First Capital

FIRST CAPITAL TREASURIES PLC

ANNUAL REPORT

2018/19

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FINANCIAL HIGHLIGHTS

For the year ended 31st March	2019	2018	Variance
Income Statement (Rs'000)			
Income	2,671,869	2,510,251	6.44%
Net trading income before expenses	269,126	998,191	-73.04%
Profit after tax	95,807	1,670,871	-94.27%
Total comprehensive income	93,603	1,670,433	-94.40%
Selected return ratios (Percentage)			
Return on average equity	3.01%	69.73%	-95.68%
Return on total assets	0.30%	6.55%	-95.42%
Financial position (Rs'000)			
Total assets	32,322,947	25,502,684	26.74%
Total sharholders' funds	3,224,883	3,131,280	2.99%
Stated capital	256,500	256,500	-
Funds employed (Equity/ Debt)	32,216,775	25,336,553	27.16%
Selected Ratios (Time/ Percentage)			
Leverage Ratio (Debt to Equity)	8.99	7.09	26.80%
Interest Cover	1.06	1.50	-29.33%
Capital Adequacy Ratio	15.69%	14.69%	6.81%
Shares related information			
Earnings per share (Rs.)	6.23	108.57	-94.26%
Dividend per share (Rs.)	-	13.00	-100.00%
Net assets per share (Rs.)	209.54	203.46	2.99%
Dividend payout ratio (Percentage)	-	11.97%	-100.00%
Number of shares issued	15,390,000	15,390,000	-

CHAIRMAN'S STATEMENT

Dear Shareholder,

I take pleasure in presenting to you the Annual Report and Audited Financial Statements of your Company, First Capital Treasuries PLC (FCT) for the year ended 31st March 2019. If I were to sum up the last year, I would say it was one of the toughest in recent times as unfavorable market conditions in both primary and secondary markets had a bearing on the results for the year. At Rs. 2.67Bn, revenue growth for the year was marginal, while underlying profit after tax at Rs. 96Mn.

With our immediate operating environment becoming increasingly more unpredictable, the Board focused on the areas of risk and governance in order to further secure FCT's position among the top-three standalone primary dealers in the Country.

Strengthening Risk Foundations

FCT has a strong risk framework which has helped the Company to maintain a moderate risk profile consistently. However, being conscious of the uncertainly surrounding local capital markets, renewed emphasis was placed on risk management over the last year, where the focus was ensuring FCT's risk processes and controls are as strong and as robust as possible at all times. Steps taken in this regard were centred on reviewing the effectiveness of our 3 Lines of Defense Risk model in order to further clarify the ownership of risks and controls, and imbue the risk-based approach across all operational activities. As part of this same effort, we also invested heavily in training to help our staff understand the importance of risk management, and take ownership for identifying current and emerging risks in their day-to-day business activities.

Stewardship and Compliance

With the regulatory regime for standalone PD's becoming ever stricter, we remained meticulous in our compliance activities. The Company has been successful in quick adoption of the new directives. FCT Board continues to be deeply committed to ensure that the Company remains above par in all compliance areas. As the apex governing body, the Board retains primary accountability for corporate governance, risk strategy and financial stability of the Company. The Board is responsible for ensuring the activities of the Company are conducted competently and ethically, in accordance with the law. Taking cognizance of these aspects in the determination of business strategies and plans, the Board works to ensure appropriate structures and capabilities are in place to drive strategy.

In the year under review, the Board met 12 times and spent a considerable amount of time reviewing the Company's strategy in light of the uncertain business environment facing the PD sector in 2018. And, I believe our decision to adopt a cautious approach to manage the challenges have held us in good stead, as seen by our resilient performance.

Future Outlook

Moving forward, we will seek to improve the robustness and resilience of all our business to ensure FCT remains among the top-three standalone primary dealers in the country. At the same time, we will endeavour to protect and strengthen our reputation by staying anchored to our commitment to operate from a foundation of respect, trust and integrity at all times.

Chairman's Statement Contd.

Appreciations

I would like to take this opportunity to thank my colleagues on the Board for their support and on behalf of the Board of Directors, wish to express my sincere appreciation to the entire FCT team, for their hard work and commitment this past year.

I express my apprecation to the officials at the Central Bank of Sri Lanka and last but not least to our shareholders, clients, bankers and other stakeholders: I thank you for your loyal association with FCT and trust you will continue to remain invested in the Company's success in the future.

(Sgd.)
Nishan Fernando
Chairman

DIRECTOR/ CHIEF EXECUTIVE OFFICER'S REVIEW

In what is perhaps one of the most challenging times in Sri Lanka's capital markets, I am pleased to announce that First Capital Treasuries PLC (FCT) was able to ride out the tough times and record a resilient performance for the year 2018/19. Before I proceed to elaborate on the results for the year ended 31st March 2019, I would like to take this opportunity to bring some context regarding the overall operating environment, which will no doubt help provide more clarity relating to the Company's performance for the year.

Operating Environment

Negative headwinds in global and local markets in 2018 had a domino effect on Sri Lanka's capital markets, putting a strain on the prospects for the year. In the primary market, participation in the Treasury Bill and Treasury Bond auctions by Primary Dealers showed mixed results, while a visible decline in secondary market activities were observed most notably, the lesser number of repo transactions of government securities.

Amidst this backdrop, the collective assets of the Primary Dealer sector increased only marginally in 2018. Reflecting a slight increase in the market risk exposure of the industry, the ratio of trading portfolio to the total investment portfolio of PD companies increased to 81.9% by end 2018 compared to 81.4% at end 2017. The overall liquidity risk exposure of the sector also showed an increase owing to the higher over-night negative mismatch in the maturity profile of assets and liabilities at end 2018. The overnight negative mismatch increased significantly to Rs. 41.3Bn, equivalent of 92.8% of the overnight liabilities as at end 2018.

Meanwhile, the sector's post-tax profits declined sharply to Rs. 0.2Bn in 2018 from Rs. 2.8Bn reported in 2017 on the back of significant revaluation losses from government securities. Consequently, the ROA and ROE ratios for PD companies decreased to 0.02% and 2.0%, respectively, at the end 2018 from 4.2% and 12.9% recorded in 2017.

Operating Results of the Company

I am pleased to report that despite tough operating conditions, FCT's total asset base grew by 27% to reach Rs. 32Bn as at 31st March 2019 enabling FCT to maintain its position among the top-three standalone PD's in Sri Lanka. Staying aligned to its moderate credit risk profile, the Company's investment portfolio continued to be skewed towards government securities, which are highly liquid assets and as such carry no significant credit risk.

FCT remained well capitalised throughout the year, on account of healthy internal generations. As at end of March 2019, the Company's capital base reached Rs. 3,225Mn while the capital adequacy ratio stood at 15.69%, well above the regulatory minimum of 10%.

FCT's Net Trading Income (NTI) dropped by 61% year-on-year from Rs. 859Mn in 2017/18 to Rs. 337Mn for the year under review, while marked-to-market losses amounting to Rs. 76Mn saw the Company's Net Trading Income before operating expenses slip to Rs. 269Mn in 2018/19 from to Rs. 998Mn in the previous financial year.

Additionally, the tax burden arising as a result of the new tax structure that came into effect from April 2018 saw the Company's post-tax profits decline to Rs. 96Mn in 2018/19.

However, I believe that being able to achieve a measure of success even amidst the challenges, proves that our business fundamentals are solid. This was further confirmed by ICRA Lanka who reaffirmed FCT's [SL]A- credit rating for the fourth consecutive year.

Business Ethics

As our business continues to evolve and adapt in an ever-changing marketplace, one thing remains constant — our commitment to doing the right things for the right reasons. We expect our employees at all levels to uphold our corporate values and commit to acting with integrity in everything they do. Our code of conduct is designed to provide a clear understanding of FCT's core values and the standards that govern our business.

Director/ Chief Executive Officer's Review Contd.

It also provides guidelines for navigating successfully through ethical challenges. All of our senior leaders, including the Board of Directors, support this Code. Furthermore, we count on all of our employees to not only follow this Code, but to report violations without fear of retaliation and continue to provide employees with regular training in order to reinforce the importance of upholding the Code.

Future Outlook

Based on current indications, I anticipate overall market conditions to gradually improve over the coming months, especially since the projected slowdown in the US economy would likely once again redirect global fund flows towards emerging markets which I expect would benefit Sri Lanka as well.

Internally, it is possible that the slow growth in the economy will influence the Central Bank of Sri Lanka (CBSL) to cut policy rates over the short term. And, with the CBSL looking to raise additional funds through sovereign bonds, it is hoped that investor confidence in the local bond market would be restored towards the latter part of 2019, providing the basis for FCT to scale up its operations in the medium term.

Appreciations

As I conclude my review, I would like to thank the Chairman and the Board of Directors for their guidance and wise counsel extended to me at all times. A special word of thanks goes to the FCT team for their dedication and commitment in driving the Company forward. I also wish to express my appreciation to the officials at the Central Bank of Sri Lanka for their guidance and support at all times.

Finally, I wish to thank the shareholders, clients, bankers and other stakeholders of the Company for the long-standing support. I look forward to working together with you.

(Sgd.)
Dilshan Wirasekara
Director/ Cheif Executive Officer

BOARD OF DIRECTORS

NISHAN FERNANDO
INDEPENDENT NON - EXECUTIVE CHAIRMAN

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

He counts over 26 years of experience, during which period he held the position of CFO/ Head of Finance at Sri Lanka Telecom PLC, Odel PLC and Goodhope Asia. Nishan is a Past President / Council Member of the Institute of Chartered Accountants of Sri Lanka. He has served on the International Accounting Education Standards Board of the International Federation of Accountants, and of the Board of South Asian Federation of Accountants. He is currently serving as a member of the Consultative Advisory Group of International Accounting Education Standards Board.

He had been a Commission Member of the Securities and Exchange Commission of Sri Lanka and has also served on the Accounting and Auditing Standards Monitoring Board, Governing Boards of Postgraduate Institute of Management and of National Institute of Business Management. He served on the Sri Lanka Accounting Standards Committee for twelve years during which period chaired it for four years and chairs the SLFRS Implementation and Interpretation Task Force of CA Sri Lanka.

Other principal appointments
Managing Director: BDO Consulting (Private) Limited.
Chairman: First Capital Holdings PLC and its subsidiaries.

DINESH SCHAFFTER
MANAGING DIRECTOR

Dinesh Schaffter serves as the Managing Director of First Capital Treasuries PLC. He has a finance background 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.

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

Other principal appointments
Managing Director: First Capital Holdings PLC and its subsidiaries and Kelsey Developments PLC.
Director: Dunamis Capital PLC.

Board of Directors Contd.

DILSHAN WIRASEKARA
DIRECTOR / CHIEF EXECUTIVE OFFICER

Dilshan Wirasekara, Director / Chief Executive Officer of First Capital Treasuries PLC is an experienced professional with a career spanning over 23 years, comprising diversified expertise in financial services including, banking, treasury and investment management, capital market strategy and corporate finance advisory.

Having joined First Capital in 2013 Wirasekara steered the Company, a full service investment bank holding licenses in stock brokering, unit trust management, margining trading and debt brokering in addition to its prominent position in the government securities market to establish itself as a significant contributor to the local capital market industry. He spearhead the formation of key debt structuring deals with internationally based development Financial Institutions as well the signing of strategic partnerships with foreign institutions focusing on emerging markets such as Sri Lanka.

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

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

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

Other principal appointments
Director: Colombo Stock Exchange
Director/ CEO: First Capital Holdings PLC and its subsidiaries

RAMESH SCHAFFTER
NON-INDEPENDENT NON-EXECUTIVE DIRECTOR
(Appointed w.e.f. 25th July 2019)

Mr. Ramesh Schaffter was appointed as a Non-Independent, Non-Executive Director on 25th July 2019. He serves as Managing Director of Dunamis Capital PLC. Counting over three decades of experience in Finance and Marketing, he is a Fellow Member and former Council Member of the Chartered Institute of Management Accountants, Sri Lanka, and an Associate Member of the Chartered Institute of Marketing. He has served on the Boards of several public listed and unlisted companies.

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

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

Other principal appointments
Managing Director : Dunamis Capital PLC
Director : First Capital Holdings PLC, Kelsey Developments PLC, Janashakthi Insurance PLC, Janashakthi PLC, Orient Finance PLC, Serendib Land PLC, Premier Synthetic Leather Manufacturers (Pvt) Limited, K H L Corporate Services Limited and Sri Lanka Technology Incubator (Pvt) Limited.

Board of Directors Contd.

MINETTE PERERA
INDEPENDENT NON-EXECUTIVE DIRECTOR

Minette Perera was the Group Finance Director of the MJF Group, which comprises several tea growing, packing and exporting companies, supplying the “Dilmah Tea” brand around the world, from September 2000 till March 2013. During the period of her employment with the MJF Group, she was appointed as a Director of the MJF Group of Companies including MJF Holdings Limited and held the Board positions till December 2014. She has also held board positions before joining the MJF Group.

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

Other principal appointments
Non-Executive Director: First Capital Holdings PLC and its subsidiaries, Orient Finance PLC , Dilmah Ceylon Tea Company PLC (formerly Ceylon Tea Services PLC), Kahawatte Plantations PLC, Talawakelle Tea Estates PLC and Forbes & Walker (Pvt) Limited.

