

DEBENTURE ISSUE 2020 PROSPECTUS



First Capital

FIRST CAPITAL TREASURIES PLC

FIRST CAPITAL TREASURIES PLC



First Capital

PROSPECTUS

AN ISSUE OF SEVEN MILLION FIVE HUNDRED THOUSAND (7,500,000) LISTED, RATED, SUBORDINATED, UNSECURED, REDEEMABLE DEBENTURES AT A PAR VALUE OF LKR 100/- EACH TO RAISE SRI LANKA RUPEES SEVEN HUNDRED FIFTY MILLION (LKR 750,000,000/-)

**TO BE LISTED ON THE COLOMBO STOCK EXCHANGE
RATED “[SL] BBB+ (STABLE)” BY ICRA LANKA LIMITED**

**ISSUE OPENS ON
27 JANUARY 2020**

JOINT-MANAGERS TO THE ISSUE



First Capital

FIRST CAPITAL LIMITED



**PEOPLE’S BANK – INVESTMENT BANKING
UNIT**

This Prospectus is dated 21 January 2020

The Colombo Stock Exchange (“CSE”) has taken reasonable care to ensure full and fair disclosure of information in this Prospectus. However, the CSE assumes no responsibility for the accuracy of the statements made, opinions expressed, or reports included in this Prospectus. Moreover, the CSE does not regulate the pricing of the Debentures which is decided solely by the Issuer. Please note that the company is bound by the enforcement rules set out in the CSE Listing Rules (as applicable).

The delivery of this Prospectus shall not under any circumstances constitute a representation or create any implication or suggestion that there has been no material change in the affairs of the Company since the date of this Prospectus. If there are material changes, such material changes will be disclosed to the market.

If you are in any doubt regarding the contents of this document or if you require any clarification or advice in this regard, you should consult the Joint-Managers to the Issue, investment advisor, lawyer or any other professional advisor.

Responsibility for the Content of the Prospectus

This Prospectus has been prepared by First Capital Limited (hereinafter referred to as ‘Joint-Managers to the Issue/ Joint-Manager’) on behalf of First Capital Treasuries PLC (hereinafter referred to as ‘FCT’ or the ‘Company’). FCT and its Directors confirm that to the best of their knowledge and belief this Prospectus contains all information regarding the Company and Debentures offered herein which is material; such information is true and accurate in all material aspects and is not misleading in any material respect; any opinions, predictions or intentions expressed in this Prospectus on the part of the Company are honestly held or made and are not misleading in any material respect; this Prospectus contains all material facts and presents them in a clear fashion in all material respects and all proper inquiries have been made to ascertain and to verify the foregoing. The Company accepts responsibility for the information contained in this Prospectus.

No person has been sanctioned to make any representations not contained in this Prospectus in connection with this offer for Subscription of the Company’s Debentures. If such representations are made, they must not be relied upon as having been authorised. Neither the delivery of this Prospectus nor any sale made in the offering shall, under any circumstances, create an implication that there has not been any change in the facts set forth in this Prospectus or in the affairs of the Company since the date of this Prospectus.

Investors should be informed that the value of investments can vary, and that past performance is not necessarily indicative of future performance. In making such investment decisions, prospective investors must rely on their knowledge, perception together with their own examination and assessment on FCT and the terms and conditions of the Debentures issued including risks associated.

The delivery of this Prospectus shall not under any circumstances constitute a representation or create any implication or suggestion, that there has been no material change in the affairs of the Company since the date of this Prospectus.

Registration of the Prospectus

A copy of this Prospectus has been registered with the Registrar General of Companies in Sri Lanka in accordance with the Companies Act No. 07 of 2007 (The “Companies Act”). The following are the documents attached to the copy of the Prospectus delivered to the Registrar of Companies for registration pursuant to section 40(1) of the Companies Act.

- a) The written consent of the Auditors and Reporting Accountants for the inclusion of their name in the Prospectus as Auditors and Reporting Accountants to the Issue and to the Company.
- b) The written consent of the Trustee to the Issue for the inclusion of their name in the Prospectus as Trustee to the Issue.
- c) The written consent of the Bankers to the Issue for the inclusion of their name in their Prospectus as Bankers to the Issue.
- d) The written consent of the Company Secretary for the inclusion of their name in the Prospectus as Company Secretary.
- e) The written consent of the Joint-Managers to the Issue for the inclusion of their name in the Prospectus as the Joint-Managers to the Issue.
- f) The written consent of the Registrars to the Issue for the inclusion of their name in the Prospectus as Registrars to the Issue.
- g) The written consent of the Lawyers to the Issue for the inclusion of their name in the Prospectus as Lawyers to the Issue.
- h) The written consent of the Credit Rating Agency to the Issue for the inclusion of their name in the Prospectus as the Credit Rating Agency to the Issue and to the Company.
- i) The declaration made and subscribed to, by each of the Directors of the Company herein named as a Director, jointly and severally confirming that each of them have read the provisions of the Companies Act and the CSE Listing Rules relating to the Issue of the Prospectus and that those provisions have been complied with.

The said Auditors and Reporting Accountants to the Issue and to the Company, Trustee to the Issue, Bankers to the Issue and Company, Company Secretary, Joint-Managers to the Issue, Registrars to the Issue, Lawyers to the Issue and Credit Rating Agency have not, before the delivery of a copy of the Prospectus for registration with the Registrar General of Companies in Sri Lanka, withdrawn such consent

Registration of the Prospectus in Jurisdictions Outside of Sri Lanka

This Prospectus has not been registered with any authority outside of Sri Lanka. Non-resident investors may be affected by the laws of the jurisdiction of their residence. Such investors are responsible to comply with the laws relevant to the country of residence and the laws of Sri Lanka, when making the investment.

Investment Considerations

It is important that this Prospectus is read carefully prior to making an investment decision. For information concerning certain risk factors, which should be considered by prospective investors, see Section 5.4 ‘Risks Involved in Investing in the Debentures’ of this Prospectus.

Forward Looking Statements

Any statements included in this Prospectus that are not statements of historical fact constitute ‘Forward Looking Statements’. These can be identified by the use of forward looking terms such as ‘expect’, ‘anticipate’, ‘intend’, ‘may’, ‘plan to’, ‘believe’, ‘could’ and similar terms or variations of such terms.

