745	-	-	-	-	-
Derivative financial instruments	20,835	-	20,835	-	-	-	-
Securities sold under repurchase agreements	14,245,097	-	10,345,416	2,866,067	796,381	237,233	-
Interest bearing borrowings	4,129,903	-	2,705,936	866,657	-	557,310	-
Borrowings on debentures	2,774,872	-	-	191,293	324,511	2,259,068	-
Total As at 31 March 2016	21,936,452	765,745	13,072,187	3,924,017	1,120,892	3,053,611	-
As at 31 March 2015	20,755,822	321,038	11,399,564	4,125,272	2,428,494	2,481,454	-

Company	Carrying Amount Rs.'000	On Demand Rs.'000	Up to 3 Months Rs.'000	3 Months to 1 Year Rs.'000	1-3 Years Rs.'000	3-5 Years Rs.'000	Over 5 Years Rs.'000
Assets							
Cash at banks and in hand	2,003	2,003	-	-	-	-	-
Financial investments - Held for trading	1,107,287	-	-	1,107,287	-	-	-
Financial investments - Loans and receivables	71,138	71,138	-	-	-	-	-
Group balances receivable	855,647	855,647	-	-	-	-	-
Total As at 31 March 2016	2,036,075	928,788	-	1,107,287	-	-	-
As at 31 March 2015	919,432	39,908	-	879,524	-	-	-
Liabilities							
Bank overdrafts	531,115	531,115	-	-	-	-	-
Interest bearing borrowings	529,949	-	-	529,949	-	-	-
Borrowings on debentures	2,044,473	-	-	-	-	2,044,473	-
Total As at 31 March 2016	3,105,537	531,115	-	529,949	-	2,044,473	-
As at 31 March 2015	2,373,632	293,174	-	1,062,909	-	1,017,549	-

49.1 (c) Credit Risk

It is the probability of the loss of income owing to default by the Company's debtors. The Group conducts an in-depth analysis of debtors in each subsidiary on a regular basis.

- » Credit customers are subject to a credit analysis before establishing business relationships
- » Debtor concentration and overdue debtors of each subsidiary is also monitored constantly so as to minimise losses
- » The collection process and individual monitoring also takes place at subsidiary level as part of their day to day operational activities

Credit Quality by Class of Financial Assets

Group - As at 31 March 2016	Neither Past due Nor Impaired Rs.'000	Past due But Not Impaired Rs.'000	Individually Impaired Rs.'000	Total Rs.'000
Assets				
Cash at banks and in hand	156,074	-	-	156,074
Derivative financial instruments	40,861	-	-	40,861
Financial investments - Held for trading	12,261,906	-	-	12,261,906
Financial investments - Available for sale	2,000	-	-	2,000
Financial investments - Loans and receivables	8,376,585	-	-	8,376,585
Other financial assets (Trade receivables)	-	484,707	89,760	574,467
Total financial assets	20,837,426	484,707	89,760	21,411,893

Group - As at 31 March 2015	Neither Past due Nor Impaired Rs.'000	Past due But Not Impaired Rs.'000	Individually Impaired Rs.'000	Total Rs.'000
Assets				
Cash at banks and in hand	57,933	-	-	57,933
Derivative financial instruments	40,609	-	-	40,609
Financial investments - Held for trading	11,110,975	-	-	11,110,975
Financial investments - Available for sale	2,000	-	-	2,000
Financial investments - Loans and receivables	8,925,273	-	-	8,925,273
Other financial assets (Trade receivables)	-	509,986	114,299	624,285
Total financial assets	20,136,790	509,986	114,299	20,761,075

Company - As at 31 March 2016	Neither Past due Nor Impaired Rs.'000	Past due But Not Impaired Rs.'000	Individually Impaired Rs.'000	Total Rs.'000
Assets				
Cash at banks and in hand	2,003	-	-	2,003
Financial investments - Held for trading	1,107,287	-	-	1,107,287
Financial investments - Loans and receivables	71,138	-	-	71,138
Total financial assets	1,180,428	-	-	1,180,428

Notes to the Financial Statements Contd.

Credit Quality by Class of Financial Assets (Contd...)

Company - As at 31 March 2015	Neither Past due Nor Impaired Rs.'000	Past due But Not Impaired Rs.'000	Individually Impaired Rs.'000	Total Rs.'000
Assets				
Cash at banks and in hand	1,594	-	-	1,594
Financial investments - Held for trading	874,524	-	-	874,524
Financial investments - Loans and receivables	5,982	-	-	5,982
Total financial assets	882,100	-	-	882,100

49.1 (d) Foreign Exchange Risk

It is defined as the adverse impact of exchange rate fluctuations on the Group's cash flows, assets and liabilities, and business activities such as purchasing of capital goods, raw materials and services. This is specially the case for the manufacturing arm.