CHANDANA DE SILVA
INDEPENDENT NON-EXECUTIVE DIRECTOR

Chandana de Silva has 25 years of managerial, financial experience and strategic acumen acquired in Sri Lanka and the United Kingdom. He held several senior management positions including that of Chief Financial Officer of a Nas-daq quoted telecom services company during his 23 years of work experience in the UK. 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 center and was the Chief Executive Officer of the MAS Investment Division when he left in 2011. He currently serves as a management consultant and as a mentor to individuals in senior management roles.

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 and subsidiaries,Dunamis Capital PLC, Kelsey Developments PLC, Eureka Technology (Private) Limited, 24/7 Techies (Private) Limited, Sea-Change Partners Lanka (Private) Limited and Bairaha Farms PLC.

NISHAN DE MEL
INDEPENDENT NON-EXECUTIVE DIRECTOR

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

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

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

Other principal appointments
Director: First Capital Holding PLC and its subsidiaries, Eureka Technology Partners (Pvt) Limited and Bartleet & Company Limited.

ANNUAL REPORT OF THE BOARD OF DIRECTORS

The Directors of First Capital Treasuries PLC have pleasure in presenting their Annual Report together with the Audited Financial Statements for the year ended 31st March 2019 which were approved by the Directors on 31st July 2019.

REVIEW OF OPERATIONS

During the year under review, the Company reported total revenue of Rs. 2,672Mn compared to Rs. 2,510Mn reported in the previous year.

Net Trading Income before expenses for the year is Rs. 269Mn (2017/18- Rs. 998Mn) and consequently, profit before tax decreased to Rs. 137Mn from Rs. 823Mn in the previous year.

PRINCIPAL ACTIVITIES

The main activity of the Company is operating as a Primary Dealer in Government Securities.

LEGAL STATUS

First Capital Treasuries PLC was incorporated on 19th August 1982 under the provisions of the Companies Act No. 17 of 1982 and re- registered under the Companies Act No. 7 of 2007.

FINANCIAL RESULTS

The Company's net profit after tax was Rs. 96Mn compared with net profit after tax of Rs. 1,671Mn in year 2017/18,which included the recognition of a deferred tax asset of Rs. 847Mn.

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

	2019 Rs.'000	2018 Rs.'000
Revenue	2,671,869	2,510,251
Profit before tax	137,428	823,406
Profit after tax	95,807	1,670,871
Total comprehensive income	93,603	1,670,433

The financial statements of the Company are set out on pages 27-60 of the Annual Report.

BOARD OF DIRECTORS

Directorate

The following were the Directors of the Company as at 31st March 2019.
1. Mr. Nishan Fernando
2. Mr. Dinesh Schaffter
3. Mr. Dilshan Wirasekara
4. Ms. Minette Perera
5. Mr. Chandana de Silva
6. Dr. Nishan de Mel

The profiles of the Directors are given in pages 07 to 09 of the Annual Report.

Annual Report of the Board of Directors Contd.

INTEREST IN SHARES

Directors/Chief Executive Officer and their shareholdings as at 31st March 2019 were as follows:

	No.of Shares 31.03.2019	No.of Shares 31.03.2018
Mr. Nishan Fernando	Nil	Nil
Mr. Dinesh Schaffter	01	01
Ms. Minette Perera	Nil	Nil
Mr. Chandana de Silva	Nil	Nil
Dr. Nishan de Mel	Nil	Nil
Mr. Dilshan Wirasekara	Nil	Nil

OTHER DIRECTORSHIP/ SIGNIFICANT POSITIONS OF DIRECTORS

Information of the other Directorships/ significant positions of the present Directors of the Company are given on pages 07-09.

RELATED PARTY TRANSACTIONS

Related party transactions have been declared at the meetings of the Directors and are detailed in Note 30 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. All Directors have made declarations as provided for in Section 192 (2) of the Companies Act aforesaid. The Interests Register is available for inspection as required under the Companies Act.

The Company carries out transactions in the ordinary course of business with entities in which a Director of the Company is a Director. The transactions with entities where a Director of the Company either has control or exercises significant influence have been classified as related party transactions and disclosed in Note 30 to the Financial Statements.

REMUNERATION AND FEES

Details of Directors remuneration and fees are set out in Note 10 to the financial statements. All fees and remuneration have been duly approved by the Board of Directors of the Company.

RISK AND INTERNAL CONTROL

The Board of Directors has satisfied itself that there exists an effective and comprehensive system of internal controls to monitor, control and manage the risks to which the Company is exposed, to carry on its business in an orderly manner, to safeguard its assets and to secure as far as possible the reliability and accuracy of records.

CORPORATE GOVERNANCE

The Directors acknowledge their responsibility for the Company's corporate governance and the system of internal control. The Directors are responsible to the shareholders for providing strategic direction to the Company and safeguarding the assets of the Company. The Board is satisfied with the effectiveness of the system of internal control for the period up to the date of signing the financial statements. The compliance with recommended corporate governance practices are disclosed in pages 16-20 of the Annual Report.

Annual Report of the Board of Directors Contd.

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

DIVIDEND

The Board of Directors did not declare dividend for the year ended 31st March 2019 (2017/18- Rs. 13.00 per share totaling Rs. 200.07Mn).

SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted in the preparation of the financial statements is given on pages 31-47. The Company has applied SLFRS 15 and SLFRS 9 with effect from 1st April 2018.

GOING CONCERN

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

CAPITAL EXPENDITURE

Details of property, plant and equipment and their movements during the year are given in Note 20 to the financial statements.

RESERVES

The movements in reserves during the financial year 2018/19 have been presented in the Statement of Changes in Equity on page 29 of the Annual Report.

INCOME TAX EXPENSES

Income tax expenses have been computed in accordance with the provision of the Inland Revenue Act, No. 24 of 2017 as disclosed in Note 11 to the financial statements.

STATED CAPITAL

The stated capital of the Company as at 31st March 2019 was Rs. 256.5Mn consisting of 15,390,000 ordinary shares.

Annual Report of the Board of Directors Contd.

SHARE INFORMATION AND SUBSTANTIAL SHAREHOLDERS

As at 31st March 2019, there were three registered shareholders. Share information as at 31st March 2019 is given below.

Name of the Shareholder	No of Shares held as at 31st March 2019	Percentage of Shareholding (%)
First Capital Limited	14,534,999	94.44
Employee Trust Fund Board	855,000	5.56
Mr. Dinesh Schaffter	01	-
Total	**15,390,000**	**100.00**

CORPORATE DONATIONS

Company did not make charitable donations during the year (2017/18 – Nil).

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 the Company has not engaged in any activities contravening laws and regulations.

EQUAL OPPORTUNITIES

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

EVENTS OCCURRING AFTER THE REPORTING DATE

There were no material events after the financial reporting date which requires an adjustment to or a disclosure in the financial statements other than those disclosed in Note 33 to the financial statements.

INDEPENDENT AUDITORS

During the period under review, the Company's Auditors were Messrs KPMG, Chartered Accountants. The fees paid to auditors are disclosed in Note 10 to the financial statements.

Based on the declaration from Messrs KPMG, and as far as the Directors are aware, the Auditors do not have any relationship or interest in the Company, 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.

Annual Report of the Board of Directors Contd.

INDEPENDENT AUDITOR'S REPORT

The independent Auditor's report on the financial statements is given on pages 23-26 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 Annual General Meeting of the Company will be held on 20th September 2019. The notice convening the Meeting and the agenda are given on page 63 of the Annual Report.

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

(Sgd.)
K H L Corporate Services Limited
Secretaries

(Sgd.)
Dinesh Schaffter
Managing Director

(Sgd.)
Nishan Fernando
Chairman

31st July 2019
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 keeps proper books of accounts of all the transactions and prepare and present the financial statements to the shareholders in accordance with the relevant provisions of the Companies Act, No. 7 of 2007 and other statutes which are applicable in the preparation of financial statements. The financial statements comprise of the Statements of Financial Position as at 31st March 2019, the Statement of Profit or Loss and Other Comprehensive Income, Statement of Changes in Equity, Statement of Cash Flow for the year ended and Notes thereto. The Directors are required to prepare these financial statements on a going concern basis unless it is not appropriate.

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

- The state of affairs of the Company as at 31st March 2019
  and
- The financial performance of the Company for the financial year ended 31st March 2019

The financial statements of the Company for the year ended 31st March 2019 incorporated in this report have been prepared in accordance with the Companies Act, No. 7 of 2007, Sri Lanka Accounting Standards (LKAS/SLFRS) and Listing Rules of the Colombo Stock Exchange.

The financial statements of the Company have been certified by the Chief Financial Officer 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 31st July 2019 in accordance with Section 150 (1) (c) and 152 (1) (c) of the Companies Act.

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

The Directors have taken reasonable measures to safeguard the assets of the Company 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 who were reappointed in accordance with a resolution passed at the last Annual General Meeting were provided with all necessary information required by them in order to carry out their audit and to express an opinion which is contained on page 23-26 of this Annual Report.

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

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

(Sgd.)
K H L Corporate Services Limited
Secretaries

31st July 2019
Colombo

CORPORATE GOVERNANCE

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

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

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

BOARD COMPOSITION AND INDEPENDENCE

The Board comprises 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 07-09).

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

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

BOARD RESPONSIBILITIES

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

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

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

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

A strong focus on training and career development has created a committed and empowered workforce who continues high standards of achievement.

BOARD BALANCE

Executive and Independent Non-Executive Directors on the Board who are professionals / academics / business leaders hold senior positions in their respective fields ensure a right balance between executive expediency and independent judgment as no individual Director or small group of Directors dominate the Board discussion and decision making.
Directors are provided with monthly reports of performance and minutes of the Boards Meetings and are given the specific documentation necessary, in advance of such meetings.

Corporate Governance Contd.

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

APPOINTMENT AND RE-ELECTION OF DIRECTORS

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

BOARD COMMITTEES (STATUTORY)

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

AUDIT COMMITTEE

The Audit Committee of First Capital Holdings PLC (Immediate Listed Parent Company) functions as Audit Committee of First Capital Treasuries PLC. The Report of the Audit Committee is presented on pages 21-22 and the duties of the Committee are included therein.

REMUNERATION COMMITTEE

The Remuneration Committee of Dunamis Capital PLC (Intermediary Parent Company) functions as Remuneration Committee of First Capital Treasuries PLC. Composition of the Committee, mandate of the Committee and other details are shown on Page 19.

SHAREHOLDERS RELATIONS

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

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

The Company published quarterly Financial Statements in a timely manner as its principle communication with shareholders and others. This enables stakeholders to make a rational judgment of the Company.

INTERNAL AUDIT AND CONTROL

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

The Internal Audit function of the company has been outsourced to M/s. PricewaterhouseCoopers.
The Internal Audit reports along with management comments are discussed with Audit Committee and with the Board. Further, at each meeting, follow up issues from previous meeting are also discussed in order to make sure implementation of appropriate policies and procedures as prevention mechanism.

Corporate Governance Contd.

EXTERNAL AUDIT

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

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

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

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

COMPANY SECRETARIES

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

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

	CSE Rule	Status of Compliance	Details/Reference
7.10.1 Non-Executive Director (NED)			
a./b./c.	At least 2 members or one third of the Board, whichever is higher should be NEDs as at the conclusion of immediately preceding AGM. Any change to this ratio should be rectified within 90 days.	Complied	Four out of six Directors were NEDs as at the conclution of immidiatly preceding AGM.
7.10.2 Independent Directors			
a.	At least 2 or one third of the NEDs, whichever is higher shall be independent.	Complied	All Four Non-Executive directors are determined to be independent.
b.	Each NED should submit annually a signed and dated declaration of his/her independence or non-independence.	Complied	All NEDs have submitted their confirmations on independence as per the criteria laid down in the listing rules.

Corporate Governance Contd.

	CSE Rule	Status of Compliance	Details/Reference
7.10.3 Disclosures Relating to Directors			
a./b.	The Board should determine the independence or otherwise of the NEDs and disclose in the annual report the names of the NEDs determined to be 'independent".	Complied	Profile of Directors in pages 07-09.
c.	A brief resume of each Director with information on his/her area of expertise should be included in the annual report.	Complied	
d.	Upon appointment to the Board, a brief resume of the new director should be provided to the Exchange for dissemination to the public.	Complied	
7.10.5 Remuneration Committee			
a. 1	Remuneration committee should comprise at least 2 independent NEDs or more than 2 NDEs majority of whom shall be independent.	Complied	The Remuneration Committee of Dunamis Capital PLC (Intermediary Parent Company) functions as Remuneration Committee of First Capital Treasuries PLC. 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. The committee is mandated with ensuring accountability, transparency and fairness in reward structures that recognised 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 aggregate remuneration paid to the Directors is given in the Note 10 to the financial statements.
a. 2	One NED shall be appointed as chairman of the committee by the Board of Directors.	Complied	
b.	Remuneration committee shall recommend the remuneration of the CEO and Executive Directors to the Board.	Complied	
c.	The Annual Report should include the names of the Remuneration committee members, a statement of remuneration policy and the aggregate remuneration paid to Executive and Non-Executive Directors.	Complied	

Corporate Governance Contd.