However, these words are not the exclusive means of identifying Forward Looking Statements. As such, all or any statements pertaining to expected financial position, business strategy, plans and prospects of the Company are classified as Forward Looking Statements.

Such Forward Looking Statements involve known and unknown risks, uncertainties and other factors including but not limited to regulatory changes in the sectors in which the Company operates and its ability to respond to them, the Company’s ability to successfully adapt to technological changes, exposure to market risks, general economic and fiscal policies of Sri Lanka, inflationary pressures, interest rate volatilities, the performance of financial markets both globally and locally, changes in domestic and foreign laws, regulation of taxes and changes in competition in the industry and further uncertainties that may or may not be in the control of the Company.

Such factors may cause actual results, performance and achievements to materially differ from any future results, performance or achievements expressed or implied by Forward Looking Statements herein. Forward Looking Statements are also based on numerous assumptions regarding the Company’s present and future business strategies and the environment in which the Company will operate in the future.

Given the risks and uncertainties that may cause the Company’s actual future results, performance or achievements to materially differ from that expected, expressed or implied by Forward Looking Statements in this Prospectus, investors are advised not to place sole reliance on such statements.

ISSUE AT A GLANCE

Issuer	First Capital Treasuries PLC		
Type of Debt Security/Debenture	Listed, Rated, Subordinated, Unsecured, Redeemable Debentures		
Listing	The Debentures will be listed on the Colombo Stock Exchange		
Number of Debentures to be issued	An issue of Seven Million Five Hundred Thousand (7,500,000) Listed, Rated, Subordinated, Unsecured, Redeemable Debentures		
Aggregate Face Value/ Investment Value of the Issue	Sri Lanka Rupees Seven Hundred Fifty Million (LKR 750,000,000/-)		
Issuer Rating	“[SL] A- (Stable)” By ICRA Lanka Limited		
Issue Rating	“[SL] BBB+ (Stable)” By ICRA Lanka Limited		
Issue Price / Par Value	LKR 100/- per Debenture		
CBSL Approval	The Company obtained CBSL approval for this Debenture Issue on 28 November 2019		
Debenture Types, Interest Rates, Tenure and Yield	Type of Debentures	Interest rate (per annum)	Maturity/ Redemption from the Date of Allotment
	Type A	12.75% p.a. Payable Semi-annually (AER 13.16%)	05 Years
	Type B	Weekly AWPLR + 2.00% p.a. Payable Semi-annually	05 Years
Minimum Number of Debentures to be Subscribed	Applicants are allowed to invest in either; <ul style="list-style-type: none">• Debentures of Type A; and/or• Debentures of Type B subject to the minimum subscription of One Hundred (100) Debentures (LKR 10,000/-) and in Multiples of One Hundred (100) Debentures (LKR 10,000/-)		

Interest Payment Dates	<p>Type A The dates on which payment of interest in respect of the Debentures shall fall due, which shall be six months from the Date of Allotment and every six months therefrom of each year from the Date of Allotment until the Date of Redemption and includes the Date of Redemption.</p> <p>Type B The dates on which payment of interest in respect of the Debentures shall fall due, which shall be six months from the Date of Allotment and every six months therefrom of each year from the Date of Allotment until the Date of Redemption and includes the Date of Redemption.</p> <p>Interest would be paid not later than Three (03) Working Days from each Interest Payment Date.</p>
Interest Period	<p>Type A The six (6) month period from the date immediately succeeding a particular Interest Payment Date and ending on the next Interest Payment Date (inclusive of the aforementioned commencement date and end date) and shall include the period commencing from the Date of Allotment and ending on the first Interest Payment Date (inclusive of the aforementioned commencement date and end date) and the period from the date immediately succeeding the last Interest Payment Date before the Date of Redemption and ending on the date immediately preceding the Date of Redemption (inclusive of the aforementioned commencement date and end date).</p> <p>Type B The six (6) month period from the date immediately succeeding a particular Interest Payment Date and ending on the next Interest Payment Date (inclusive of the aforementioned commencement date and end date) and shall include the period commencing from the Date of Allotment and ending on the first Interest Payment Date (inclusive of the aforementioned commencement date and end date) and the period from the date immediately succeeding the last Interest Payment Date before the Date of Redemption and ending on the date immediately preceding the Date of Redemption (inclusive of the aforementioned commencement date and end date).</p>
Method of Payment of Principal and Interest	Principal Sum and Interest will be paid to Debenture Holders through an electronic fund transfer mechanism recognized by the banking system of Sri Lanka such as SLIPS and RTGS in the event accurate bank details have been provided, or by crossed cheques marked “Account Payee Only” in the event accurate bank details have not been provided.
Issue Opening Date	27 January 2020

Issue Closing Date	<p>14 February 2020 or such earlier date on which;</p> <ul style="list-style-type: none"> • The maximum of 7,500,000 Debentures are fully subscribed; or • In the event the Board of Directors of the Company decides to close the Debenture Issue without the full subscription of the 7,500,000 Debentures, such decision is to be notified to the CSE on the day such decision is made and the subscription list will be closed on the following market day at 4:30 p.m.
Date of Allotment	The Date on which the Debentures will be allotted by the Company to the Applicants subscribing thereto.
Basis of Allotment	<p>In the event of an oversubscription, the basis of allotment will be decided by the Board of Directors of the Company within Seven (07) Market Days from the Closing Date. As permitted by the Articles of Association of the Company, two Directors have been appointed by the Board of Directors to decide on the basis of allotment.</p> <p>The Board however shall reserve the right to allocate up to a maximum of 75% of the number of Debentures to be allotted under this Prospectus on a preferential basis, to identified investor/s of strategic and operational importance with whom the Company might have mutually beneficial relationships in the future.</p> <p>Number of Debentures to be allotted to identified investor/s of strategic and operational importance, on a preferential basis will not exceed 75% of the total number of Debentures to be issued under this prospectus under any circumstances, unless there is an undersubscription from the other investors (Investors that do not fall under preferential category).</p> <p>In the event of such undersubscription from the other investors, such other investor category to be allotted in full.</p>