Management of Foreign Exchange Risk includes the following elements;

- » Monitoring exchange rate movements continuously for currencies in which the Group carries out transactions
- » Steps to ensure that timely and appropriate hedging activities are taken as appropriate

Analysis of Concentration Risk

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

Group - As at 31 March 2016	Cash at Banks and in Hand Rs.'000	Derivative Financial Instruments Rs.'000	Financial Investments -Held for Trading Rs.'000	Financial Investments -Loans and Receivables Rs.'000	Financial Investments -Available for Sale Rs.'000	Other Financial Assets (Trade Receivables -Net) Rs.'000	Total Financial Assets Rs.'000
Sector Wise Breakdown							
Government	-	34,570	9,206,856	5,903,738	-	-	15,145,164
Corporate	156,074	6,291	3,055,050	2,027,375	2,000	184,604	5,431,394
Others	-	-	-	445,472	-	300,103	745,575
Total	156,074	40,861	12,261,906	8,376,585	2,000	484,707	21,322,133

Group - As at 31 March 2015

	Cash at Banks and in Hand Rs.'000	Derivative Financial Instruments Rs.'000	Financial Investments -Held for Trading Rs.'000	Financial Investments -Loans and Receivables Rs.'000	Financial Investments -Available for Sale Rs.'000	Other Financial Assets (Trade Receivables -Net) Rs.'000	Total Financial Assets Rs.'000
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Sector Wise Breakdown

Government	-	-	8,637,938	-	-	-	8,637,938
Corporate	57,933	40,609	2,473,037	8,795,347	2,000	185,575	11,554,501
Others	-	-	-	129,926	-	324,411	454,337
Total	57,933	40,609	11,110,975	8,925,273	2,000	509,986	20,646,776

Company - As at 31 March 2016

	Cash at Banks and in Hand Rs.'000	Derivative Financial Instruments Rs.'000	Financial Investments -Held for Trading Rs.'000	Financial Investments -Loans and Receivables Rs.'000	Financial Investments -Available for Sale Rs.'000	Other Financial Assets (Trade Receivables -Net) Rs.'000	Total Financial Assets Rs.'000
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Sector Wise Breakdown

Government	-	-	-	-	-	-	-
Corporate	2,003	-	1,107,287	71,138	-	-	1,180,428
Others	-	-	-	-	-	-	-
Total	2,003	-	1,107,287	71,138	-	-	1,180,428

Company - As at 31 March 2015

	Cash at Banks and in Hand Rs.'000	Derivative Financial Instruments Rs.'000	Financial Investments -Held for Trading Rs.'000	Financial Investments -Loans and Receivables Rs.'000	Financial Investments -Available for Sale Rs.'000	Other Financial Assets (Trade Receivables -Net) Rs.'000	Total Financial Assets Rs.'000
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Sector Wise Breakdown

Government	-	-	-	-	-	-	-
Corporate	1,594	-	874,524	5,982	-	-	882,100
Others	-	-	-	-	-	-	-
Total	1,594	-	874,524	5,982	-	-	882,100

Notes to the Financial Statements Contd.

50. SEGMENTAL REPORTING

	Financial services		Property development	
	2016 Rs'000	2015 Rs'000	2016 Rs'000	2015 Rs'000
Revenue	1,550,780	2,572,949	1,016,319	102,742
Profit / (loss) from operations	52,454	1,065,198	54,788	(31,225)
Finance cost	-	-	-	-
Profit / (loss) before tax	52,454	1,065,198	54,788	(31,225)
Share of profit from equity accounted investee (net of tax)	9,606	5,925	-	-
Income tax expenses	(14,600)	(86,224)	(431)	(739)
Net profit/(loss)	47,460	984,899	54,357	(31,964)
Other comprehensive income/(expense)				
Items that will never be reclassified to profit or loss				
Actuarial gain/(loss) on defined benefit plans	540	4,107	1,407	(65)
Actuarial loss on defined benefit plans (Equity accounted investee)	-	(391)	-	-
Items that are or may be reclassified to profit or loss				
Gain/(loss) on fair valuation of financial investments- available for sale	-	20,812	-	-
Reclassification of fair valuation reserve of financial investments- available for sale to profit or loss	-	(233,285)	-	-
Loss on fair valuation of financial investments - available for sale (Equity accounted investee)	-	(295)	-	-
Available for sale financial assets reclassified to profit or loss (Equity accounted investee)	1,564	(1,564)	-	-
Other comprehensive income/(expense), net of tax	2,104	(210,616)	1,407	(65)
Total comprehensive income/(expense), net of tax	49,564	774,283	55,764	(32,029)
Profit attributable to :				
Equity holders of the parent				
Non- controlling interests				
Total comprehensive income/(expense) attributable to :				
Equity holders of the parent				
Non- controlling interests				
Statement of Financial Position				
Non- current assets	169,714	601,382	17,408	11,278
Current assets	20,568,154	19,818,803	1,678,508	1,573,075
Non-current assets held for sale	42,416	44,416	-	-
Total assets	20,780,284	20,464,601	1,695,916	1,584,353
Non- current liabilities	754,785	744,812	5,505	115,110
Current liabilities	17,840,623	17,381,978	1,476,732	1,311,329
Total liabilities	18,595,408	18,126,790	1,482,237	1,426,439