	CSE Rule	Status of Compliance	Details/Reference
7.10.6 Audit Committee			
a. 1	Audit Committee should comprise at least 2 independent NEDs or more than 2 NEDs majority of whom shall be independent.	Complied	Audit Committee Report on pages 21-22.
a. 2	One NED shall be appointed as chairman of the committee by the Board of Directors.	Complied	
a. 3	Chief Executive Officer and the Chief Financial Officer shall attend the Audit Committee meetings.	Complied	
a. 4	The chairman of the Audit Committee or one member should be a member of a recognised professional accounting body.	Complied	
B Functions of the Audit Committee			
b.1	Overseeing the preparation,presentation of the financial statements and adequacy of disclosures in accordance with SLFRS/LKAS.	Complied	
b. 2	Overseeing the compliance with financial reporting requirements and information requirements as per laws and regulations.	Complied	
b. 3	Overseeing the processes to ensure internal controls and risk management functions are adequate to meet the requirements of Sri Lanka Auditing Standards.	Complied	
b. 4	Assessing the independence and performance of the external auditors.	Complied	
b. 5	Making recommends to the Board pertaining to appointment or reappointment or removal of external auditors and to approve their remuneration and terms of engagement.	Complied	
C	The annual report should include the names of the audit committee members, the basis for the determination of the independence of the external auditors and a report of the Audit Committee setting out the manner of compliance with the above requirements during the specified period.	Complied	

AUDIT COMMITTEE REPORT

First Capital Holdings PLC is the Immidiate Listed Parent Company of First Capital Treasuries PLC, which is the primary dealer arm of the First Capital Group. The Audit Committee of First Capital Holdings PLC thus functions as the Audit Committee of First Capital Treasuries PLC which has complied with the policies and procedures set out by the Group Audit Committee.

Composition of Group Audit Committee

The Audit Committee consists of two Independent Non-Executive Directors and a Non-Independent Non-Executive Director of First Capital Holdings PLC. The Committee is chaired by Ms. Minette Perera.

The members of the Group Audit Committee are as follows.

Ms. Minette Perera – Chairperson – Independent Non-Executive Director
Mr. Nishan Fernando – Independent Non-Executive Director
Dr. Nishan de Mel - Independent Non-Executive Director
(Resigned with effect from 15th February 2019)
Mr. Ramesh Schaffter - Non-Independent Non-Executive Director
(Appointed with effect from 25th April 2019)

Meetings

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

The attendance of the members for the Group Audit Commitee meetings during the year 2018/19 is as follows.

Name of Director	Attendance in 2018/19 (Attended/Eligible to Attend)
Ms. Minette Perera	6/6
Mr. Nishan Fernando	6/6
Dr. Nishan de Mel	4/5

Functions

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

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

Audit Committee Report Contd.

Financial Reporting System

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

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

Internal Audit

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

External Audit

External Auditor's management letters pertaining to the previous year's audit and the Management's response thereto were discussed during the year. Follow up action taken by the management to ensure that the recommendations contained in the management letter were implemented was reviewed. Further, the draft annual financial statements for 2018/19 were also reviewed with the External Auditors prior to release.

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

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

Having reviewed the effectiveness of the External Audit, the Group Audit Committee also recommended to the Board of Directors that Messrs KPMG be reappointed as Auditors for the financial year ending 31st March 2020, subject to the approval of the shareholders at the Annual General Meeting.

Sgd.
Minette Perera (Ms.)
Chairperson -Audit Committee

31st July 2019
Colombo

INDEPENDENT AUDITOR'S REPORT

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

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To the Shareholders of First Capital Treasuries PLC

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of First Capital Treasuries PLC ("the Company"), which comprise the statement of financial position as at 31st March 2019, and the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information as set out on pages 27 to 60.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31st March 2019, and of its financial performance and its cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

Basis for Opinion

We conducted our audit in accordance with Sri Lanka Auditing Standards (SLAuSs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the Code of Ethics issued by CA Sri Lanka (Code of Ethics) and we have fulfilled our other ethical responsibilities in accordance with the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

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

1. Valuation of financial instruments

Refer to the significant accounting policy in Note 3.8 and explanatory Notes 13,14,15,16 and 22 to the financial statements.

Risk Description

The Company's investment portfolio comprises of 97% of the total assets (by value) as at 31st March 2019. This is considered to be the key driver of the Company's capital and revenue performance. The investments measured at fair value comprises of 91% of the total assets and the fair value of such financial instruments that are traded in an active market is determined based on quoted market prices. We do not consider the valuation of these investments to be at higher risk of significant misstatement. The exercise of judgment and the use of estimates and assumptions is in particular required for instruments where observable market prices or market parameters are not available. For such instruments, the fair value is determined through the use of valuation techniques or models applied by the Company.

The Company has adopted SLFRS 9 – "Financial Instruments" with changes on the classification and measurement framework and the introduction of more complex expected credit loss (ECL) model involves significant management judgement.

Independent Auditor's Report Contd.

KPMG

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

Our audit procedures included:

- Testing the key controls over identification, measurement and management of valuation risk as well as evaluating the methodologies and input parameters used by the Company in determining fair values.
- Comparing observable inputs against independent sources and externally available market data and re-performing independent valuations.
- Evaluating the accuracy of the transition adjustment on the adoption of SLFRS 9 and for a sample of financial instruments, verifying the accuracy on the classification and re-measurement adjustments.
- Evaluating the appropriateness of the impairment methodology adopted by the Company in accordance with SLFRS 9 and challenging the key assumptions and evaluating the reasonableness of the key judgments and methodology used by the management with the assistance of our technical consultants.
- Obtaining and agreeing with the third party confirmations for a sample of outstanding financial instruments.
- Assessing the adequacy of the disclosures in the financial statements in accordance with relevant accounting standards.

2. Recoverability of deferred tax assets

Refer to the significant accounting policy in Note 3.7.3 and explanatory Note 18 to the financial statements.

Risk Description

The Company has recognized deferred tax assets of Rs. 806 Million as at 31st March 2019 in respect of the future deductible temporary differences and undisputed accumulated tax losses which management considered would be utilised or recovered in the future through the generation of future taxable profits or set-off against deferred tax liabilities.

The recognition of deferred tax assets relies on the exercise of significant judgment by management in respect of assessing the sufficiency of future taxable profits and the probability of such future taxable profit being generated and reversals of existing taxable temporary differences.

We identified the recognition of deferred tax assets as a key audit matter because of its significance to the financial statements and the significant management judgment and estimation required in forecasting future taxable profits which could be subject to error or potential management bias.

Our audit procedures included:

- Assessing and challenging the Company's approach for evaluating the likelihood of the recoverability of deferred tax assets. This included challenging the key assumptions used by the management in the preparation of future taxable profits forecasts of the Company by comparing the most significant inputs used in the forecasts, including future revenue, margins and operating cost growth rates, with the historical performance of the entity, management's forecasts used for other purposes and our knowledge of the business and the industry based on internal and external sources of information.
- Challenging the key assumptions underpinning the Company's financial projections against historical performance and estimates.
- Evaluating the probability of claiming undisputed tax losses through the perusal of tax correspondents.
- Evaluating the adequacy of the disclosures in the financial statements in accordance with the relevant accounting standards.

Independent Auditor's Report Contd.

Other Information

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

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

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

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SLAuSs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Independent Auditor's Report Contd.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

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

CA Sri Lanka membership number of the engagement partner responsible for signing this independent auditor's report is 3029.

Chartered Accountants
Colombo.

31st July 2019

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31st March

	Note	2019 Rs.'000	2018 Rs.'000
Income	6	**2,671,869**	2,510,251
Direct Expenses	7	**(2,334,942)**	(1,651,367)
Net Trading Income		**336,927**	858,884
Other Income	8	**8,448**	48
Gain/(Loss) on Fair Valuation of Financial assets recognised through profit or loss measured at fair value	9	**(76,249)**	139,259
		269,126	998,191
Operating Expenses			
Personnel Expenses		**(73,914)**	(101,525)
Premises, Equipment and Establishment Expenses		**(32,470)**	(44,498)
Other Operating Expenses		**(25,314)**	(28,762)
		(131,698)	(174,785)
Profit before Taxation	10	**137,428**	823,406
Income Tax (expense)/reversal	11	**(41,621)**	847,465
Profit for the Year		**95,807**	1,670,871
Other Comprehensive Income			
Items that will never be reclassified to Profit or Loss			
Loss on financial assets at fair value through other comprehensive income		**(1,000)**	-
Actuarial Loss on Retirement Benefit Obligation		**(1,672)**	(608)
Tax Effect on Other Comprehensive Income		**468**	170
Item that are or may be reclassified to Profit or Loss		**-**	-
Other Comprehensive Income		**(2,204)**	(438)
Total Comprehensive Income for the Year		**93,603**	1,670,433
Basic Earnings per Share (Rs.)	12	**6.23**	108.57

Figures in brackets indicate deductions.
The notes disclosed on pages 31 to 60 form an integral part of these Financial Statements.

STATEMENT OF FINANCIAL POSITION

As at 31st March	Note	2019 Rs.'000	2018 Rs.'000
ASSETS			
Cash at Banks and in Hand		**2,144**	3,077
Derivative Financial Instruments	13	**3,454**	47,868
Financial assets recognised through profit or loss - measured at fair value	14	**29,533,427**	23,376,073
Financial assets - at Amortised cost	15	**1,863,996**	968,887
Financial assets - fair value through other comprehensive income	16	**-**	1,000
Receivable from Related Companies	17	**11,616**	5,239
Taxes Receivable		**1,468**	12,093
Deferred tax asset	18	**806,482**	847,635
Other Assets	19	**97,706**	239,030
Property, Plant and Equipment	20	**1,255**	1,393
Intangible Assets	21	**1,399**	389
TOTAL ASSETS		**32,322,947**	25,502,684
LIABILITIES			
Bank Overdraft		**6,660**	2,759
Derivative Financial Instruments	22	**2,878**	21,659
Securities sold under Repurchase Agreements	23	**27,482,737**	21,691,825
Short term borrowings		**991,384**	-
Creditors and Other Payables		**7,392**	9,568
Payable to Related Companies	24	**716**	42,478
Taxes Payable		**83,740**	81,452
Borrowing on Listed Debentures	25	**511,111**	510,689
Retirement Benefit Obligations	26	**11,446**	10,974
TOTAL LIABILITIES		**29,098,064**	22,371,404
EQUITY			
Stated Capital	27	**256,500**	256,500
Risk Reserve	28	**1,082,307**	1,072,726
Retained Earnings		**1,887,076**	1,802,054
Fair Valuation Reserve		**(1,000)**	-
TOTAL EQUITY		**3,224,883**	3,131,280
TOTAL EQUITY AND LIABILITIES		**32,322,947**	25,502,684
Net Assets per Share (Rs.)		**209.54**	203.46

The notes disclosed on pages 31 to 60 form an integral part of these Financial Statements.

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

Mangala Jayashantha
Chief Financial Officer

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

Dilshan Wirasekara
Director / Chief Executive Officer

Dinesh Schaffter
Managing Director

31st July 2019
Colombo

STATEMENT OF CHANGES IN EQUITY

For the year ended 31st March	Stated Capital Rs.'000	Risk Reserve Rs.'000	Retained Earnings Rs.'000	Fair Valuation Reserve Rs.'000	Total Equity Rs.'000
Balance as at 1st April 2017	256,500	905,639	498,778	-	1,660,917
Total Comprehensive Income for the Year					
Profit for the Year	-	-	1,670,871	-	1,670,871
Other Comprehensive Income	-	-	(438)	-	(438)
Total Comprehensive Income	-	-	1,670,433	-	1,670,433
Transactions with Equity Holders					
Distribution to Equity Holders					
Dividend paid (Note 29)	-	-	(200,070)	-	(200,070)
Total distribution to Equity Holders	-	-	(200,070)	-	(200,070)
Total Transactions with Equity Holders	-	-	(200,070)	-	(200,070)
Transfers to Risk Reserve (Note 28)	-	167,087	(167,087)	-	-
Balance as at 31st March 2018	256,500	1,072,726	1,802,054	-	3,131,280
Balance as at 1st April 2018	**256,500**	**1,072,726**	**1,802,054**	**-**	**3,131,280**
Total Comprehensive Income for the Year					
Profit for the Year	-	-	95,807	-	95,807
Other Comprehensive Income	-	-	(1,204)	(1,000)	(2,204)
Total Comprehensive Income	-	-	94,603	(1,000)	93,603
Transfers to Risk Reserve (Note 28)	-	9,581	(9,581)	-	-
Balance as at 31st March 2019	**256,500**	**1,082,307**	**1,887,076**	**(1,000)**	**3,224,883**

Figures in brackets indicate deductions.
The notes disclosed on pages 31 to 60 form an integral part of these Financial Statements.