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1.0 CORPORATE INFORMATION

Name of the Company	First Capital Treasuries PLC
Legal Form of the Entity	Incorporated under the Companies Act No 17 of 1982 on 19 August 1982 and re-registered under the Companies Act No 7 of 2007. Quoted in the Colombo Stock Exchange on 02 March 2015. A Registered Primary Dealer licensed by the Local Treasury Bills Ordinance No. 8 of 1923 of Central Bank of Sri Lanka.
Company Registration Number	PB 127/ PQ
Date of Incorporation	19 August 1982
Company Rating	“[SL]A- (Stable)” By ICRA Lanka Limited
Registered Address	No. 02, Deal Place Colombo 03 Sri Lanka
Board of Directors	<div> Chairman (Independent, Non-Executive Director) – Mr. W. N. I. C. Fernando Managing Director (Executive Director) – Mr. D. Schaffter Director/ CEO (Executive Director) – Mr. D. G. Wirasekara Non-Independent, Non-Executive Director – Mr. R Schaffter Independent Non-Executive Director – Ms. M.D.A Perera Independent Non-Executive Director – Mr. C. L de Silva Independent Non-Executive Director – Dr. N. C. de Mel </div>
Common Directors between First Capital Treasuries PLC and First Capital Limited	<div> Chairman (Independent, Non-Executive Director) – Mr. W. N. I. C. Fernando Managing Director (Executive Director) – Mr. D. Schaffter Director/ CEO (Executive Director) – Mr. D. G. Wirasekara Independent Non-Executive Director – Ms. M.D.A Perera Independent Non-Executive Director – Mr. C. L de Silva Independent Non-Executive Director – Dr. N. C. de Mel </div> <p>Above stated Directors of First Capital Treasuries PLC (FCT) are also Directors of First Capital Limited (FCL) which is the immediate parent of FCT which acts as Joint-Manager to the Issue. However, FCL is not involved in any of FCT’s day to day business operations. Therefore, the existence of joint directorships will not lead to any conflicts of interests.</p>
Company Secretary	K H L Corporate Services Ltd. No. 15, Walukarama Road Colombo 03 Tel: +94 112 145 031 Fax: +94 112 372 498
Auditor to the Company	M/s KPMG Chartered Accountants No. 32A, Sir Mohamad Macan Marker Mawatha P.O. Box 186 Colombo 03

Credit Rating Agency	ICRA Lanka Limited No. 10-02, East Tower World Trade Centre Colombo 01	
Bankers	Seylan Bank PLC Bank of Ceylon People's Bank	Hatton National Bank PLC Commercial Bank of Ceylon PLC National Development Bank PLC

2.0 RELEVANT PARTIES TO THE ISSUE

Joint-Managers to the Issue	<p>First Capital Limited No. 02 Deal Place Colombo 03 Tel: +94 112 639 894 Fax: +94 112 639 819</p> <p>People's Bank Investment Banking Unit People's Bank Head Office, 13th Floor, No. 75, Sir Chittampalam A. Gardiner Mawatha, Colombo 02. Tel: +94 112 206 782 / 795 Fax: +94 112 458 842</p>
Lawyers to the Issue	<p>Nithya Partners No. 97 A, Galle Road, Colombo 03. Tel: +94 114 712 625 Fax: +94 112 328 817</p>
Trustees to the Issue	<p>Hatton National Bank PLC HNB Towers No. 479, T. B. Jayah Mawatha Colombo 10 Tel: +94 112 664 664 Fax: +94 112 662 814</p>
Registrars to the Issue	<p>SSP Corporate Services (Pvt) Limited No. 101 Inner Flower Road Colombo 03 Tel: +94 112 573 894 Fax: +94 112 573 609</p>
Bankers to the Issue	<p>Seylan Bank PLC – Millenium Branch Seylan Towers No 90, Galle Road Colombo 03 Tel: +94 0112 456 103 Fax: +94 0112 452 501</p>
Credit Rating Agency to the Issue	<p>ICRA Lanka Limited No. 10-02 East Tower World Trade Centre Colombo 01 Tel: +94 114 339 907 Fax: +94 112 333 307</p>
Auditors and Reporting Accountants to the Issue	<p>M/s KPMG Chartered Accountants No. 32A, Sir Mohamad Macan Marker Mawatha P.O. Box 186 Colombo 03 Tel: +94 115 426 426 Fax: +94 112 445 872</p>

3.0 ABBREVIATIONS USED IN THE PROSPECTUS

AER	Annual Effective Rate
ATS	Automated Trading System of the Colombo Stock Exchange
AWPLR	Average Weighted Prime Lending Rate. The Average Weighted Prime Lending Rate calculation in relation to the Type B Debentures will be made as follows, the Floating Rate of the Debentures will be determined based on the immediately preceding Average Weighted Prime Lending Rates published on a weekly basis by the Central Bank of Sri Lanka or any other authority (in the event that the Central Bank of Sri Lanka ceases to publish the Average Weighted Prime Lending Rate) at the time of commencement of an Interest Period of Type B Debenture for such period or if not published by the Central Bank of Sri Lanka or any other authority for any reason whatsoever, the last available rates published thereby or such other suitable interest reference rate as may be appropriate and may be made available by the said authorities.
CBSL	Central Bank of Sri Lanka
CDS	Central Depository Systems (Pvt) Limited
CSE	Colombo Stock Exchange
FCT/Issuer/Company	First Capital Treasuries PLC
LKR/ Rupees/ Rs.	Sri Lankan Rupees
NIC	National Identity Card
POA	Power of Attorney
RTGS	Real Time Gross Settlement
SEC	Securities and Exchange Commission of Sri Lanka
IIA	Inward Investment Account
SLIPS	Sri Lanka Inter-Bank Payment System
USD	United States Dollar