Manufacturing		Investment Holdings		Other		Inter segment adjustments		Group total	
2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
399,168	184,748	-	-	194	-	(59,633)	(43,533)	2,906,828	2,816,906
(93,574)	(90,939)	221,725	549,403	(506)	-	(345,760)	(626,833)	(110,873)	865,604
(38,130)	(18,596)	(262,650)	(213,026)	-	-	5,210	31,685	(295,570)	(199,937)
(131,704)	(109,535)	(40,925)	336,377	(506)	-	(340,550)	(595,148)	(406,443)	665,667
-	-	-	-	-	-	-	-	9,606	5,925
-	(187)	(2,647)	(14,791)	-	-	-	-	(17,678)	(101,941)
(131,704)	(109,722)	(43,572)	321,586	(506)	-	(340,550)	(595,148)	(414,515)	569,651
-	-	1,484	(2,173)	-	-	-	-	3,431	1,869
-	-	-	-	-	-	-	-	-	(391)
-	-	-	-	-	-	-	-	-	20,812
-	-	-	-	-	-	-	-	-	(233,285)
-	-	-	-	-	-	-	-	-	(295)
-	-	-	-	-	-	-	-	1,564	(1,564)
-	-	1,484	(2,173)	-	-	-	-	4,995	(212,854)
(131,704)	(109,722)	(42,088)	319,413	(506)	-	(340,550)	(595,148)	(409,520)	356,797
								(438,905)	340,546
								24,390	229,105
								(414,515)	569,651
								(437,732)	193,034
								28,212	163,763
								(409,520)	356,797
354,674	351,308	2,011,287	2,375,624	998,394	-	(2,090,647)	(1,817,572)	1,460,830	1,522,020
239,291	179,251	2,363,470	928,462	144,409	-	(1,310,747)	(53,307)	23,683,085	22,446,284
-	-	-	-	-	-	-	-	42,416	44,416
593,965	530,559	4,374,757	3,304,086	1,142,803	-	(3,401,394)	(1,870,879)	25,186,331	24,012,720
60,084	88,558	2,555,447	1,027,014	354	-	-	2,226,695	3,376,175	4,202,189
448,977	223,275	1,088,437	1,381,114	1,013,887	-	(1,253,978)	(2,267,351)	20,614,678	18,030,345
509,061	311,833	3,643,884	2,408,128	1,014,241	-	(1,253,978)	(40,656)	23,990,853	22,232,534

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 2016				31 March 2015			
	Shareholders		Holding		Shareholders		Holding	
	Number	%	Number	%	Number	%	Number	%
1 - 1000	1,797	70.09	530,469	0.43	1822	68.39	543,339	0.44
1,001 - 5,000	500	19.50	1,225,337	1.00	547	20.53	1,315,975	1.07
5,001 - 10,000	113	4.41	841,672	0.68	126	4.73	967,249	0.79
10,001 - 50,000	113	4.41	2,293,063	1.86	125	4.69	2,625,583	2.13
50,001 - 100,000	21	0.82	1,420,340	1.15	21	0.79	1,349,723	1.10
100,001 - 500,000	11	0.43	2,703,759	2.20	13	0.49	2,948,530	2.40
500,001 - 1,000,000	-	-	-	0.00	-	-	-	0.00
Over 1,000,000	9	0.35	113,982,410	92.67	10	0.38	113,246,651	92.07
Total	2,564	100.00	122,997,050	100.00	2,664	100.00	122,997,050	100.00