STATEMENT OF CASH FLOWS

For the year ended 31st March	2019 Rs.'000	2018 Rs.'000
Cash Flows from Operating Activities		
Interest Receipts and Gains realised	**2,667,994**	2,509,176
Interest Payments and Other Direct Cost	**(2,151,693)**	(1,238,588)
Other Receipts	**442**	48
Cash Payments to Employees and Suppliers	**(118,284)**	(170,545)
Operating profit before changes in operating assets and liabilities	**398,459**	1,100,091
(Increase)/ Decrease in Financial Assets at Amortised cost	**(891,234)**	5,401,751
Increase in Financial Assets-fair value through profit or loss- mesured at fair value	**(6,207,970)**	(7,856,931)
(Increase)/ Decrease in Other Assets	**141,324**	(108,195)
Increase in Short term Borrowings	**990,306**	-
Increase in Receivable from Related Companies	**(6,377)**	(4,813)
Increase in Securities sold under Repurchase Agreements	**5,609,163**	1,602,427
Increase/ (Decrease) in Payable to Related Companies	**(41,762)**	40,542
Increase in Creditors and Accrued Charges	**112**	12,533
Cash flows generated from/ (used in) operations	**(7,979)**	187,405
Income Tax paid	**-**	-
Gratuity paid (Note 26)	**(2,822)**	-
Net cash flows generated from/ (used in) operating activities	**(10,801)**	187,405
Cash Flows from Investing Activities		
Acquisition of Property, Plant and Equipment (Note 20)	**(309)**	(574)
Acquisition of Intangible Assets (Note 21)	**(1,730)**	(174)
Proceeds from Sale of Property, Plant and Equipment	**8,006**	-
Net cash flows generated from/ (used in) investing activities	**5,967**	(748)
Cash Flows from Financing Activities		
Dividend paid (Note 29)	**-**	(200,070)
Net cash flows used in financing activities	**-**	(200,070)
Net decrease in cash and cash equivalents	**(4,834)**	(13,413)
Cash and cash Equivalents at the beginning of the year	**318**	13,731
Cash and cash Equivalents at the end of the year (Note A)	**(4,516)**	318
Note A		
Cash at banks and in hand	**2,144**	3,077
Bank overdraft	**(6,660)**	(2,759)
	(4,516)	318

Figures in brackets indicate deductions.
The notes disclosed on pages 31 to 60 form an integral part of these Financial Statements.

NOTES TO THE FINANCIAL STATEMENTS

1. Reporting Entity

1.1 Domicile and Legal Form

First Capital Treasuries PLC (“the Company”) is a public company with limited liability incorporated on 19th August 1982, domiciled in Sri Lanka. The company was re-registered under Companies Act No. 07 of 2007. The registered office and place of business of the Company is at No. 2, Deal Place, Colombo 3.

1.2 Principal Activities and Nature of Operations

The Company engages in the business operations of a Primary Dealer in Government Securities. There were no significant changes in the nature of the principal activities of the company during the financial year under review.

1.3 Parent Entity and Ultimate Parent Entity

The Company’s parent entity is First Capital Limited. The ultimate parent undertaking and controlling party of the company is Janashakthi PLC (incorporated in Sri Lanka) with effect from 10th December 2018. Previous ultimate Parent undertaking and controlling party was Dunamis Capital PLC.

2. Basis of Preparation

2.1 Statement of Compliance

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

2.2 Approval of Financial Statements by Directors

The Financial Statements for the year ended 31st March 2019 were authorised for issue by the Board of Directors on 31st July 2019.

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 held for trading are measured at fair value.
- Derivative financial instruments are measured at fair value.
- Financial assets - fair value through other comprehensive income are measured at fair value.
- Retirement benefit obligations - present value of the defined benefit obligations.

2.4 Functional and Presentation Currency

The 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 Estimates and Judgments

The preparation of the 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.

Notes to the Financial Statements Contd.

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

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

2.6.1 Going Concern

The Management of the Company 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.

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 35.

2.6.3 Defined Benefit Obligations

The Company 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. 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.

2.6.4 Useful Life Time of Property, Plant and Equipment

The Company 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 financial statements, and have been applied consistently by Company unless otherwise stated.

3.1. Changes in Significant Accounting Policies

The Company has applied SLFRS 15 and SLFRS 9 with effect from 1st April 2018. Due to the transition methods chosen by the Company in applying these standards, comparative information throughout these financial statements has not been restated to reflect the requirements of the new standards.

3.1.1. SLFRS 15 Revenue from Contracts with Customers

SLFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognized. It replaced LKAS 18 Revenue, LKAS 11 Construction Contracts and related interpretations. Under SLFRS 15, revenue is recognised when a customer obtains control of the goods or services. Determining the timing of the transfer of control- at a point in time or over time- requires judgement.

The adoption of SLFRS 15 does not have a significant effect on the Company's Financial Statements.

3.1.2. SLFRS 9 Financial Instruments

SLFRS 9 sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non- financial items. The standard replaces LKAS 39 Financial Instruments: Recognition and Measurement.

SLFRS 9 contains three principle classification categories for financial assets: measured at amortised cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL). The classification of financial asset under SLFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. SLFRS 9 eliminates the previous LKAS 39 categories of held for trading, held to maturity, loans and receivables and available for sale. Under SLFRS 9, derivatives embedded in contracts where the host is a financial asset in the scope of the standard are never separated. Instead, the hybrid financial instrument as a whole is assessed for classification.

Notes to the Financial Statements Contd.

The adoption of SLFRS 9 has not had a significant effect on the Company's accounting policies related to financial liabilities and derivative financial instruments.

There was no impact to the company on applying SLFRS 9 as at 1st April 2018.

3.1.2.1. Classification and measurement of financial assets and financial liabilities

The original measurement categories under LKAS 39 and the new measurement categories under SLFRS 9 for each class of the financial assets and financial liabilities of the Company as at 1st April 2018 are disclosed in Note 5 to the financial statements.

3.1.2.2. Impairment of financial assets

SLFRS 9 replaces the 'incurred loss' model in LKAS 39 with an 'expected credit loss' (ECL) model. The new impairment model applies to financial assets measured at amortised cost. Under SLFRS 9, credit losses are recognised earlier than under LKAS 39.

For assets in the scope of the SLFRS 9 impairment model, impairment losses are generally expected to increase and become more volatile.

3.2 Foreign Currency

3.2.1 Foreign Currency Transactions

Transactions in foreign currencies are translated into the respective functional currency of Company 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 and Expense

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

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

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

- interest on financial assets and financial liabilities measured at amortised cost calculated on an effective interest basis; and
- interest on financial assets-at amortised cost 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 Company'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.

Notes to the Financial Statements Contd.

3.4 Gain/ (Loss) on Sale of Financial Investments at Fair Value through Profit or Loss

Gain/Loss) on Sale of Financial Investments at Fair Value through Profit or Loss comprises realised trading gain/(loss) on disposal of government securities are presented in direct income as gain/(loss) on 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/ (Loss) on Fair Valuation of Financial Investments at Fair Value through Profit or Loss

Gain/ (Loss) on Fair Valuation of Financial Investments at Fair Value through Profit or Loss comprises unrealised gains/ (losses) on fair valuation (marked to market valuation) of government securities and Derivative financial instruments, are presented in the statement of profit or loss and other comprehensive income.

3.6 Dividend Income

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

This is usually on the ex-dividend date for equity securities. Dividend is presented in other income.

3.7 Taxation

3.7.1 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.

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.

3.7.2 Current Tax

The company is liable for income tax on its taxable income at the rate of 28% in accordance with the provisions of the Inland Revenue Act, No. 24 of 2017 and the amendments thereto.

3.7.3 Deferred Tax

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

Deferred tax is not recognised for:

- Temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;

- Temporary differences related to investments in subsidiaries to the extent that it is probable that they will not reverse in the foreseeable future; and

- Temporary differences arising on the initial recognition of goodwill.

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

Deferred tax asset is 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.

Notes to the Financial Statements Contd.

3.7.4 Other Tax Exposures

3.7.4.1 Withholding Tax on Dividend (WHT)

Dividend distributed out of taxable profit of the Company is subject to a deduction of 14% at source and is not available for set off against the tax liability of the Company. 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.

3.7.4.2 Value Added Tax on Financial Services (FSVAT)

The financial value addition of the Company is 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 15% .

3.7.4.3 Economic Service Charge (ESC)

In accordance with 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 two subsequent years.

3.7.4.4 Nation Building Tax (NBT)

As per the provisions of the Nation Building Tax Act, No. 9 of 2009 and the subsequent amendments thereto, Nation Building Tax should be payable at the rate of 2% with effect from 1 January 2011 on the liable turnover as per the relevant provisions of the Act.

3.8 Financial Assets and Financial Liabilities

(I) Policy applicable from 1st April 2018

3.8.1 Recognition and Initial Measurement of Financial Assets

Financial assets are initially recognised when the Company becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) is initially measured at fair value plus, for an item not at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to its acquisition or issue.

3.8.2 Classification and subsequent measurement of Financial Assets

On initial recognition, a financial asset is classified as measured at: amortised cost; fair value through other comprehensive income (FVOCI) - debt investment; fair value through other comprehensive income (FVOCI) - equity investment; or fair value through profit or loss (FVTPL).

Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

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

On initial recognition of an equity investment that is not held for trading, the Company may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by-investment basis.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. This includes all derivative financial assets. On initial recognition, the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Notes to the Financial Statements Contd.

Financial assets - Business model assessment

The Company makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realising cash flows through the sale of the assets;

- how the performance of the portfolio is evaluated and reported to the Company's management;

- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;

- how managers of the business are compensated - e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and

- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, consistent with the Company's continuing recognition of the assets.

Financial assets that are held for trading or are managed and whose performance is evaluated on a fair value basis are measured at FVTPL.

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

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

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

A prepayment feature is consistent with the solely payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable additional compensation for early termination of the contract. Additionally, for a financial asset acquired at a discount or premium to its contractual par amount, a feature that permits or requires prepayment at an amount that substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable additional compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant at initial recognition.

SUBSEQUENT MEASUREMENT

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

Notes to the Financial Statements Contd.

3.8.3 Recognition and initial measurement of Financial Liabilities

Debt securities issued are initially recognised when they are originated. All other financial liabilities are initially recognised when the Company becomes a party to the contractual provisions of the instrument.

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

3.8.4 Classification and Subsequent Measurement of Financial Liabilities

On initial recognition, the Company classifies financial liabilities, other than financial guarantees and loan commitments, into one of the following categories:

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

The subsequent measurement of financial liabilities depends on their classification.

(i) Financial Liabilities at Amortised Cost

Financial Liabilities issued by the Company that are not designated at fair value through profit or loss are recognised initially at fair value plus any directly attributable transaction costs, by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. Subsequent to initial recognition these financial liabilities are measured at amortised cost using the effective interest method. Securities sold under repurchase agreements are classified as financial liabilities measured at amortised cost.

The EIR amortisation is included in 'Interest expense' in the profit or loss. Gains and losses too are recognised in the profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

(ii) Financial Liabilities at Fair Value through Profit or Loss
Financial liabilities at fair value through profit or loss include derivative liabilities held for risk management purposes.

(II) Policy applicable before 1st April 2018

3.8.5 Recognition and Initial Measurement

The Company 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.

3.8.6 Classification and Subsequent Measurement

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

Financial Assets at Fair Value through Profit or Loss

A financial asset or 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 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

Notes to the Financial Statements Contd.

- A group of financial assets and or liabilities is managed, and its performance evaluated on a fair value basis
- The assets or liabilities include embedded derivatives and such derivatives are required to be recognised separately.

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

Loans and Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and that the Company does not intend to sell immediately or in the near term. Loans and Receivables are subsequently carried at amortised cost using the effective interest rate method. Securities purchased under resale agreements and fixed deposits are classified as loans and receivables.

Held-to-Maturity Financial Assets (HTM)

Held-to-maturity investments are non-derivative assets with fixed or determinable payments and fixed maturity that the Company 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 Company from classifying investment securities as held to maturity for the current and the following two financial years. However, sales and reclassifications in any of the following circumstances would not trigger a reclassification:

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

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 Company 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 other comprehensive income 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.

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 and repurchase agreements are classified as financial liabilities measured at amortised cost.

3.8.7 Derecognition

3.8.7.1 Financial Assets

The Company 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 Company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

Notes to the Financial Statements Contd.

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 other comprehensive income is recognised in profit or loss. Any interest in transferred financial assets that qualify for derecognition that is created or retained by the Company is recognised as a separate asset or liability.

The Company 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 Company 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 Company 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.

3.8.7.2 Financial Liabilities

The Company 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.

3.8.8 Reclassification

(I) Policy applicable from 1st April 2018

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

(II) Policy applicable before 1st April 2018

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 Company 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 Company 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.

Notes to the Financial Statements Contd.

3.8.9 Offsetting

Financial assets and liabilities are offset and the net amount presented in the Statement of Financial Position when, and only when, the Company 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 Company's trading activity.

3.8.10 Amortised Cost Measurement

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

3.8.11 Fair Value Measurement

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

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

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

The best evidence of the fair value of a financial instrument at initial recognition is normally the transaction price – i.e. the fair value of the consideration given or received. If the Company determines that the fair value at initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique that uses only data from observable markets, then the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value at initial recognition and the transaction price. Subsequently, that difference is recognized in profit or loss on an appropriate basis over the life of the instrument but no later than when the valuation is wholly supported by observable market data or the transaction is closed out.

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

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

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

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

3.8.12 Identification and Measurement and Assessment of Impairment

(I) Impairment Policy: applicable from 1st April 2018

Financial instruments

Loss allowances for trade receivables is always measured at an amount equal to lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment and including forward-looking information.
The Company assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

Notes to the Financial Statements Contd.

The Company considers a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the Company in full, without recourse by the Company to actions such as realising security (if any is held); or
- the financial asset is more than 90 days past due.
  Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).
The maximum period considered when estimating ECLs is the maximum contractual period over which the Company is exposed to credit risk.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Company expects to receive).

ECLs are discounted at the effective interest rate of the financial asset.