4.0 GLOSSARY OF TERMS RELATED TO THE ISSUE

Applicant/s	Any person who submits an Application Form under this Prospectus
Application Form / Application	The Application Form that constitutes part of this Prospectus through which an Applicant may apply for the Debentures in Issue
Closing Date	14 February 2020 or such earlier date on which; <ul style="list-style-type: none"> • The maximum of 7,500,000 Debentures are fully subscribed; or • In the event the Board of Directors of the Company decides to close the Debenture Issue without the full subscription of the 7,500,000 Debentures, such decision is to be notified to the CSE on the day such decision is made and the subscription list will be closed on the following market day at 4:30 p.m.
Debentures	All of the Listed, Rated, Subordinated, Unsecured, Redeemable Debentures to be issued pursuant to this Prospectus
Debenture Holder(s)	Any person who is for the time being the holder of the Debentures and includes his/her respective successors in title
Date of Allotment	The date on which the Debentures will be allotted to the Debenture Holders, which will be notified to the Debenture Holders
Date of Redemption	The date on which Redemption of the Debentures will take place as referred to in Section 5.9 of this Prospectus
Entitlement Date	The Market Day immediately preceding the respective Interest Payment Date or Date of Redemption on which a Debenture Holder would need to be recorded as being a Debenture Holder on the list of Debenture Holders provided by the CDS to the Company /in whose name the Debentures are registered in the Debenture Holders' register of the Company (where applicable), in order to qualify for the payment of any interest or any Redemption proceeds
Interest Payment Date(s)	<p>Type A</p> <p>The dates on which payment of interest in respect of the Debentures shall fall due, which shall be six months from the Date of Allotment and every six months therefrom of each year from the Date of Allotment until the Date of Redemption and includes the Date of Redemption</p> <p>Type B</p> <p>The dates on which payment of interest in respect of the Debentures shall fall due, which shall be six months from the Date of Allotment and every six months therefrom of each year from the Date of Allotment until the Date of Redemption and includes the Date of Redemption.</p> <p>Interest would be paid not later than Three (03) Working Days from each Interest Payment Date.</p>

Issue	The offer of Debentures pursuant to this Prospectus											
Market Day	Any day on which trading takes place at the CSE											
Non-Resident(s)	Foreign institutional investors including country funds, regional funds or mutual funds, corporate bodies incorporated outside Sri Lanka, citizens of foreign states whether resident in Sri Lanka or outside Sri Lanka and Sri Lankans resident outside Sri Lanka											
Principal Sum	The product of the number of Debentures allotted and Par Value											
Prospectus	This prospectus dated 21 January 2020 issued by FCT											
Rate of Interest	<table><tr><th>Type of Debentures</th><th>Interest rate (per annum)</th><th>Maturity/ Redemption from the Date of Allotment</th></tr><tr><td>Type A</td><td>12.75% p.a. Payable Semi-annually (AER 13.16%)</td><td>05 Years</td></tr><tr><td>Type B</td><td>Weekly AWPLR + 2.00% p.a. Payable Semi-annually</td><td>05 Years</td></tr></table>			Type of Debentures	Interest rate (per annum)	Maturity/ Redemption from the Date of Allotment	Type A	12.75% p.a. Payable Semi-annually (AER 13.16%)	05 Years	Type B	Weekly AWPLR + 2.00% p.a. Payable Semi-annually	05 Years
Type of Debentures	Interest rate (per annum)	Maturity/ Redemption from the Date of Allotment										
Type A	12.75% p.a. Payable Semi-annually (AER 13.16%)	05 Years										
Type B	Weekly AWPLR + 2.00% p.a. Payable Semi-annually	05 Years										
Redemption	The repayment of the Principal at maturity together with any interest accruing up to that time											
Registered Address	When used in relation to a Debenture Holder means the address provided by the Debenture Holder to the CDS/to the Company Secretaries or Registrars (where applicable)											
Subordinated	The claims of the Debenture Holders shall in the event of winding up of the Company rank after all the claims of the Secured and other Unsecured Creditors of the Company and any preferential claims under any Statutes governing the Company but shall rank pari passu with other subordinated debenture holders and in priority to and over the claims and rights of the Shareholder/s of the Company.											
Trust Deed	Trust deed executed between First Capital Treasuries PLC and Hatton National Bank PLC on 20 January 2020											
Working Day	A day (other than a Saturday or Sunday or any statutory holiday) on which licensed commercial banks are open for business in Sri Lanka											

5.0 INFORMATION RELATING TO THE ISSUE

5.1. Nature of the Debt Securities to be Offered

First Capital Treasuries PLC intends to raise a sum of up to Sri Lanka Rupees Seven Hundred Fifty Million (LKR 750,000,000/-) by an issue of Seven Million Five Hundred Thousand (7,500,000) Debentures each at a Par Value of LKR 100/-.

Under this Issue, a maximum amount of Sri Lanka Rupees Seven Hundred Fifty Million (LKR 750,000,000) would be raised by the issue of a maximum of Seven Million Five Hundred Thousand (7,500,000) Listed, Rated, Subordinated, Unsecured, Redeemable Debentures each at a par value LKR 100/-.

First Capital Treasuries PLC invites applications for Debentures which shall rank equal and pari passu to each other and differ only with respect to the rate of interest and interest basis. The Debentures do not have convertible options. As given below, Two (02) different Types of Debentures are offered to the investors to choose from as more fully described in section 5.7 of this Prospectus.

Type	Description
Type A	Listed, Rated, Subordinated, Unsecured, Redeemable Five (05) year Debentures The Debentures will carry a Fixed Interest Rate of 12.75% p.a. payable Semi-annually (AER 13.16% p.a.), issued at a Par Value of LKR 100/- per each Debenture
Type B	Listed, Rated, Subordinated, Unsecured, Redeemable Five (05) year Debentures The Debentures will carry a Floating Interest Rate of Weekly AWPLR+2.00% p.a. payable Semi-annually, issued at a Par Value of LKR 100/- per each Debenture

Details on Interest Payable and Redemption of the Principal Sum are more fully described in Sections 5.7 and 5.9 of this Prospectus, respectively.

It is the intention of the Company to list the Debentures on the Colombo Stock Exchange. The Colombo Stock Exchange has given its in-principle approval for the listing of the Debentures on the Colombo Stock Exchange.

5.2. Rights and Obligations of the Debenture Holder

(a) Debenture Holders are entitled to the following rights.