3 ANALYSIS OF SHAREHOLDERS

Category of	31 March 2016				31 March 2015			
	Shareholders		Holding		Shareholders		Holding	
	Number	%	Number	%	Number	%	Number	%
Individuals	2,429	94.73	29,647,402	24.10	2,532	95.05	30,329,135	24.66
Institutions	135	5.27	93,349,648	75.90	132	4.95	92,667,915	75.34
Total	2,564	100.00	122,997,050	100.00	2,664	100.00	122,997,050	100.00
Resident	2,549	99.41	122,895,524	99.92	2,646	99.32	122,867,921	99.90
Non - Resident	15	0.59	101,526	0.08	18	0.68	129,129	0.10
Total	2,564	100.00	122,997,050	100.00	2,664	100.00	122,997,050	100.00

4 PUBLIC HOLDING

	2015/16	2014/15
Number of shares held by the public	2,558	2,657
Percentage held by the public	28.84%	34.72%

5 SHARE PRICE MOVEMENT FOR THE YEAR

	2015/16 Rs.	2014/15 Rs.
Highest	34.10	40.90
Lowest	13.50	12.70
Year - end	17.00	23.90

6 INFORMATION ON SHARE TRADING AND MARKET CAPITALISATION

	2015/16	2014/15
Number of transactions	4,803	17,417
Number of shares traded	12,204,652	31,584,003
Value of shares traded (Rs.)	381,737,306	837,358,463
Market capitalisation (Rs.)	2,090,949,850	2,939,629,495

TOP TWENTY SHAREHOLDERS

Names of the Shareholders	As at 31 March 2016		As at 31 March 2015	
	No. of shares	Holding %	No. of shares	Holding %
1 Pan Asia Banking Corporation PLC/ Ms. M. Mathews	38,564,398	31.35	32,419,346	26.36
2 2.1 First Capital Markets Limited/ Nextventures Limited	26,244,562	21.34	26,244,562	21.34
2.2 Nextventures Limited	2,139,300	1.74	1,213,500	0.99
3 Mr. D. Schaffter	20,274,918	16.48	20,274,918	16.48
4 4.1 Janashakthi PLC	11,124,473	9.04	11,124,473	9.04
4.2 Commercial Bank of Ceylon PLC/ Janashakthi PLC	6,200,000	5.04	6,200,000	5.04
4.3 Seylan Bank PLC/ Janashakthi PLC	1,899,000	1.54	1,899,000	1.54
5 HSBC International Nominees Limited - SSBT-Deustche Bank	5,535,759	4.50	5,725,800	4.66
6 Ms. R. S. L. de Mel	2,000,000	1.63	2,000,000	1.63
7 Pan Asia Banking Corporation PLC/ Mr. R. E. Rambukwelle	320,050	0.26	330,100	0.27
8 Dr. R. M. S. Fernando	304,800	0.25	304,800	0.25
9 Mr. C. L. de Silva	300,000	0.24	130,000	0.11
10 Mr. C. P. de Silva	299,775	0.24	299,775	0.24
11 Aruna Enterprises (Pvt) Limited	260,345	0.21	260,345	0.21
12 Mr. D. A. Edussuriya	250,000	0.20	250,000	0.20
13 Mr. A. H. Munasinghe	243,727	0.20	243,727	0.20
14 Ms. W. A. D. S. Wijesooriya	221,600	0.18	221,600	0.18
15 Mr. Murugesu Mahibalan	210,958	0.17	-	-
16 Monad (Private) Limited	167,504	0.14	167,504	0.14
17 Mr. N. H. Kandamby	125,000	0.10	-	-
18 Commercial Bank Of Ceylon Plc./ Mr. M. R. H. Galappatti	98,817	0.08	-	-
19 Mr. S. Abishek	90,000	0.07	-	-
20 Ms. S. A. Rajkotwala	87,729	0.07	87,729	0.07

DIRECTORS' SHAREHOLDING

Names of the Shareholders	As at 31 March 2016		As at 31 March 2015	
	No. of shares	Holding %	No. of shares	Holding %
Ms. Manjula Mathews	38,564,398	31.35	32,419,346	26.36
Mr. Dinesh Schaffter	20,274,918	16.48	20,274,918	16.48
Mr. Eardley Perera	-	-	-	-
Mr. Chandana de Silva	300,000	0.24	130,000	0.11
Mr. Nihara Rodrigo	N/A	N/A	13,000	0.01
Mr. Saliya Wickramasuriya	-	-	-	-
Dr. Nishan De Mel	-	-	-	-

INFORMATION ON LISTED DEBENTURES

1. INFORMATION ON LISTED DEBENTURES

Debentures issued by the Company - Issued during the year 2014/15

Date of Allotment	Frequency on interest payment	No. of Debentures issued and allotted	Face Value Rs. '000	Rate of Interest	Tenure	Date of Maturity
05-Aug-14	Annually	10,000,000	1,000,000	12.50% (AER-12.50%)	5 years	05-Aug-19
		10,000,000*	1,000,000			