Credit-impaired financial assets

At each reporting date, the Company assesses whether financial assets carried at amortised cost and debt securities at FVOCI are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

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

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

Presentation of allowance for ECL in the statement of financial position

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

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

Write-off

The gross carrying amount of a financial asset is written off when the Company has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. For individual customers, the Company has a policy of writing off the gross carrying amount when the financial asset is 180 days past due based on historical experience of recoveries of similar assets. For corporate customers, the Company individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The Company expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Company's procedures to recovery of amounts due.

(II) Impairment Policy: applicable before 1st April 2018

At each reporting date, the Company 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 Company on terms that the Company would not consider otherwise;

Notes to the Financial Statements Contd.

- 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 Company, or economic conditions that correlate with defaults in the Company.

In addition, for an investment in an equity security, a significant or prolonged decline a in its fair value below its cost is objective evidence of impairment.

The Company 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 Companying together loans and advances and held-to-maturity investment securities with similar risk characteristics.

In assessing collective impairment, the Company 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 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 other comprehensive income.

Any subsequent recovery in the fair value of an impaired available-for-sale equity security is always recognised in other comprehensive income.

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

Notes to the Financial Statements Contd.

3.9 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. Balances with Bank represent current accounts which are "on demand basis." 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.

3.10 Repurchase Agreements (Repo)/Reverse Repurchase Agreements (Reverse Repo)

Securities sold subject to repurchase agreements (Repos) remain on the balance sheet; the counterparty 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 expense and accrued over the life of the agreements using the effective interest method. Further, difference between purchase and resale price is treated as interest income and accrued over the life of the agreements using the effective interest method.

3.11 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 Company 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 counterparty, a legal right of offset exists and parties intend to settle the cash flows on a net basis.

3.12 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 for more than one year.

3.12.1 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.

3.12.2 Subsequent Costs

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

3.12.3 Depreciation

Depreciation is calculated to write off the cost of items of property, plant 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 Company will obtain ownership by the end of the lease term. Land is not depreciated.

The estimated useful lives of property, plant and equipment have been revised from 3 years to 5 years with effect from 1st April 2018 and necessary adjustments to Financial Statements have been made prospectively.

Notes to the Financial Statements Contd.

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

Asset Type	Useful Life Time (Years)
Office Equipment	5
Furniture	5
Fixtures and Fittings	5
Motor Vehicle	5

As a result of change in estimated useful lives of property, plant and equipment, decrease in Company's depreciation expenses for year 2018/19 is Rs. 298,667.

3.12.4 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.

3.13 Intangible Assets

3.13.1 Software

Software acquired by the Company 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 softwares have been revised from 3 years to 5 years with effect from 1st April 2018 and necessary adjustments to Financial Statements have been made prospectively. Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

As a result of change in estimated useful lives of intangible assets, decrease in Company's amortisation expenses for year 2018/19 is Rs. 480,000.

3.14 Impairment of Non-Financial Assets

At each reporting date, the Company 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.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.

The 'recoverable amount' of an asset 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.

An impairment loss is recognised if the carrying amount of an asset exceeds its recoverable amount.
Impairment losses are recognised in profit or loss. 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.

3.15 Debt Securities Issued

Debt securities issued, borrowing on debentures and short term borrowings are the Company's sources of debt funding. When the Company 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 Company's financial statements.

The Company 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 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.

Notes to the Financial Statements Contd.

3.16 Provisions

A provision is recognised if, as a result of a past event, the Company 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.

3.17 Commitments and Contingencies

All discernible risks are accounted for in determining the amount of all known liabilities.

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.

3.18 Employee Benefits

3.18.1 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.

3.18.1 (a) Employees’ Provident Fund

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

3.18.1 (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.

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

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

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

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

3.18.3 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 Company 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.

3.19 Earnings Per Share (EPS)

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

Notes to the Financial Statements Contd.

3.20 Statement of Cash Flows

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

3.21 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.

All material and important events that occurred after the reporting date have been considered and appropriate disclosures are made in Note 33 to the Financial Statements.

3.22 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.

4. New Accounting Standards issued but not yet Effective as at the Reporting Date

The Institute of Chartered Accountants of Sri Lanka has issued the following new Sri Lanka Accounting Standard which will become applicable for financial periods beginning on or after 1st January 2019. Accordingly, this Standard has not been applied in preparing the Financial Statements.

4.1 Sri Lanka Accounting Standard 16 “Leases”

SLFRS 16 requires lessees to recognize all leases on their Statement of Financial Position as lease liabilities, with the corresponding right of-use assets. The profit or loss recognition pattern for recognised leases will be similar to existing finance lease accounting, with interest and depreciation expense recognised separately in Profit or Loss. SLFRS 16 is effective for annual periods beginning on or after 1st January 2019.

The Company will adopt this standard when it becomes effective. The Company is in the process of assessing the potential impact on its financial statement resulting from the application of SLFRS 16.

Notes to the Financial Statements Contd.

5. Transition Disclosure

5.1 The following table reconciles the carrying amounts of company's financial assets and liabilities as per LKAS 39 to the carrying amounts as per SLFRS 9 on transition to SLFRS 9 on 1st April 2018.

	Note	Classification under LKAS 39		Remeasurement ECL	Classification under SLFRS 9	
		Category	Rs.'000	Rs.'000	Rs.'000	Category
Financial Assets						
Derivative financial instruments	i	HFT	47,868	-	47,868	FVTPL
Investment in government securities	i	HFT	23,376,073	-	23,376,073	FVTPL
Financial assets - fair value through other comprehensive income	ii	AFS	1,000	-	1,000	FVTOCI
Investment under re-sale agreements	iii	L&R	968,887	-	968,887	AC
Receivables from related company	iii	L&R	5,239	-	5,239	AC
Cash at banks and in hand	iii	L&R	3,077	-	3,077	AC
Total Financial Assets			**24,402,144**	**-**	**24,402,144**	

	Note	Classification under LKAS 39		Remeasurement ECL	Classification under SLFRS 9	
		Category	Rs.'000	Rs.'000	Rs.'000	Category
Financial Liabilities						
Bank overdrafts	iv	AC	2,759	-	2,759	AC
Derivative financial instruments	i	HFT	21,659	-	21,659	FVTPL
Securities sold under re-purchase agreements	iv	AC	21,691,825	-	21,691,825	AC
Borrowings on debentures	iv	AC	510,689	-	510,689	AC
Creditors and other payables	iv	AC	9,568	-	9,568	AC
Payable to Related Companies	iv	AC	42,478	-	42,478	AC
Total Financial Liabilities			**22,278,978**	**-**	**22,278,978**	

L&R – Loans and receivables
AFS – Available for sale
AC – Amortised cost
FVTOCI – Fair value through other comprehensive income
ECL - Expected Credit Loss

i) Financial assets - fair value through profit or loss
Under LKAS 39, trading investments (inclusive of derivative financial instruments) were classified as financial assets - held for trading and measured at fair value through profit or loss. These assets are classified as financial assets measured at fair value through profit or loss under SLFRS 9. There was no impact on opening retained earnings as at 1st April 2018 on transition to SLFRS 9.

ii) Financial assets - fair value through other comprehensive income
Under LKAS 39, Investment in Lanka Financial Service Bureau was classified as financial assets - available for sale and measured at fair value through other comprehensive income. These assets are classified as financial assets measured at fair value through other comprehensive income under SLFRS 9. There was no impact on opening retained earnings as at 1st April 2018 on transition to SLFRS 9.

iii) Financial assets at amortised cost
Under LKAS 39, investment under resale agreements, receivables from related companyies and Cash at banks in hand were classified as loans and receivables and measured at amortised cost. These assets are classified as financial assets measured at amortised under SLFRS 9. There was no impact on opening retained earnings as at 1st April 2018 on transition to SLFRS 9.

iv) Financial liabilities
Under LKAS 39, Bank overdrafts, Securities sold under re-purchase agreements,Trade payables, Borrowings on debentures and Related party payables were classified as financial liabilities and measured at amortised cost. These liabilities are classified as financial liabilities measured at amortised cost under SLFRS 9. There was no impact on opening retained earnings as at 1st April 2018 on transition to SLFRS 9.

Notes to the Financial Statements Contd.

For the year ended 31st March

6 Income

	2019 Rs.'000	2018 Rs.'000
Gain/(loss) on sales of financial investments - Financial assets recognised through profit or loss measured at fair value	(62,955)	515,633
Interest income on financial investments -Financial assets recognised through profit or loss measured at fair value	2,536,447	1,594,738
Interest income on financial investments -Financial assets at amortised cost	198,377	399,880
	2,671,869	2,510,251

6.1 Timing of Income Recognition

Income genarated at a point of time	(62,955)	515,633
Income genarated over the period	2,734,824	1,994,618
	2,671,869	2,510,251

7 Direct Expenses

	2019 Rs.'000	2018 Rs.'000
Interest expenses on repurchase agreements	2,220,832	1,585,398
Brokerage cost	13,666	18,084
Interest expenses on listed debentures	47,922	47,885
Interest expenses on short term borrowing	52,522	-
	2,334,942	1,651,367

8 Other Income

	2019 Rs.'000	2018 Rs.'000
Profit on disposal of Property, Plant and Equipment	8,006	-
Dividend income	-	36
Exchange Gain	427	9
Miscellaneous income	15	3
	8,448	48

9 Gain/ (loss) on Fair Valuation of Financial assets recognised through profit or loss measured at fair value

	2019 Rs.'000	2018 Rs.'000
Gain/ (loss) on Fair Valuation of Financial assets recognised through profit or loss measured at fair value through profit or loss measured at fair value	(50,624)	134,894
Gain/ (loss) from fair valuation of derivative financial instruments	(25,625)	4,365
	(76,249)	139,259

Gain/ (loss) on fair valuation of financial investments for 2018/19 has been accounted for in accordance with the SLFRS9 (2017/18 - LKAS 39).

10 Profit before Taxation

	2019 Rs.'000	2018 Rs.'000
Profit before taxation is stated after charging all the expenses including the following:		
Director's emoluments	9,223	24,303
Auditor's remuneration - Audit services	460	420
Auditor's remuneration - Other services	110	100
Depreciation on Property, Plant and Equipment (Note 20)	448	1,762
Amortisation of intangible assets (Note 21)	720	713
Provision for impairment of receivable of Economic Service Charge	10,625	-
Retirement benefit cost (Note 26)	1,974	1,766
Salaries	50,029	42,876
Employer's contribution to defined contribution plans	8,024	6,944
Legal fees	644	4,357
Donations	-	-

11 Income Tax (Expense)/ Reversal

	2019 Rs.'000	2018 Rs.'000
Current tax expenses (Note 11.1)	-	-
Deferred tax assets recognised/(reversal) during the year (Note 18)	(41,621)	847,465
Income Tax (Expense)/ Reversal	(41,621)	847,465
Recognised in Other Comprehensive Income		
Deferred tax assets recognised during the year (Note 18)	468	170

Notes to the Financial Statements Contd.

Income Tax (Expense)/ Reversal (contd.)

First Capital Treasuries PLC is liable for income tax on its taxable income at the rate of 28% in accordance with the Inland Revenue Act No. 24 of 2017 with effect from 2018/19. In 2017/18, interest income derived through government securities did 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.

11.1 Reconciliation of Accounting Profit to Income Tax

	2019 Rs. '000	2018 Rs. '000
Profit before taxation	**137,428**	823,406
Less : Income from other sources	**(8,006)**	(36)
Add : Disallowable expenses	**22,257**	31,251
Less : Allowable expenses	**(4,455)**	(3,028)
Assessable Charge on Depreciable Assets	**6**	-
Statutory Income	**147,230**	851,593
Exclusion of interest income	**-**	(1,994,618)
Claim of tax losses	**(147,230)**	-
Taxable Income	**-**	(1,143,025)
Current Tax Expense	**-**	-

11.2 Accumulated Tax Losses

	2019	2018
Balance at the beginning of the year	**11,219,715**	10,076,690
Loss incurred during the year	**-**	1,143,025
Loss utilised during the year	**(147,230)**	-
Balance at the end of the year	**11,072,485**	11,219,715

12 Basic Earnings per Share

Basic Earnings per Share has been calculated by dividing profit for the year attributable to the ordinary shareholders by the weighted average number of ordinary shares in issue during the year.

For the year ended 31st March	2019	2018
Profit attributable to ordinary shareholders (Rs.'000)	**95,807**	1,670,871
Weighted average number of ordinary shares in issue	**15,390,000**	15,390,000
Basic Earnings per share (Rs.)	**6.23**	108.57

As at 31st March

13 Derivative Financial Instruments

	2019 Rs.'000	2018 Rs.'000
Forward purchase contracts - Government securities	**3,454**	46,162
Forward sale contracts - Government securities	**-**	1,706
	3,454	47,868

14 Financial assets recognised through profit or loss - measured at fair value

As at 31st March	Market Value 2019 Rs.'000	Market Value 2018 Rs.'000	Face Value 2019 Rs.'000	Face Value 2018 Rs.'000
Treasury bills	**650,483**	11,110,362	**707,703**	12,006,394
Treasury bonds	**28,882,944**	12,265,711	**28,028,580**	11,887,847
	29,533,427	23,376,073	**28,736,283**	23,894,241

14.1 Securities pledged as collateral

The Government securities classified as Financial assets recognised through profit or loss - measured at fair value, following securities have been pledged as collateral for Repurchase Agreements entered into by the Company.