- Receiving Semi-annual interest at the Rate of Interest as set out in Section 5.7 of this Prospectus and the Principal Sum on the Date of Redemption as set out in Section 5.9 of this Prospectus
- The claims of the Debenture Holders shall in the event of winding up of the Company rank after all the claims of the Secured and other Unsecured Creditors of the Company and any preferential claims under any Statutes governing the Company but shall rank pari passu with other subordinated debenture holders and in priority to and over the claims and rights of the Shareholder/s of the Company
- To receive the Annual Report of the Company within the timeline stipulated in terms of Rule 7.5 (a) of the CSE Listing Rules. Annual Report will be sent to Debenture Holders in CD form, unless a specific request for a hard copy is received by the Company

- Calling and attending meetings of Debenture Holders under this Debenture Issue as set out in the Trust Deed

(b) Debenture Holders do not have the following rights:

- Attending and voting at meetings of holders of Shares and other Debentures
- Sharing in the profits of the Company
- Participating in any surplus in the event of liquidation
- Calling for redemption before maturity, subject to the provisions stated in the Trust Deed

(c) Each Debenture Holder must ensure that the information in respect of the securities account maintained with the CDS/the Company Secretaries or Registrars (where applicable) is up to date and accurate. Each Debenture Holder absolve the Company from any responsibility or liability in respect of any error or inaccuracy or absence of necessary changes in the information recorded with the CDS/Company.

Provided further that the Debenture Holders absolve the CSE and the CDS from any responsibility or liability in respect of any error or inaccuracy or absence of necessary changes in the information recorded with the CDS where such errors or inaccuracies or absence of changes are attributable to any act or omission of the Debenture Holders.

5.3. Benefits of Investing in the Debentures

- Provides an opportunity to earn a regular cash flow of interest payments on a periodic basis, up to a fixed period of five (05) years
- Opportunity to realize capital gains according to interest rate fluctuations in the financial market. Also, if held to maturity, there will be no capital loss incurred
- Listed Debentures provide the investor with an exit option through the CSE thereby bringing liquidity to these Debentures
- These Debentures could be used as collateral to obtain both corporate and personal facilities from financial institutions, subject to the policies of those institutions

Interest on Debentures will be paid after deducting any taxes and charges thereon (if any) as per the applicable law prevalent, please refer Section 5.8 for further details on taxes applicable on Debentures.

5.4. Risks Involved in Investing in the Debentures

Subscribers to the Debentures will be exposed to the following risks. It is vital to note that these risks are not unique to Debentures Issued by FCT and apply generally to any Debenture listed in the CSE

Reinvestment Risk

The calculation for Annual Effective Rate (AER) assumes that the investor is able to reinvest his coupons at the same interest rate. The investor who is paid periodic coupon faces the risk of investing these coupon payments to generate the required AER on his investment. Assuming the investor is unable to invest these coupon payments at the same interest rate on the Debenture, the Debenture Holder may not be able to generate the required AER. In case the investor can find an investment, which yields a higher interest rate than the Debenture interest, the Debenture Holder can generate a higher AER by reinvesting the coupon in such instruments.

Interest Rate Risk

The price of a Debenture will have a negative correlation with the market interest rates. Interest rate risk captures this relationship between market interest rates and the value of Debentures. If market interest rates rise, the value of the Debentures may fall as market interest rates fall, the value of Debentures may rise (all other factors being equal). If the investor wishes to sell the Debenture prior to its maturity, he might be facing a capital loss/gain if the market interest rates have increased/decreased subsequently. Interest rate risk is irrelevant for the investor who wishes to hold the Debenture until maturity.

Credit Risk / Default Risk

Risk of the Issuer not being able to pay interest and principal payments as promised on a timely basis is default risk/ credit risk. It is advisable for prospective Debenture investors to take into account the credit rating awarded to the Company and its Debentures by ICRA Lanka Limited, present financial strength as reflected in the Balance Sheet of the Company, assets and earnings growth, experiences and skills of the Directors and Senior management when forming an opinion on default risk.

Liquidity Risk

Liquidity risk refers to the ease with which the Debentures can be sold in the secondary market, after the initial placement. Since the Debentures are listed, should an investor require an exit option; they will be able to sell the Debentures through the CSE in order to convert them to cash and to exit from the investment. Therefore, the liquidity risk is mitigated to a greater degree in the Debenture. Investors have to be mindful of the fact that even though the Debentures are listed, trading of listed debt is not at an advanced stage as the equity markets in Sri Lanka.

Call Risk

Call risk refers to the risk that the issuer will retire all of the Principal Value of the Debentures before maturity. The risk to investor is in that, the timing of the call is not known and the investor will be faced with a re-investment risk in the event the call is made at a time when the market interest rates have declined. The Debentures issued under this prospectus do not have a call option hence free from call risk.

5.5. Subscription List

Subject to the provisions contained below, the subscription list for the Debentures will open at 9.30 a.m. on 27 January 2020 and will remain open for Fourteen (14) Market Days including the Issue Opening Date until Closing Date at 4.30 p.m. on 14 February 2020.

However, the subscription list will be closed on an earlier date at 4.30 p.m. with the notification to the CSE on the maximum of 7,500,000 Debentures being fully subscribed.

Further, the Board of Directors of the Company may at their discretion decide to close the subscription list prior to the Issue being fully subscribed. In such circumstances, the subscription list will close at 4:30 p.m. on the market day succeeding the date of notification to the CSE.

Applications can be made forthwith in the manner set out in Section 6.0 of this Prospectus and duly completed Application Forms will be accepted at any one of the Collection Points set out in Annexure III of this Prospectus.

5.6. Objectives of the Issue and Specific Risks Relating to the Objectives

- Enhance the Tier II Capital of the Company

The main objective of the Debenture Issue is to increase the Tier II Capital of the Company and thereby enhance the Capital adequacy position. Primary Dealers are required to maintain a minimum risk weighted Capital Adequacy Ratio of 10% at any given time in accordance with the CBSL Direction No. 02 of 2015 (Risk Weighted Capital Adequacy Ratio – amendment) dated 28 October 2015.