* Listed, Rated, Senior, Unsecured, Redeemable Debentures

Debentures issued by the company - Issued during the year 2015/16

Date of Allotment	Type	Frequency on interest payment	No. of Debentures issued and allotted	Face Value Rs. '000	Rate of Interest	Tenure	Date of Maturity
04-Dec-15	Type A	Semi-annually	9,989,500	998,950	10.50% (AER-10.78%)	5 years	04-Dec-20
04-Dec-15	Type B	Semi-annually	10,500	1,050	6 Months Net T-Bill Rate plus 2.50% payable semi-annually	5 years	04-Dec-20
			10,000,000**	1,000,000			

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

Debentures issued by First Capital Holdings PLC (subsidiary company) - Issued during the year 2014/15

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

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

Debentures issued by First Capital Treasuries PLC (subsidiary company) - Issued during the year 2015/16

Date of Allotment	Frequency on interest payment	No. of Debentures issued and allotted	Face Value Rs. '000	Rate of Interest	Tenure	Date of Maturity
05-Feb-15	Annually	5,000,000	500,000	9.50% (AER-9.50%)	5 years	06-Feb-20
		5,000,000****	500,000			

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

2 MARKET VALUE

	31-03-2016	31-03-2015
2.1 Market value - Dunamis Capital PLC		
5 year fixed rate (12.5% p.a. payable annually) -2014/2019		
Highest price	104.80	105.72
Lowest price	104.80	105.72
Last traded price	104.80	105.72
5 year fixed rate (10.50% p.a. payable semi-annually) -2015/2020		
Highest price	100.00	N/A
Lowest price	100.00	N/A
Last traded price	100.00	N/A
5 year variable rate (6 months Net T-Bill rate plus 2.50% payable semi-annually)-2015/2020		
Highest price	100.00	N/A
Lowest price	100.00	N/A
Last traded price	100.00	N/A

Debenture Interest Yield	As at 31-03-2016	As at 31-03-2015
Debenture issued by Dunamis Capital PLC		
5 year fixed rate (12.50 % p.a. payable annually)	11.93%	11.82%
5 year fixed rate (10.50% p.a. payable semi-annually)	10.50%	N/A
5 year variable rate (6 months Net T-Bill rate plus 2.50% payable semi-annually)	9.00%	N/A

2.2 Market value - First Capital Holdings PLC

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

	As at 31-03-2016	As at 31-03-2015
3 year fixed rate (13.5% p.a. payable annually)		
Highest price	-	108.55
Lowest price	-	100.10
Last traded price	-	100.10
4 year fixed rate (13.75% p.a. payable annually)		
Highest price	-	111.40
Lowest price	-	105.10
Last traded price	-	110.10
5 year fixed rate (14.00% p.a. payable annually)		
Highest price	-	110.34
Lowest price	-	110.34
Last traded price	-	110.34

Information on Listed Debentures Contd.

	As at 31-03-2016	As at 31-03-2015
Debenture Interest Yield		
Debenture issued by First Capital Holdings PLC		
3 year fixed rate (13.50 % p.a. payable annually)	13.50%	13.49%
4 year fixed rate (13.75 % p.a. payable annually)	13.75%	12.49%
5 year fixed rate (14.00 % p.a. payable annually)	14.00%	12.69%
Yield of comparable Government Securities (%)		
3 Year treasury bond	10.55%	7.74%
4 Year treasury bond	10.99%	8.58%
5 Year treasury bond	11.74%	8.50%

2.3 Market value - First Capital Treasuries PLC

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

	As at 31-03-2016	As at 31-03-2015
5 year fixed rate (9.50 % p.a. payable annually)		
Highest price	95.37	-
Lowest price	95.37	-
Last traded price	95.37	-
Debenture Interest Yield		
5 year fixed rate (9.50 % p.a. payable annually)	9.96%	9.50%

3. DEBT RELATED RATIOS

	As at 31-03-2016	As at 31-03-2015
3.(a) Debt Ratios (Group)		
Debt/equity ratio (times)	27.06	15.21
Quick asset ratio (times)	1.07	1.16
Interest cover (times)	-	3.36

	As at 31-03-2016	As at 31-03-2015
3.(b) Debt Ratios (Company)		
Debt/equity ratio (times)	4.21	2.32
Quick asset ratio (times)	N/A	N/A
Interest cover (times)	-	1.58

4. CREDIT RATING**Dunamis Capital PLC**

ICRA Lanka Limited has assigned a credit rating of [SL]BBB+ to the Company and long term debt (debentures) have been upgraded to [SL] BBB+.