As at 31st March	Market Value 2019 Rs.'000	Market Value 2018 Rs.'000	Face Value 2019 Rs.'000	Face Value 2018 Rs.'000
Treasury bills	**536,528**	10,416,609	**592,262**	11,369,774
Treasury bonds	**26,325,379**	11,597,113	**26,251,228**	11,467,622
	26,861,907	22,013,722	**26,843,490**	22,837,396

Notes to the Financial Statements Contd.

15 Financial assets - at Amortised cost

	2019 Rs.'000	2018 Rs.'000
Investments under resale agreements - Treasury bills	**176**	10,246
Investments under resale agreements - Treasury bonds	**1,863,820**	958,641
	1,863,996	968,887

15.1 Securities received as Collateral

	Market Value		Face Value	
	2019 Rs.'000	2018 Rs.'000	**2019 Rs.'000**	2018 Rs.'000
Treasury bills	198	10,462	**200**	11,298
Treasury bonds	**2,098,660**	1,691,789	**2,027,700**	1,684,831
	2,098,858	1,702,251	**2,027,900**	1,696,129

The Company is entitled to repledge the securities received as collateral for its Borrowings (Repos) and requires to return the said collateral to the respective counterparties at the time of the settlement of oustandings (Reverse Repos).Accordingly, the company has repledged market value of treasuty bonds amounting to Rs.1,940.1Mn as at 31st March 2019.

16 Financial assets - fair value through other comprehensive income

(Investment in Lanka Financial Service Bureau Limited)

	2019 Rs.'000	2018 Rs.'000
Balance at the beginning of the year	**1,000**	1,000
Loss on fair valuation	**(1,000)**	-
Balance at the end of the year	-	1,000

17 Receivable from Related Companies

	2019 Rs.'000	2018 Rs.'000
First Capital Markets Limited	-	196
First Capital Limited	**33**	-
First Capital Equities (Pvt) Limited	**10,279**	4,004
First Capital Asset Management Limited	**1,278**	243
First Capital Holdings PLC	-	740
Kelsey Homes (Pvt) Limited	-	41
KHL Corporate Services Limited	-	15
Premier Synthetic Leather Manufacturers (Pvt) Limited	**13**	-
Janashakthi PLC	**13**	-
	11,616	5,239

18 Deferred Tax Asset

	2019 Rs.'000	2018 Rs.'000
Balance at the beginning of the year	**847,635**	-
Recognised/ (reversal) in profit or loss during the year (Note 11)	**(41,621)**	847,465
Recognised in other comprehensive income during the year (Note 11)	**468**	170
Balance at the end of the year	**806,482**	847,635

18.1 Deferred tax asset is recognised by considering the brought forward tax losses of which, the amount in the opinion of the Directors, will be available to allow the benefit of the loss to be realised in accordance with LKAS 12 and provisions of Inland Revenue Act No. 24 of 2017. The deferred tax asset has been computed on the basis of 28% (corporate tax rate which is applicable for 2018/19).

Deferred tax is attributable to the followings;

	2019		2018	
	Taxable/ (Deductible) Temporary Difference Rs.'000	**Tax Effect Rs.'000**	Taxable/ (Deductible) Temporary Difference Rs.'000	Tax Effect Rs.'000
On Property, Plant and Equipment	**(529)**	**(148)**	(307)	(86)
On Retirement benefit obligations	**11,446**	**3,205**	10,974	3,072
On Accumulated tax losses	**2,869,375**	**803,425**	3,016,605	844,649
	2,880,292	**806,482**	3,027,272	847,635

Notes to the Financial Statements Contd.

18.2 Deferred tax asset has not been recognised in respect of the Company's brought forward tax losses as at 31st March 2019 amounting to Rs. 8,203.1Mn since it is not probable that future taxable profit will be available against which the Company can use the benefits therein. Reconciliation is as follows.

	2019 Rs.'000	2018 Rs.'000
Deferred tax asset recognised in respect of tax losses	**2,869,375**	3,016,605
Deferred tax asset not recognised in respect of tax losses	**8,203,110**	8,203,110
	11,072,485	11,219,715

19 Other Assets

	2019 Rs.'000	2018 Rs.'000
Rent deposit	**8,531**	30,875
Advance paid for Land and Premises	**77,300**	77,300
Prepayments and other receivable	**11,131**	14,857
Staff loans (Note 19.1)	**744**	331
Gain on forward purchase contracts	**-**	115,667
	97,706	239,030

19.1 Staff Loans

	2019 Rs.'000	2018 Rs.'000
Balance at the beginning of the year	**331**	130
Disbursements during the year	**585**	364
Recoveries during the year	**(172)**	(163)
Balance at the end of the year	**744**	331

20 Property, Plant and Equipment

	Office Equipment Rs.'000	Furnitures Rs.'000	Fixtures & Fittings Rs.'000	Motor Vehicles Rs.'000	Total Rs.'000
Cost					
As at 1st April 2018	17,178	7,347	19,052	10,800	54,377
Additions	309	-	-	-	309
Disposals	(248)	-	-	(10,800)	(11,048)
As at 31st March 2019	17,239	7,347	19,052	-	43,638
Accumulated Depreciation					
As at 1st April 2018	15,791	7,347	19,045	10,800	52,983
Charge for the year	445	-	3	-	448
Disposals	(248)	-	-	(10,800)	(11,048)
As at 31st March 2019	15,988	7,347	19,048	-	42,383
Carrying Value As at 31st March 2019	1,251	-	4	-	1,255
Carrying value As at 31st March 2018	1,386	-	7	-	1,393

Based on the assessment of potential impairment carried out by the Company as at 31st March 2019, no provision was required to be made in the Financial Statements.

Property, Plant and Equipment included fully depreciated assets having a gross amount of Rs. 39,238,213 as at 31st March 2019 (2017/18 - Rs. 50,038,213).

There were no capitalised borrowing cost related to the acquisition of Property, Plant and Equipment during the year (2017/18 - Nil).

There were no restrictions on the title of the Property, Plant and Equipment as at 31st March 2019.
There were no items of Property, Plant and Equipment pledged as security as at 31st March 2019.
There were no temporary idle items of Property, Plant and Equipment as at 31st March 2019.

21 Intangible Assets

	Software Rs.'000	Total Rs.'000
Cost		
As at 1st April 2018	14,812	14,812
Additions	1,730	1,730
As at 31st March 2019	16,542	16,542
Accumulated Amortization/Impairment		
As at 1st April 2018	14,423	14,423
Amortisation	720	720
As at 31st March 2019	15,143	15,143
Carrying Value as at 31st March 2019	1,399	1,399
Carrying Value as at 31st March 2018	389	389

Notes to the Financial Statements Contd.

22 Derivative Financial Instruments

	2019 Rs.'000	2018 Rs.'000
Forward purchase contracts - Government securities	**2,638**	376
Forward sale contracts - Government securities	**240**	21,283
	2,878	21,659

23 Securities sold under Repurchase Agreements

	2019 Rs.'000	2018 Rs.'000
Against treasury bills	**66,007**	6,719,964
Against treasury bonds	**27,416,730**	14,971,861
	27,482,737	21,691,825

24 Payable to Related Companies

	2019 Rs.'000	2018 Rs.'000
Dunamis Capital PLC	**708**	683
KHL Corporate Services Limited	**8**	41,795
	716	42,478

25 Borrowing on Listed Debentures

	2019 Rs.'000	2018 Rs.'000
Balance at the beginning of the year	**510,689**	510,304
Accrual of interest	**47,922**	47,885
Sub Total	**558,611**	558,189
Less : Settlement of interest (Coupon)	**(47,500)**	(47,500)
Balance at the end of the year	**511,111**	510,689

25.1 The debentures consist of 5,000,000 Rated, Subordinated, Unsecured, Redeemable 5 year (2015/2020) listed debentures at a face value of Rs. 100/- interest payable at a rate of 9.5% annually issued in February 2015. The debentures are quoted on the Colombo Stock Exchange.

Tenure	No.of Debentures	Face Value Rs.'000	Carrying value 31.03.2019 Rs.'000	Carrying value 31.03.2018 Rs.'000	Allotment Date	Maturity Date	Rate of Interest	Frequency on Interest
5 Year	5,000,000	500,000	511,111	510,689	5-Feb-15	6-Feb-20	9.50% (AER-9.50%)	Annually

26 Retirement Benefit Obligations

	2019 Rs.'000	2018 Rs.'000
Balance at the beginning of the year	10,974	8,600
Amount recognised in Profit or Loss for the year		
Gratuity charge for the year	1,010	820
Interest charge for the year	964	946
Amount recognised in Other Comprehensive Income for the year		
Actuarial Loss for the year	1,672	608
Benefits paid during the year	(2,822)	-
Transfers to group companies during the year	(352)	-
Balance at the end of the year	11,446	10,974

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

Notes to the Financial Statements Contd.

26.1 Principal Assumptions used:

Discount rate/interest rate	11.5%	11%
Expected annual average salary increment	8.5%	7.5%
Staff turnover factor	10%	7%
Retirement age of employees	55 Years	55 Years

26.2 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.

	2019 Rs.'000	2018 Rs.'000
Decrease in discount rate by 1%	**784**	829
Increase in discount rate by 1%	**(724)**	(757)
Decrease in salary increment by 1%	**(750)**	(788)
Increase in salary increment by 1%	**799**	849

27 Stated Capital

	2019 Rs.'000	2018 Rs.'000
Ordinary Shares of 15,390,000	**256,500**	256,500

28 Risk Reserve

	2019 Rs.'000	2018 Rs.'000
Balance at the beginning of the year	**1,072,726**	905,639
Transfer during the year	**9,581**	167,087
Balance at the end of the year	**1,082,307**	1,072,726

The Company made a transfer of 10% (2017/18-10%) of its profit after tax to the risk reserve in accordance with the directions issued by the Central Bank of Sri Lanka.

29 Dividend

The Board of Directors did not declare dividend for the year ended 31st March 2019 (2017/18- Rs. 13.00 per share totaling Rs. 200.07Mn).

30 Related Party Disclosures

30.1 Directorships in Other Companies

The Directors of First Capital Treasuries PLC (Reporting Entity) and First Capital Holdings PLC (Parent Company of the Business Cluster) are also Directors of the following companies.

Name of the Company	Relationship	Mr. Nishan Fernando	Mr. Dinesh Schaffter	Mr. Dilshan Wirasekara	Ms. Minette Perera	Mr. Chandana de Silva	Dr. Nishan de Mel	Mr.Prakash Schaffter*	Mr. Ramesh Schaffter*
Janashakthi PLC	Ultimate Parent	-	-	-	-	-	-	Director	Director/CEO
Dunamis Capital PLC	Intermediary Parent	-	Director	-	-	Director	-	Director	Managing Director
Janashakthi Insurance PLC	Subsidiary of the Ultimate Parent	-	-	-	-	-	-	Chairman	Director
Janashakthi Capital Ltd	Subsidiary of the Ultimate Parent	-	-	-	-	-	-	Director	Director
Agrisquad (Pvt) Ltd	Subsidiary of the Ultimate Parent	-	-	-	-	-	-	-	Director
Orient Finance PLC	Subsidiary of the Ultimate Parent	-	-	-	Director	-	-	Director	Director
Orient Capital Ltd	Subsidiary of the Ultimate Parent	-	-	-	-	-	-	Director	Director
First Capital Ltd	Immediate Parent	Chairman	Managing Director	Director/CEO	Director	Director	Director	-	-
First Capital Asset Management Ltd	Subsidiary of the Immediate Parent	Chairman	Managing Director	Director/CEO	Director	Director	Director	-	-
First Capital Markets Ltd	Subsidiary of the Immediate Parent	Chairman	Managing Director	Director/CEO	Director	Director	Director	-	-
First Capital Equities (Pvt) Ltd	Subsidiary of the Immediate Parent	Chairman	Managing Director	Director	Director	Director	Director	-	-
First Capital Trustee Services (Pvt) Ltd	Subsidiary of the Immediate Parent	-	Managing Director	Director/CEO	-	-	-	-	-
Kelsey Developments PLC	Subsidiary of the Intermediary Parent	-	Managing Director	-	-	Director	-	Director	Director
Kelsey Homes (Pvt) Ltd	Subsidiary of the Intermediary Parent	-	Managing Director	-	-	-	-	-	-
K H L Corporate Services Ltd	Subsidiary of the Intermediary Parent	-	Director	-	-	-	-	Director	Director
Twid Capital (Pvt) Ltd	Subsidiary of the Intermediary Parent	-	-	-		-	-		
Prefab Engineering Project (Pvt) Ltd	Related Party through KMP	-	Director	-	-	Director	-	-	-
Premier Synthetic Leather Manufacturers (Pvt) Ltd	Related Party through KMP	-	Director	-	-	Director	-	Director	Director
Nextventures Ltd	Related Party through KMP	-	Director	-	-	-	-	-	-
Sprout (Pvt) Ltd	Related Party through KMP	-	-	-	-	-	-	-	-

* Mr. Ramesh Schaffter and Mr. Prakash Schaffter have been appointed as Directors of First Capital Holdings PLC on 21st December 2018.

First Capital Asset Management Limited manages licensed Unit Trusts namely First Capital Wealth Fund, First Capital Fixed Income Fund, First Capital Gilt-Edged Fund, First Capital Money Market Fund and First Capital Equity Fund which are also treated as Related Parties of the Company.

The Company carries out transactions with parties who are defined as related parties 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.

Related party transactions were made on terms equivalent to those that prevail in arm's length transactions.

Notes to the Financial Statements Contd.