As of 30 November 2019, the Capital Adequacy Ratio stood at 18.44%. However, considering the same level of risk profile that prevailed as of 30 November 2019, the upcoming redemption (6 February 2020) of the 05 year Listed, Rated, Subordinated, Unsecured, Redeemable Debentures of LKR 500 Mn is expected to reduce the Capital Adequacy Ratio to 16.49%. Nevertheless, the LKR 750 Mn capital that will be raised through the new issue of Listed, Rated, Subordinated, Unsecured, Redeemable Debentures is expected to increase the Capital Adequacy Ratio to 21.37% based on the same risk profile of the assets as of 30 November 2019.

- Better manage the existing maturity mismatch

The Debenture issue will enable the Company to better manage the prevailing maturity mismatch between short term borrowings and medium/ long term investments. At present, Company's trading portfolio which amounts to LKR 26.4 Bn as of 30 November 2019, majority of which comprise of Government Treasury Bonds have been predominantly funded by REPO borrowings which has given rise to a maturity mismatch. However, proceeds raised from the Debenture Issue will enable the Company to reduce this maturity mismatch by securing long term funding.

Utilization of the Proceeds raised from the Debenture Issue**Objective 1**

Part of the proceeds of the Debenture Issue will be utilized to finance the (05) year Listed, Rated, Subordinated, Unsecured, Redeemable Debentures of LKR 500 Mn maturing on 6 February 2020. Particulars of the said Listed, Rated, Subordinated, Unsecured, Redeemable Debentures are given in Section 7.4.

The Debentures that mature on 6 February 2020 were issued on 6 February 2015 with a fixed interest rate of 9.50% p.a. payable annually from the date of allotment until the expiry of five (05) years on the principal sum of the Debentures (AER – 9.50%). The Debentures were issued in year 2015 at a fixed interest rate to enhance the long-term funding base by way of Tier II capital and increase the capital adequacy, so as to maintain the capital adequacy ratio at a level over 20%. At the same time, Company intended to minimize the interest rate risk by issuing listed Debentures with a fixed interest rate and to lock in a lower borrowing cost over the maturity of the said Debt.

The LKR 500 Mn raised through the Debenture Issue in 2015 was fully utilized for the said objectives.

In the event the Debenture proceeds to be received from this Debenture Issue are received after the maturity date of the existing listed debentures, Company would redeem the principle sum of the existing listed debentures maturing on 6 February 2020 through bank borrowings. Once the Company receives the said LKR 500 Mn proceeds from the Debenture Issue, these funds will be utilized to settle the bank borrowings that were initially obtained to redeem the listed Debentures within a period of one month since the date of receiving the funds.

Objective 2

The Company intends to utilize the balance proceeds of LKR 250 Mn (the entirety of it) either to reduce the existing REPO borrowing position or to invest in Government Securities depending on the market conditions and interest rate outlook prevalent at the time of the receipt of funds. It is the nature of the business to actively invest in Government Securities when the Company foresees lucrative opportunities in the market. However, in the absence of such investment opportunities, the Company prefer to reduce its REPO borrowing position.

If the LKR 250 Mn was utilized to reduce REPO borrowing position;

If the Company decides to reduce the REPO borrowing position, the funds will be utilized immediately upon receiving the funds.

As at 30 November 2019, Company's total borrowing position stood at LKR 24.01 Bn of which LKR 23.4 Bn were REPO borrowings. Although, predominantly relying on REPO borrowings is considered an ordinary practice for any Primary Dealer given the nature of the business, they may choose to reduce their exposure to REPO borrowings whenever they have access to relatively cheaper, long term funding.

As of 30 November 2019, REPO borrowings obtained from related parties amounted to LKR 2.1 Bn which amounts to 9% of total REPO borrowings.

Given the nature of REPO borrowings, the Company shall determine which REPO borrowings to be settled at the point of such settlement. Thus, at this juncture the Company is not in a position to predetermine which of the REPO borrowings are to be settled. Also, at the point of such settlement, the Company may or may not choose to settle certain REPO borrowings obtained from its related parties.

The Related Party Transactions Review Committee (RPTRC) of First Capital Holdings PLC (immediate listed parent of First Capital Treasuries PLC) is mandated to monitor all related party transactions of First Capital Group Companies including First Capital Treasuries PLC and the said RPTRC of First Capital Holdings PLC is in compliance with Section 9 of the Listing rules.

Members of the RPTRC of First Capital Holdings PLC are as follows:

Name	Directorial Capacity
Ms. Minette Perera	Independent Non-Executive Director
Mr. Nishan Fernando	Independent Non-Executive Director
Mr. Dinesh Schaffter	Executive Director

Ms. Minette Perera acts as the Chairperson of the above mentioned RPTRC.

If the LKR 250 Mn was utilized to invest in Government Securities

On the other hand, if the Company decides to invest the total sum of LKR 250 Mn in Government Securities considering favorable market conditions prevalent at the time of receiving the funds, this investment will be made within a period of one month since the receipt of funds.

The Company is not exposed to any risk of not being able to achieve the said sub objectives of either investing into Government Securities or reducing REPO borrowings within the stipulated timelines as they are considered part of its ordinary course of business

FCT undertakes to make a market disclosure in relation to the utilization of the LKR 250 Mn as to whether it was utilized to reduce the REPO borrowing position or was invested in Government securities.

The Company will begin utilizing Debenture issue proceeds upon allotment of Debentures issued under this Prospectus. During the interim period until utilization, the funds would be invested in REPOs against Government Securities at current market rates (interest rates vary between 7.00% p.a. – 7.50% p.a. depending on the tenure of the investment).

Specific Risks Relating to Objectives

It is the understanding of the Company that the above mentioned objectives of the Debenture Issue will be achieved during the specified timelines.

- If the Debenture issue is undersubscribed, the Company will utilize bank borrowings to match the shortfall.
- Dependency of proceeds of the Issue to achieve the objectives is less as the Company in the ordinary course of business has access to multiple sources of funding.
- If the Company does not utilize the funds for the stated Debenture issue objectives and proposes to use the same for another objective that such change shall be done only after the Company makes a market disclosure of the same and receives relevant approval (as applicable).