DECADE AT A GLANCE

GROUP	Based on LKAS/SLFRS - (Note A)						Based on SLASs			
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000
Year ended 31 March										(Restated)
TRADING RESULTS										
Revenue	2,906,828	2,816,906	1,801,103	1,938,072	1,097,219	2,558,495	3,696,121	2,751,202	2,800,245	49,875
Gross profit	719,327	1,535,607	523,912	584,067	124,867	726,207	1,432,073	424,788	223,131	30,124
Profit/(loss) before taxation	(396,837)	671,592	211,242	362,879	(485,166)	816,805	849,674	(187,090)	(266,136)	(44,958)
Taxation	(17,678)	(101,941)	(85,750)	(22,456)	(16,085)	367,600	(496,819)	(166,447)	(47,333)	(3,922)
Profit/(loss) after taxation	(414,515)	569,651	125,492	340,423	(501,251)	1,184,405	352,855	(353,537)	(313,469)	(48,880)
Other comprehensive income/ (expense) net of income tax	4,995	(212,854)	(45,164)	254,098	-	-	-	-	-	-
Total comprehensive income/ (expense)	(409,520)	356,797	80,328	594,521	(501,251)	-	-	-	-	-

	Based on LKAS/SLFRS - (Note A)						Based on SLASs			
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000
As at 31 March										(Restated)
FINANCIAL POSITION										
Stated capital	445,994	445,994	445,994	445,994	445,994	445,994	200,000	983,976	983,976	345,994
Capital reserve	22,500	22,500	22,500	22,500	-	-	-	-	-	-
Risk reserve	617,092	615,559	455,128	384,104	292,865	292,865	168,717	77,022	30,986	-
Retained earnings	(304,123)	258,783	346,936	442,356	327,554	683,813	(163,316)	(934,847)	(451,286)	(19,155)
Fair valuation reserve	-	(1,173)	147,817	176,268	-	-	-	-	-	-
	781,463	1,341,663	1,418,375	1,471,222	1,066,413	1,422,672	205,401	126,151	563,676	326,839
Non controlling interests	414,015	438,523	556,411	615,992	457,096	-	-	-	-	-
Minority interest	-	-	-	-	-	682,444	502,236	417,793	358,430	297,192
Total equity	1,195,478	1,780,186	1,974,786	2,087,214	1,523,509	2,105,116	707,637	543,944	922,106	624,031
Total assets	25,186,331	24,012,720	17,366,336	14,705,449	7,991,716	12,223,418	11,464,598	12,391,253	13,206,800	9,009,533
Current liabilities	20,614,678	18,030,345	14,818,743	12,601,957	6,454,753	10,103,886	10,692,716	11,763,218	12,146,094	8,423,779
Non current liabilities	3,376,175	4,202,189	572,807	16,278	13,454	14,416	64,245	84,091	138,600	-
Key indicators										
Earnings / (loss) per share (Rs.)	(3.57)	2.77	0.83	1.92	(3.09)	7.92	1.32	(3.59)	(4.21)	(1.81)
Net assets per share (Rs.)	6.35	10.91	11.53	11.96	8.67	11.57	2.09	1.28	5.73	9.22
Market price per share (Rs.)	17.00	23.90	12.60	11.70	10.00	12.90	10.25	3.60	8.00	8.00
Price earnings ratio (Times)	-	8.63	15.18	6.09	-	1.63	7.76	-	-	-

Note A

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

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

GLOSSARY OF FINANCIAL AND BUSINESS TERMS

- » **Accounting Policies:** The specific principles, bases, conventions, rules and practices adopted by an entity in preparing and presenting financial statements.
- » **Accrual Basis:** A system of accounting wherein revenue is recognised at the time it is earned and expenses at the time they are incurred, regardless of whether cash has actually been received or paid out.
- » **Amortisation:** The systematic allocation of the depreciable amount of an intangible asset over its useful life.
- » **Amortised Cost:** Amount at which the financial asset or financial liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount and minus any reduction for impairment or uncollectability.
- » **Asset:** is 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.
- » **Associate:** An associate is an entity, including an unincorporated entity such as a partnership, over which the investor has significant influence and that is neither a subsidiary nor an interest in a joint venture.
- » **AUM or Assets Under Management:** The total market value of all the financial assets which a financial institutions such as an asset manager of unit trusts, investment company, venture capital firm or private equity company manages on behalf of its clients and themselves.
- » **Available for Sale (AFS)-** 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.
- » **Capital Market Advisory:** In this Annual Report refers to a range of advisory services offered by the Fist Capital Group including capital raising, capital market strategy, treasury/ liquidity management and project finance.
- » **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.
- » **Contribution** - Is the portion of sales not used up by variable costs of production, calculated as revenue minus variable costs of production.
- » **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.
- » **Control:** The power to govern the financial and operating policies of an enterprise so as to obtain benefits from its activities. In this Annual Report the term is used in reference to control over an investee company, usually a subsidiary. See Parent and Subsidiary.
- » **Corporate Governance:** The 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 “Best Practice”.
- » **Credit Rating:** An evaluation of a corporate’s ability to repay its obligations or likelihood of not defaulting, carried out by an independent rating agency. Credit ratings generally reflect a relative ranking of credit risk.
- » **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.
- » **Depreciation:** The systematic allocation of the depreciable amount of an asset over its useful life.
- » **De-recognition:** Removal of a previously recognised financial asset or financial liability from an entity’s Statement of Financial Position.