30.2 Transactions with Parent Companies

Nature of Transaction	2019 Rs.'000	2018 Rs.'000
Statement of Profit or Loss and Other Comprehensive Income		
Interest Income on Resale Agreements	60,723	271,188
Interest Expenses on Repurchase Agreements	214	3,356
Interest Expense on Debentures	27,407	27,407
Reimbursement of Expenses	9,860	8,328
Gain/(Loss) Realised on Sale of Government Securities	526	(13,504)
Interest Expenses on Short term borrowing	47,947	-
Commitment Fee	4,575	-
Corporate Gurantee Charges	4,560	928
Statement of Changes in Equity		
Dividend Paid	-	170,060
Statement of Financial Position	-	
Borrowings on Listed Debentures	288,375	295,619
Short Term Borrowings	991,384	-
Securities Purchased Under Re-sale Agreements (Government Securities)	-	166,550
Transfer of Retirement Benefit Obligations	352	-
Current Account Payable	708	683
Current Account Receivable	46	740

Transactions with Subsidiaries of the Parent

Nature of Transaction	2019 Rs.'000	2018 Rs.'000
Statement of Profit or Loss and Other Comprehensive Income		
Interest Expenses on Repurchase Agreements	1,528	1,607
Interest Income on Repurchase Agreements	15	-
Gain on Sale of Government Securities	17	-
Statement of Financial Position		
Securities sold under Repurchase agreements (Government Securities)	17,865	16,337
Current Account Receivables	11,557	4,443

30.3 Transactions with other related parties

Nature of Transaction	2019 Rs.'000	2018 Rs.'000
Statement of Profit or Loss and Other Comprehensive Income		
Interest Income on Resale Agreements	100	37,101
Gain on Sale of Government Securities	681	677
Interest Expenses on Repurchase Agreements	166,800	1,757
Secretarial Fees paid	306	273
Statement of Financial Position		
Securities Purchased Under Re-sale Agreements (Government Securities)	-	-
Securities Sold under Repurchase Agreements (Government Securities)	378,447	902,033
Current Account Payables	8	41,795
Current Account Receivables	13	56

Outstanding trading investments (Resale agreements with parent company) at year end are secured (i.e. collateralised via assets without guarantees). Other investments and current account balances with related parties are unsecured. The settlement of all transactions occurs in cash. No expenses have been recognised in the current year or previous years for bad or doubtful debts in respect of amounts owed by related parties.

Notes to the Financial Statements Contd.

30.4 Transactions with Key Management Personnel (KMP) and their Close Family Members (CFM)

According to Sri Lanka Accounting Standards 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 and indirectly, including any director (whether executive or otherwise) of the entity. Accordingly, the Board of Directors have been classified as key management personnel of the entity.

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

a. The individual's domestic partner and children;
b. Children of the individual's domestic partner; and
c. Dependants of the individual or individual's domestic partner

Close Family Members are related parties to the Entity.
Transactions with Key Management Personnel and their close family members are disclosed below.

Nature of Transaction	2019 Rs.'000	2018 Rs.'000
Statement of Profit or Loss and Other Comprehensive Income		
Emoluments Paid - Short Term Benefits	**9,223**	24,303
Interest Income on Resale Agreements	**71**	75
Interest Expense on Repurchase Agreements	**546**	477
Statement of Financial Position		
Securities Purchased under Re-sale Agreements (Against government securities)	**5,019**	-
Securities Sold under Re-purchase Agreements (Agaianst government securities)	**6,572**	6,016

31 Contingent Liabilities

There were no material contingent liabilities as at the reporting date which require disclosures in the financial statements for the year ended 31st March 2019 other than the followings:

- The Company has appealed against an income tax assessment for 2008/09 amounting to Rs. 101.3Mn to the Court of Appeal. Further, the company has appealed against assessments on income tax (2012/13, 2013/14, 2014/15) and financial VAT (2010/11 and 2012/13) amounting to Rs. 584Mn and Rs. 152.6Mn respectively to the Tax Appeals Commission. The hearing of said appeals has not been concluded yet.

- Further, the Company has appealed against letters of intimation on income tax (2015/16 and 2016/17), assessments on financial VAT (2013/14, 2014/15, 2015/16 and 2016/17) and NBT on financial services (2016/17) amounting to Rs. 218.9Mn, Rs. 205.2Mn and Rs. 7Mn respectively to the Department of Inland Revenue and hearing has not been determined yet.

The related appeals against the said intimations and assessments have duly been submitted. Based on the tax consultant's opinion, the Board of Directors of the Company is of the view that no liability would arise on the above stated tax matters as they are outside the scope of chargeability of taxes.

There were no material litigations or claims with respect to employee compensation. Further, the Company did not have any other material litigations or claims that could have a material impact on the financial position of the company, or which would lead to a disclosure in the financial statements for the year ended 31st March 2019.

32 Commitments

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

(a) Capital Commitments
The Company entered into a sale and purchase agreement to acquire a property (land and premises) for a consideration of Rs. 382Mn and an advance of Rs. 77.3Mn was paid. However, in consequent to the seller failing to honor the terms of the agreement, legal proceedings were initiated against the seller and the District Court granted an interim order in favour of the Company, against the Seller disposing and alienating the property to any third party. The legal proceedings have not been concluded yet.

(b) Other Commitments
The value of forward purchase contracts (Government Securities) as at 31st March 2019 is Rs. 4,982 Mn (31st March 2018 -Rs. 13,116 Mn) and the value of forward sales contracts (Government Securities) as at 31st March 2019 is Rs. 156 Mn (31st March 2018 - Rs. 1,592 Mn).

Notes to the Financial Statements Contd.

33 Subsequent Events

Subsequent to the reporting period, the Company declared an interim dividend of Rs. 16.50 per share amounting to Rs. 253.9Mn for year 2019/20.

34 Financial Risk Management

Overview

The Company has exposure to the following risks via financial instruments.

- Market Risk
- Liquidity Risk
- Credit Risk
- Operational Risk

34.1 Risk Management Framework

The Board of Directors has the overall responsibility for the establishment and oversight of the Company's risk management framework. The Company has established an Enterprise Risk Management Committee (ERMC) which is tasked with reviewing wide-ranging risk categories that includes market, liquidity, credit and operational risk. Functionally, ERMC identifies, measures, monitors and controls risk while keeping the Board of Directors informed.

The Company's risk management policies are established to identify and analyse the risk confronted by the Company, to set appropriate risk limits and controls and to monitor risk and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and products and services offered.

34.2 Market Risk

Market risk is the risk that changes in market prices, such as interest rates will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

Management of market risk includes the following elements:

- The operational authority for managing market risk is vested with the Investment Committee (IC).
- Interest rate risk is managed within the approved limits by the Investment Committee.

34.3 Liquidity Risk

Liquidity risk is the risk that the Company will not have adequate financial resources to meet Company's obligations as when they fall due. This risk arises from mismatches in the timing of cash flows.

Management of liquidity risk includes the following elements:

- Taking steps to ensure, as far as possible, that it will always have adequate financial resources to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

Notes to the Financial Statements Contd.

Maturity Analysis of Financial Assets and Financial Liabilities

	Carrying Amount Rs. '000	On demand Rs. '000	Upto 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	2,144	2,144	-	-	-	-	-
Derivative financial instruments	3,454	-	3,454	-	-	-	-
Financial assets recognised through profit or loss - measured at fair value	29,533,427	-	29,053	637,468	22,649,508	2,085,950	4,131,448
Financial assets - at Amortised cost	1,863,996		1,863,322	-	674	-	-
Receivable from related companies	11,616	11,616	-	-	-	-	-
Total	**31,414,637**	**13,760**	**1,895,029**	**637,468**	**22,650,182**	**2,085,950**	**4,131,448**
As at 31st March 2018	24,402,144	8,316	1,100,187	11,146,993	10,958,181	591,540	596,927

As at 31st March 2019

	Carrying Amount Rs. '000	On demand Rs. '000	Upto 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
Liabilities							
Bank overdrafts	6,660	6,660	-	-	-	-	-
Derivative financial instruments	2,878	-	2,878	-	-	-	-
Securities sold under repurchase agreements	27,482,737	-	26,493,192	718,553	267,419		3,573
Payable to related companies	716	716	-	-	-	-	-
Borrowing on Debentures	511,111	-	-	11,111	500,000	-	-
Total	**28,004,102**	**7,376**	**26,496,070**	**729,664**	**767,419**	**-**	**3,573**
As at 31st March 2018	22,269,410	45,237	20,149,491	1,098,437	972,990	-	3,255

34.4 Credit Risk

Credit risk is the risk of financial loss to the Company if a client or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Company's investment in reverse repo agreements and forward transactions.

Management of credit risk includes the following components:

- Formulating credit policies in consultation with business units covering collateral requirements, credit assessment, risk grading and reporting, documentary and legal procedures and compliance with regulatory and statutory requirements.
- Establishing the authorisation structure for the approval and renewal of credit facilities.
- Limiting concentration of exposures to counterparties.
- Reviewing compliance through regular audits by internal audit.

Credit Quality by Class of Financial Assets

As at 31st March 2019

	12 Month Expected Credit Losses Rs. '000	Life Time Expected Credit Losses Not Credit Impaired Rs. '000	Life Time Expected Credit Losses Credit Impaired Rs. '000	Total Rs. '000
Assets				
Cash at banks and in hand	2,144	-	-	2,144
Derivative financial instruments	3,454	-	-	3,454
Financial assets recognised through profit or loss - measured at fair value	29,533,427	-	-	29,533,427
Financial assets - at Amortised cost	1,863,996	-	-	1,863,996
Receivable from related companies	11,616	-	-	11,616
Total	**31,414,637**	**-**	**-**	**31,414,637**

As at 31st March 2018

	12 Month Expected Credit Losses Rs. '000	Life Time Expected Credit Losses Not Credit Impaired Rs. '000	Life Time Expected Credit Losses Credit Impaired Rs. '000	Total Rs. '000
Assets				
Cash at banks and in hand	3,077	-	-	3,077
Derivative financial instruments	47,868	-	-	47,868
Financial investments - Held for trading	23,376,073	-	-	23,376,073
Financial assets - at Amortised cost	968,887	-	-	968,887
Financial assets - fair value through other comprehensive income	1,000	-	-	1,000
Receivable from related companies	5,239	-	-	5,239
Total	24,402,144	-	-	24,402,144

Notes to the Financial Statements Contd.

Analysis of Concentration Risk

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

As at 31st March 2019

	Cash at Banks and in Hand Rs. '000	Derivative Financial Instruments Rs. '000	Financial assets recognised through profit or loss - measured at fair value Rs. '000	Financial assets - at Amortised cost Rs. '000	Financial assets fair value through other comprehensive income Rs. '000	Receivable from Related Companies Rs. '000
Sector wise breakdown						
Government	-	-	29,533,427	-	-	-
Corporate	2,144	3,454	-	1,863,996	-	11,616
Total	**2,144**	**3,454**	**29,533,427**	**1,863,996**	**-**	**11,616**

As at 31st March 2018	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	Receivable from Related Companies Rs. '000
Sector wise breakdown						
Government	-	-	23,376,073	-	-	-
Corporate	3,077	46,829	-	291,196	1,000	5,239
Others	-	1,039	-	677,691	-	-
Total	3,077	47,868	23,376,073	968,887	1,000	5,239

34.5 Operational Risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Company's involvement with financial instruments, including processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour.

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

The primary responsibility for the development and implementation of controls to address operational risk is assigned to senior management within department. This responsibility is supported by the development of overall Company's standards for the management of operational risk in the following areas:

- Requirements for appropriate segregation of duties, including the independent authorisation of transactions.
- Requirements for the reconciliation and monitoring of the transaction.
- Compliance with regulatory and other legal requirements.
- Documentation of controls and procedures.
- Development of business contingency plans.
- Training and professional development.
- Ethical and business standards.
- Risk mitigation, including insurance where this is effective.

Compliance with Company's internal controls and procedures is supported by a programme of periodic reviews undertaken by Internal Audit. The results of internal audit reviews are discussed with the management of the Company with summaries submitted to the Audit Committee.

35 Financial Instruments - Fair Value Measurement

Level- 1
Financial Instruments that are measured in whole or in party 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 regular 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 the market transactions involving comparable securities.

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

Notes to the Financial Statements Contd.

The following tables compare the fair values of the financial instruments with their carrying values.