FCT undertakes to disclose the progress of the utilization of proceeds in all of their future interim and annual financial statements, until funds are fully utilized for the objective stated in the Prospectus in the format presented below. Continuous Disclosure regarding the status of utilization of funds raised via the Debenture Issue will be presented in the following format in the subsequent interim and annual financial statements:

Debenture Issue Proceeds utilization as at dd-mm-yyyy

Objective number	Objective as Per Prospectus	Amount allocated as Per prospectus in LKR	Proposed date of Utilization as Per prospectus	Amount allocated from proceeds in LKR (A)	% of total proceeds	Amounts utilized in LKR (B)	% of utilization against allocation (B/A)	Clarification if not fully utilized including where the funds are invested (e.g.: whether lent to related party/s etc.)
—	—	—	—	—	—	—	—	—

In the event the proceeds raised are fully utilised in terms of the objectives disclosed in the Prospectus prior to submission of the Company's next immediate financial statements (i.e. either interim financial statements or annual report), the Company undertakes to disclose the fact that proceeds have been utilized in its entirety as per the above template.

5.7. Interest

The Debenture Issue comprises of Debentures of Type A and Type B that will carry rates of interest as described below on the interest payment dates:

Type	Description
Type A	Listed, Rated, Subordinated, Unsecured, Redeemable Five (05) year Debentures The Debentures will carry a Fixed Interest Rate of 12.75% p.a. payable Semi-annually (AER 13.16% p.a.), issued at a Par Value of LKR 100/- per each Debenture.
Type B	Listed, Rated, Subordinated, Unsecured, Redeemable Five (05) year Debentures The Debentures will carry a Floating Interest Rate of Weekly AWPLR+2.00% p.a. payable Semi-annually, issued at a Par Value of LKR 100/- per each Debenture.

In relation to Type A Debentures, Interest on the Debentures accruing on a daily basis will be paid Semi-annually as applicable from the Date of Allotment until the Date of Redemption on the outstanding Principal Sum.

The Floating Rate of the Type B Debentures to be determined based on the immediately preceding Average Weighted Prime Lending Rates published on a Weekly basis by the Central Bank of Sri Lanka or any other authority (in the event that the Central Bank of Sri Lanka ceases to publish the Average Weighted Prime Lending Rate) at the time of commencement of an Interest Period of Type B Debenture for such period or if not published by the Central Bank of Sri Lanka or any other authority for any reason whatsoever, the last available rates published thereby or such other suitable interest reference rate as may be appropriate and may be made available by the said authorities.

The interest due on the Debentures for a particular Interest Period will be calculated based on the actual number of days (irrespective of holidays) in such Interest Period (actual/actual) and will be paid not later than Three (03) Market Days from each Interest Payment Date.

In order to accommodate the Debenture interest cycles in the CDS, the payment of interest for a particular Interest Payment Date will include Debenture Holders holding Debentures in the CDS as of the Entitlement Date.

Payment of the interest on the Debentures will be made after deducting any taxes and charges thereon (if any) in Sri Lanka Rupees as per the applicable law prevalent at the time of interest payment to the Debenture Holders. Please refer Section 5.8 for further details on taxes applicable for Debentures.

5.8. Taxation

As at the date of the Prospectus, as per current tax legislation in Sri Lanka, interest payment on Debentures is subject to a deduction of 5% Withholding Tax. In the case of individuals, the 5% Withholding Tax so deducted will be the final tax. Any further statutory taxes or dues levied by the government will be deducted accordingly.

In the case of corporate and other persons to whom such interest income constitute “Business Income”, a credit for the tax withheld would be available on furnishing the Withholding Tax Certificate.

Interest on the Debentures will be paid after deducting any taxes and charges thereon (if any) as per the applicable laws prevalent at the time of interest payment to the Debenture Holders. Investors are advised to obtain clarifications in this regard from their tax advisors.

5.9. Redemption

First Capital Treasuries PLC shall redeem the said Debentures on the expiry of Five (05) years respectively from the Date of Allotment in accordance with the provisions contained in the Trust Deed. Early redemption is not applicable for Debentures issued under this Prospectus, subject to the provisions contained in the Trust Deed.

On the Date of Redemption of the Debentures, the Company shall in accordance with the provisions contained in the Trust Deed pay to the Debenture Holders the Principal Sum of the Debentures which ought to be redeemed and interest (if any) remaining unpaid up to the Date of Maturity/ Redemption of the Debenture.

If the Date of Redemption falls on a day which is not a Market Day, then the Date of Redemption shall be the immediately succeeding Market Day and Interest shall be paid up to the date immediately preceding such Market Day (including holidays).

5.10. Payment of Principal Sum and Interest

The Company will redeem the Debentures on the Date of Redemption as specified in Section 5.9 and the interest payments will be made as specified in Section 5.7.

The payment of Principal Sum and Interest will be made either through an electronic fund transfer mechanism recognised by the banking system of Sri Lanka such as SLIPS and RTGS in the event accurate bank account details of the Debenture Holders are provided to the CDS to effect such transfers or by cheque/s marked "Account Payee Only" sent by ordinary mail to the addresses provided by the Debenture Holders to the CDS, at the risk of the Debenture Holders if bank account details are not provided to the CDS or the bank account details provided to the CDS are inaccurate.

RTGS transfers however could be effected only for amounts over and above the maximum value that can be accommodated via SLIPS transfers (i.e. LKR 5,000,000/- as of the date of this Prospectus).

The payment of Principal Sum and Interest will be made in Sri Lanka Rupees in favour of the Debenture Holders as of the Entitlement Date. In the case of joint Debenture Holders, the payment of Principal Sum and Interest will be made to the one whose name stands first in the register of Debenture Holders.

5.11. Rating of the Debentures

ICRA Lanka Limited has assigned a rating of "[SL] BBB+ (Stable)" to these Debentures. A copy of the Rating report issued by ICRA Lanka Limited is set out in Annexure II. The Board of Directors of FCT undertake to keep the market and the Trustee to the Issue immediately informed on any change to the credit rating of the Debenture when either the Company or any of the Directors are aware of any changes to the credit rating of the Debentures being issued under this Prospectus.