- » **Development Pipeline:** The current programme of developments authorised or in the course of construction at the balance sheet date, together with potential schemes not yet commenced on land owned or controlled by a real estate developer. In relation to the Kelsey Group Development Pipeline means the current programme of developments which are in the course of construction at the balance sheet date, while land owned or controlled by the Kelsey Group which have potential for development is termed Strategic Land Portfolio.
- » **Effective equity ownership:** Is the effective equity interest created in an indirect equity ownership. For example, if a parent company holds 90% in subsidiary A and subsidiary A in turn owns 80% in subsidiary B, the parent has a 72% (90% multiplied by 80%) effective equity ownership in subsidiary B. Also see Indirect Equity Interest.
- » **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.
- » **Equities:** Used in relation to the First Capital Group refers to the stock broking and margin trading services offered in view of secondary market trading in equity products.
- » **Equity interest:** Is the percentage of equity an investor holds in a company. Also referred to as equity ownership.
- » **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.
- » **Fixed Income:** When used in relation to the First Capital Group refers to the range of fixed income investment products, primary dealing and secondary market trading services.
- » **Forward Rate Agreement:** An agreement between two parties who wish to protect themselves against a future movement in interest rates.
- » **Full Service Investment Banking:** Where an investment bank provides both advisory services in addition to trading, market making and research amongst other services on a broad array of financial products. This is in contrast to boutique or non-full service investment banking where the investment bank provides at least one but not all types of fee and fund based services that comprise investment banking.
- » **Fund:** See Unit Trust.
- » **Guarantee:** A promise made for a fee by a third party (Guarantor), who is not a party to the contract between two others, that the guarantor will be liable if one of the parties fails to fulfil the contractual obligations.
- » **Held-to-maturity investment** – Non-derivative financial assets with fixed or determinable payments and fixed maturity that an entity has the positive intention and ability to hold to maturity.
- » **Indirect Equity Interest:** The ownership interest created in a circumstance where a subsidiary controlled by a parent, in turn has an equity interest in another entity.
- » **Interest rate SWAP** - 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.
- » **IPO or Initial Public Offering:** The first sale of a company's shares to the public, leading to the listing of its shares on the stock market.
- » **Liabilities:** Debt or obligations of a business.
- » **Listed:** A company or its financial securities which are admitted for trading on a stock exchange.
- » **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 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.

Glossary of Financial Terms Contd.

- » **Non-controlling interest (NCI)** - 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:** In relation to financial activities refers to income-generating assets such as loans, finance leases, investment securities and bills discounted etc.
- » **Portfolio:** In relation to real estate development activities refers to income-generating assets including land and developments.
- » **Post Balance Sheet Event:** Significant events that occur between the balance sheet date and the date on which financial statements are authorised for issue.
- » **Pre-sales:** An agreement by the buyer with a real estate developer to purchase a property today that is to be completed in the near future. The monies received in advance are utilised by the developer in completing the project.
- » **Price Earnings Ratio:** Market price of a share divided by earnings per share.
- » **Primary Dealer:** A dealer in government securities licensed by the Central Bank of Sri Lanka.
- » **Prime Lending Rate (PLR):** The interest rate a commercial bank will offer to its best customers.
- » **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.
- » **Residential Units:** Used in relation to the Kelsey Group, in this Annual Report Residential Units refer to both land lots and accommodation units including apartments and houses.
- » **Repurchase Agreement:** An agreement (repo for short) is the simultaneous sale and repurchase of a security on different settlement dates.
- » **Return on Equity (ROE):** Profit after tax less preference share dividends if any, expressed as a percentage of ordinary shareholders' equity.
- » **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 or Shareholders' Equity:** Shareholders' funds consist of issued and fully paid ordinary share capital plus capital and revenue reserves.
- » **Strategic land portfolio:** Refers to the land acquired or controlled by the Kelsey Group with potential for development activities in line with its strategy.
- » **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.
- » **Ungeared:** Refers to a company (or balance sheet) where capital is solely constituted of shares (with no debt capital, for example, in the form of debentures).
- » **Unit Trust:** An undertaking formed to invest in securities under the terms of a trust deed. May also be referred to as Fund or Mutual Fund.
- » **Unlisted:** A financial instrument that is not traded on a stock exchange. Also refers to a company that has not been admitted to the stock exchange or acquired 'listed' status.
- » **Wealth Management:** Used in reference to the First Capital Group means its wealth and asset management activities which include unit trust investments, discretionary portfolio management and tailored financial advice and products such as lifestyle investment.