35.1 Fair Value Versus the Carring Amount

As at 31st March 2019

	2019		2018	
	Carrying Amount Rs. '000	Fair Value Rs. '000	Carrying Amount Rs. '000	Fair Value Rs. '000
Financial Assets measured at Fair Value				
Derivative financial instruments	**3,454**	**3,454**	47,868	47,868
Financial assets recognised through profit or loss - measured at fair value	**29,533,427**	**29,533,427**	23,376,073	23,376,073
Financial assets - fair value through other comprehensive income	**-**	**-**	1,000	1,000
Financial Assets not measured at Fair Value				
Cash at banks and in hand	**2,144**	**2,144**	3,077	3,077
Financial assets - at Amortised cost	**1,863,996**	**1,863,996**	968,887	968,887
Receivable from related companies	**11,616**	**11,616**	5,239	5,239
Total Financial Assets	**31,414,637**	**31,414,637**	24,402,144	24,402,144

As at 31st March	2019		2018	
	Carrying Amount Rs. '000	Fair Value Rs. '000	Carrying Amount Rs. '000	Fair Value Rs. '000
Financial Liabilities measured at Fair Value				
Derivative financial instruments	**2,878**	**2,878**	21,659	21,659
Financial Liabilities not measured at Fair Value				
Bank Overdraft	6,660	6,660	2,759	2,759
Securities sold under re -purchase agreements	27,482,737	27,484,820	21,691,825	21,692,396
Payable to related companies	**716**	**716**	42,478	42,478
Short term Borrowings	991,384	991,384	-	-
Borrowing on Debentures	511,111	499,792	510,689	493,052
Total Financial Liabilities	**28,995,486**	**28,986,250**	**22,269,410**	**22,252,344**

35.2 Financial Instruments- Fair Value

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

As at 31st March 2019	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	3,454	3,454	-	-	3,454
	3,454	3,454	-	-	3,454
Financial assets recognised through profit or loss - measured at fair value					
Investment in government securities	29,533,427	29,533,427	-	-	29,533,427
	29,533,427	29,533,427	-	-	29,533,427
Financial assets - fair value through other comprehensive income	-	-	-	-	-
	29,536,881	**29,536,881**	**-**		**29,536,881**
Financial Assets not measured at Fair Value					
Cash at Bank	2,144	-	2,144	-	2,144
Financial assets - at Amortised cost	1,863,996	-	-	1,863,996	1,863,996
Receivable from Related Companies	11,616	-	-	11,616	11,616
	1,877,756	-	2,144	1,875,612	1,877,756
Total Financial Investments	**31,414,637**	**29,536,881**	**2,144**	**1,875,612**	**31,414,637**
Financial Liabilities measured at Fair Value					
Derivative Financial Instruments					
Forward purchase contracts	2,638	2,638	-	-	2,638
Forward sale contracts	240	240	-	-	240
	2,878	2,878	-	-	2,878
Financial Liabilities not measured at Fair Value					
Bank Overdrafts	6,660	-	6,660	-	6,660
Securities sold under Re Purchase Agreements	27,482,737	-	-	27,484,820	27,484,820
Payable to Related Companies	716	-	-	716	716
Short term Borrowings	991,384	-	-	991,384	991,384
Borrowing on Listed Debentures	511,111	-	499,792	-	499,792
	28,992,608	-	506,452	28,476,920	28,983,372
Total Financial Liabilities	**28,995,486**	**2,878**	**506,452**	**28,476,920**	**28,986,250**

Notes to the Financial Statements Contd.

As at 31st March 2018	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	46,162	46,162	-	-	46,162
Forward sale contracts	1,706	1,706	-	-	1,706
	47,868	47,868	-	-	47,868
Financial Investments - Held for trading					
Investment in government securities	23,376,073	23,376,073	-	-	23,376,073
	23,376,073	23,376,073	-	-	23,376,073
Financial investments-Available for sale	1,000	-	-	1,000	1,000
	23,424,941	**23,423,941**	**-**	**1,000**	**23,424,941**
Financial Assets not measured at Fair Value					
Financial investments-Loans & Receivables	968,887	-	-	968,887	968,887
Receivable from Related Companies	5,239	-	-	5,239	5,239
	974,126	-	-	974,126	974,126
Total Financial Investments	24,399,067	23,423,941	-	975,126	24,399,067
Financial Liabilities measured at Fair Value					
Derivative Financial Instruments					
Forward purchase contracts	376	376	-	-	376
Forward sale contracts	21,283	21,283	-	-	21,283
	21,659	21,659	-	-	21,659
Financial Liabilities not measured at Fair Value					
Bank Overdraft	2,759	2,759	-	-	2,759
Securities sold under Re purchase Agreements	21,691,825	-	-	21,692,396	21,692,396
Payable to Related Companies	42,478	-	-	42,478	42,478
Borrowing on Listed Debentures	510,689	-	493,052	-	493,052
	22,247,751	2,759	493,052	21,734,874	22,230,685
Total Financial Liabilities	22,269,410	24,418	493,052	21,734,874	22,252,344

The above classifications are in accordance with LKAS 39.

INFORMATION ON LISTED DEBENTURES

1 Information of Listed Debentures

Allotment Date	Frequency on Interest Payment	No. of Debentures Issued and Alloted	Face Value Rs.000	Rate of Interest	Tenure	Date Of Maturity
5-Feb-2015	Annually	5,000,000	500,000 (AER - 9.50%)	9.50%	5 Years	6-Feb-2020

2 Objectives of the Issue

The Company has achieved the following objectives as stipulated in the prospectus issued to raise Rs. 500Mn via the Debenture Issue made in February 2015.

Objective as per prospectus	Amount allocated as per Prospectus in Rs.	Amount allocated from proceeds in Rs. (A)	% of total proceeds	Amount Utilised in Rs. (B)	% of Utilisation against allocation (B / A)
1. To minimise asset/ liability mismatch in the balance sheet 2. To minimise the interest rate risk by issuing Listed Debentures with a fixed interest rate	500Mn	500Mn	100%	500Mn	100%

3 Market Value as at 31st March 2019

Debentures have not been traded during the year ended 31st March 2019. Hence, the par value has been recognised as respective market value.

Debenture Interest Yield	As at 31-03-2019	As at 31-03-2018
5 year fixed rate (9.50 % p.a. payable annually)	**9.50%**	9.50%

Yield of Comparable Government Securities	As at 31-03-2019	As at 31-03-2018
5 Year treasury bond	**9.99%**	9.75%

4 Debt Ratios

Debt Ratios	As at 31-03-2019	As at 31-03-2018
Debt/ equity ratio (times)	**8.99**	7.09
Quick asset ratio (times)	**1.10**	1.12
Interest cover (times)	**1.06**	1.50

5 Credit Ratings

ICRA Lanka Limited re-affirmed the credit rating of A- for the Company and the rating of long term debts (debentures) of BBB+.

FIVE YEAR SUMMARY

Year ended 31st March	2019 Rs. '000	2018 Rs. '000	2017 Rs. '000	2016 Rs. '000	2015 Rs. '000
TRADING RESULTS			Based on LKAS/SLFRS		
Gross income	**2,671,869**	2,510,251	2,536,109	847,442	1,937,351
Profit before tax	**137,428**	823,406	343,765	11,213	729,705
Tax (charge)/ Reversal	**(41,621)**	847,465	-	-	-
Profit after tax	**95,807**	1,670,871	343,765	11,213	729,705
Other comprehensive income/ (expense)	**(2,204)**	(438)	4,410	(697)	2,414
Total comprehensive income	**93,603**	1,670,433	348,175	10,516	732,119

As at 31st March	2019 Rs. '000	2018 Rs. '000	2017 Rs. '000	2016 Rs. '000	2015 Rs. '000
FINANCIAL POSITION					
ASSETS					
Cash at banks and in hand	**2,144**	3,077	13,731	1,382	2,120
Derivative financial instruments	**3,454**	47,868	24,075	40,861	40,609
Financial assets recognised through profit or loss - measured at fair value	**29,533,427**	23,376,073	15,384,251	9,206,856	8,637,938
Financial assets fair value through - other comprehensive income	**-**	1,000	1,000	1,000	1,000
Financial assets - at Amortised cost	**1,863,996**	968,887	6,369,562	5,903,738	7,323,882
Taxes receivable	**1,468**	12,093	12,093	12,093	11,051
Property, plant and equipment	**1,255**	1,393	2,581	5,697	18,991
Other assets	**917,203**	1,092,293	132,243	139,565	59,928
TOTAL ASSETS	**32,322,947**	**25,502,684**	**21,939,536**	**15,311,192**	**16,095,519**
LIABILITIES					
Bank overdrafts	**6,660**	2,759	-	1,532	-
Derivative financial instruments	**2,878**	21,659	2,240	20,835	31,359
Securities sold under re-purchase agreements	**27,482,737**	21,691,825	19,677,003	13,271,621	14,011,649
Short term borrowings	**991,384**	-	-	-	-
Tax payables	**83,740**	81,452	61,016	37,358	33,929
Retirement benefit obligations	**11,446**	10,974	8,600	12,327	9,368
Borrowings on listed debentures	**511,111**	510,689	510,304	509,953	505,143
Other liabilities	**8,108**	52,046	19,456	20,165	77,186
TOTAL LIABILITIES	**29,098,064**	**22,371,404**	**20,278,619**	**13,873,791**	**14,668,634**
EQUITY					
Stated capital	**256,500**	256,500	256,500	256,500	256,500
Risk reserve	**1,082,307**	1,072,726	905,639	871,262	870,141
Retained earnings	**1,887,076**	1,802,054	498,778	309,639	300,244
Fair Valuation Reserve	**(1,000)**	-	-	-	-
TOTAL EQUITY	**3,224,883**	**3,131,280**	**1,660,917**	**1,437,401**	**1,426,885**
TOTAL EQUITY AND LIABILITIES	**32,322,947**	**25,502,684**	**21,939,536**	**15,311,192**	**16,095,519**

NOTICE OF MEETING

Notice is hereby given that the Annual General Meeting of First Capital Treasuries PLC will be held on Friday, 20th September 2019 at the Board Room at No.15, Walukarama Road, Colombo 3 at 3.00 p.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 31st March 2019 together with the report of the Auditors thereon.

2. To re-elect Mr. Nishan Fernando who retires by rotation in terms of Article 90 of the Articles of Association of the Company and offers himself for re-election.

3. To re-appoint Mr. Ramesh Schaffter who was appointed to the Board on 25th July 2019, in terms of Article 96 of the Articles of Association of the Company and offers himself for re-election.

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.

K H L Corporate Services Limited
Secretaries

At Colombo
13th August 2019

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 Office of the Company, No.15, Walukarama Road, Colombo 3 not less than 48 hours before the time fixed for the meeting.

FORM OF PROXY

I / We, ... of ....
....being a Member/s of First Capital Treasuries PLC, hereby appoint

Mr/Mrs/Miss ....
.....................................(holder of NIC No. ....) of ....
.... whom failing,

1.	Mr. Nishan Fernando	failing him
2.	Mr. Ramesh Schaffter	failing him
3.	Mr. Dinesh Schaffter	failing him
4.	Mr. Chandana de Silva	failing him
5.	Ms. Minette Perera	failing her
6.	Mr. Nishan de Mel	failing him
7.	Mr. Dilshan Wirasekara	

as my/our Proxy to represent me / us and vote on my/our behalf at the Annual General Meeting of the Company to be held on Friday, 20th September 2019 at the Board Room at No.15, Walukarama Road, Colombo 3 at 3.00 p.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.	Receive the Report of the Board of Directors and the Audited Financial Statements of the Company for the year ended 31st March 2019 together with the report of the Auditors thereon.	☐	☐
2.	Re-election of Mr. Nishan Fernando who retires by rotation in terms of Article 90 of the Articles of Association of the Company.	☐	☐
3.	Re-appointment of Mr. Ramesh Schaffter who was appointed to the Board on 25th July 2019.	☐	☐
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.	☐	☐
5.	Authorising Directors to determine and make donations.	☐	☐

Signed on this .... day of .... 2019.

Signature/s....................................

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

FORM OF PROXY Contd.

INSTRUCTIONS FOR THE COMPLETION OF THE FORM OF PROXY

1. Please perfect the Form of Proxy overleaf, after filling in legibly your full name and address, by signing in the space provided and fill in the date of signature and your National Identity Card Number.

2. The completed Form of Proxy should be deposited at the Office of the Secretaries, K H L Corporate Services Limited of No. 15, Walukarama Road, Colombo 3, 48 hours before the time appointed for the holding of the meeting.

3. If an Attorney has signed the Form of Proxy, the relative Power of Attorney should also accompany the completed Form of Proxy for registration, if such Power of Attorney has not already been registered with the Company.

4. If the Shareholder is a company or a corporate body, the Proxy should be executed under its Common Seal in accordance with its Articles of Association or Constitution.

5. If there is any doubt as to how the vote is to be exercised, by reason of the manner in which the Form of Proxy has been completed, no vote will be recorded by the Form of Proxy.

CORPORATE INFORMATION

Name of Company	-	First Capital Treasuries PLC
Legal Form	-	Public Limited Liability Company listed on the Colombo Stock Exchange (Incorporated in Sri Lanka on 19th August 1982)
Company Registration Number	-	PB 127/PQ
Registered Office	-	No. 2, Deal Place Colombo 3 Sri Lanka
Board of Directors	-	Mr. Nishan Fernando Mr. Dinesh Schaffter Mr. Dilshan Wirasekara Mr. Ramesh Schaffter Ms. Minette Perera Mr. Chandana de Silva Dr. Nishan de Mel
Secretaries	-	K H L Corporate Services Limited No. 15, Walukarama Road Colombo 3 Tel: 0112 145030
Registrars	-	SSP Corporate Services (Private) Limited No. 101 Inner Flower Road Colombo 3 Tel: 0112 573894
Lawyers	-	Messrs Neelakandan & Neelakandan Attorneys - at - Law and Notaries Public M&N Building (Level 5) No. 2 Deal Place Colombo 3
External Auditors	-	Messrs KPMG Chartered Accountants 32 A, Sir Mohamad Macan Marker Mawatha P.O. Box 186 Colombo 3
Principal Bankers	-	Seylan Bank PLC Bank of Ceylon People's Bank Commercial Bank of Ceylon PLC Hatton National Bank PLC NDB Bank PLC

2018/19 First Capital Treasuries PLC
Annual Report