NOTICE OF MEETING

Notice is hereby given that the 31st Annual General Meeting of Dunamis Capital PLC will be held on 2 September 2016 at the Auditorium of the Institute of Chartered Accountants of Sri Lanka, No. 30A, Malalasekera Mawatha, Colombo 07 at 11.00 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 2016 together with the report of the Auditors thereon.
2. To re-elect Mr. Saliya Wickramasuriya 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 appoint Mr. A. D. E. I. Perera as a Director of the Company in terms of Section 211 of the Companies Act, No. 7 of 2007,

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

4. To re-appoint Messrs KPMG, Chartered Accountants as Auditors of the Company for the ensuing year and authorise the Directors to determine their remuneration.
5. To authorise the Directors to determine and make donations.

By Order of the Board

(Sgd)

K H L Corporate Services Limited
Secretaries

At Colombo
10 August 2016

Note:

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

FORM OF PROXY

I / We
of
being a member/s of Dunamis Capital PLC, hereby appoint

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

- 1. Ms. Manjula Mathews of Nugegoda whom failing
- 2. Mr. Dinesh Schaffter of Colombo whom failing
- 4. Mr. Eardley Perera of Colombo whom failing
- 5. Mr. Chandana de Silva of Colombo whom failing
- 6. Mr. Saliya Wickramasuriya of Colombo whom failing
- 6. Dr. Nishan de Mel of Colombo

as my/our Proxy to represent me/us and vote on my/our behalf at the 31 Annual General Meeting of the Company to be held on 2 September 2016 at the Auditorium of The Institute of Chartered Accountants of Sri Lanka, No. 30A, Malalasekera Mawatha, Colombo 07 at 11.00 a.m. and at any adjournment thereof and at every poll which may be taken in consequence thereof.

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

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

Signed on thisday of2016

.....
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 Company Secretaries, KHL 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 related Power of Attorney should also accompany the completed Form of Proxy for registration, if such Power of Attorney has not already been registered with the Company.
4. If the Shareholder is a company or a corporate body, the Proxy should be executed under its Common Seal in accordance with its Articles of Association or Constitution.
5. If there is any doubt as to how the vote is to be exercised, by reason of the manner in which the Form of Proxy has been completed, no vote will be recorded by the Form of Proxy.

CORPORATE INFORMATION

NAME OF THE COMPANY	- Dunamis Capital PLC
NAME OF SUBSIDIARIES	- First Capital Holdings PLC First Capital Limited First Capital Treasuries PLC First Capital Markets Limited First Capital Asset Management Limited First Capital Investments (Private) Limited First Capital Equities (Private) Limited Kelsey Developments PLC Kelsey Homes (Private) Limited Kelsey Property Developers (Private) Limited Premier Synthetic Leather Manufacturers (Private) Limited Croft Capital (Private) Limited Blyton (Private) Limited KHL Corporate Services Limited
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	- 02, Deal Place, Colombo 03.
COMPANY REGISTRATION NUMBER	- PQ 69
BOARD OF DIRECTORS	- Manjula Mathews Dinesh Schaffter Eardley Perera Chandana de Silva Saliya Wickramasuriya Nishan de Mel
SECRETARIES AND REGISTRARS	- K H L Corporate Services Limited 02, Deal Place, Colombo 03. Tel: 011-2639807/ 011-2639878 Fax : 011-2639878/ 011-2639868
LAWYERS	- Messrs Neelakandan & Neelakandan Attorneys-at-Law and Notaries Public M & N Building (Level 5) No. 02, Deal Place, Colombo 03
EXTERNAL AUDITORS	- Messrs KPMG Chartered Accountants 32A, Sir Mohamed Macan Markar Mawatha P.O. Box 186, Colombo 03.
PRINCIPAL BANKERS	- Seylan Bank PLC Commercial Bank of Ceylon PLC Hatton National Bank PLC DFCC Vardhana Bank PLC



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