5.12. Transfer of Debentures

- These Debentures shall be freely transferable and transmittable through the CDS as long as the Debentures are listed in the CSE and the registration of such transfer shall not be subject to any restriction, save and except to the extent required for compliance with statutory requirements.
- Subject to provisions contained in the Trust Deed, the Company may register without assuming any liability any transfer of Debentures, which are in accordance with the statutory requirements and rules and regulations in force for the time being as laid down by the CSE, SEC and the CDS.
- In the case of the death of a Debenture Holder
 - The survivor where the deceased was a joint holder; and
 - The executors or administrators of the deceased (or where the administration of the estate of the deceased is in law not compulsory, the heirs of the deceased) where such Debenture Holder was the sole or only surviving holder; shall be the only persons recognized by the issuer as having any title to his/her Debentures.
- Any person becoming entitled to any Debenture in consequence of bankruptcy or winding up of any Debenture Holder, upon producing proper evidence that such Debenture Holder sustains the character in respect of which such Debenture Holder proposes to act or such Debenture Holder's title as the Board of Directors of the Company thinks sufficient, may at the discretion of the Board be substituted and accordingly, registered as a Debenture Holder in respect of such Debentures subject to the applicable laws, rules and regulations of the Company, CDS , CSE and SEC.
- No change of ownership in contravention of the above conditions will be recognised by the Company.

5.13. Listing

An application has been made to the CSE for permission to obtain a listing for the Debentures and the CSE has granted its approval in-principle for the same. It is the intention of the Company to list the Debentures on the Colombo Stock Exchange upon the allotment thereof. There are no other approvals required for the said Debenture issue apart from the approval of the CSE and CDSL.

The CSE however, assumes no responsibility for the correctness of the statements made or opinions expressed or reports included in this Prospectus. Admission to the official list is not to be taken as an indication of the merits of the Company or of its Debentures.

5.14. Basis of Allotment

In the event of an oversubscription, the Board shall reserve the right to allocate up to 75% of the number of Debentures to be allotted under this Prospectus on a preferential basis, to identified investor/s of strategic and operational importance with whom the Company might have mutually beneficial relationships in the future.

In the event of an oversubscription, two Directors of the Company have been appointed by the Board of Directors to decide the basis of allotment in a fair manner as soon as practicable so as to ensure compliance with the CSE Listing Rules. The maximum allocation under preferential allotment is 75% of the total number of Debentures to be issued with this Prospectus under any circumstances, unless there is an under subscription from the other investors (Investors that do not fall into the preferential category). In the event of an

undersubscription as such, the other investor/s category will be allotted in full and any remaining Debentures will be allocated to the identified investor/s of strategic and operational importance.

Upon the allotments being decided, an announcement will be made to the CSE, within Seven (07) Market Days of closing the Issue. The Company reserves the right to reject any Application or to accept any Application in part only, without assigning any reason thereto. A written confirmation informing successful Applicants on their allotment of Debentures will be dispatched within Ten (10) Market Days from the Closing Date as required by the CSE. Apart from the above, the Issuer has not identified any specific allocation to the public, employees or financial institutions.

5.15. Trustee to the Issue

Hatton National Bank PLC has agreed to act as the Trustee to the Debenture Holders. The Company has entered into an agreement with the Trustee (hereinafter called the "Trust Deed"). Debenture Holders in their Application Forms for subscription will be required to authorise the Trustee to act as their agent in entering into such deeds, writings, and instruments with the Company and to act as the agent and Trustee for the Debenture Holders.

The rights and obligations of the Trustee are set out in the Trust Deed and the Debentures will be subject to the terms and conditions incorporated in the said Trust Deed. The monthly fee payable to the Trustee will be LKR 25,000/- plus statutory levies until maturity of the Debentures. The Trustee has no conflict of interest with the Company, except that the Trustee is one of the banks rendering banking services to FCT.

5.16. Underwriting

The Issue is not conditional upon any minimum subscription amount being raised. The Company has not entered into any underwriting arrangement with regard to this Issue.

In the event the Issue is undersubscribed, the subscribers shall be allotted in full and funds raised shall be utilized to meet the Objectives of the Issue as stipulated in Section 5.6 of this Prospectus, the balance funding will be sourced through Bank borrowings.

5.17. The Minimum Subscription Applicable for Investors

The minimum subscription requirement applicable for an investor applying for Debentures shall be One Hundred (100) Debentures (LKR 10,000/-). Any application in excess of the said minimum subscription shall be in multiples of One Hundred (100) Debentures (LKR 10,000/-) thereafter.

5.18. Cost of the Issue

The Board estimates that the total cost of the Issue including fees to professionals, printing, advertising, brokerage and other costs connected with the Issue will be approximately LKR 10 Million. Such costs will be financed by the internally generated funds of the Company.

5.19. Brokerage

Brokerage of 25 cents (LKR 0.25) per Debenture shall be paid in respect of the number of Debentures allotted on Applications bearing the original seal of any or a member/trading member of the CSE or Joint-Managers to the Issue or any other party identified by the Joint-Managers to the Issue as involved in the Issue.

5.20. Inspection of Documents

The Articles of Association, Trust deed, Auditor's Report and Five Years (05) Summary of Financial Statements for the five years ended 31 March 2019 to 31 March 2015, Audited Financial Statements for the Five (05) years immediately preceding the date of this Prospectus, and Interim Financial Statements for the Quarter ended 30 September 2019, Issue Rating Report and all other documents referred to in Rule 3.3.11 (a) of the CSE Listing Rules, including material contracts and management agreements entered into by the Company if any, would be made available from Seven (07) Market Days prior to the Date of Opening of the subscription list, for inspection by the public, during normal working hours at the registered office of the Company, No.02, Deal Place, Colombo 03, Sri Lanka until the Date of Redemption of the Debentures.

The Prospectus, Trust Deed and Articles of Association of the Company are available on the website of CSE (www.cse.lk) and the website of the Company (www.firstcapital.lk) from Seven (07) Market Days prior to the date of opening of the subscription list until the Date of Redemption of the Debentures as stipulated in Rule 3.3.11 (b) of the CSE Listing Rules.

Furthermore, copies of the Prospectus and Application Forms are available free of charge from the Collection Points set out in Annexure III of this Prospectus from Seven (07) Market Days prior to the date of opening of the subscription list.

5.21. Benefits to the Issuer arising from the Debenture Issue

- Ability to increase Tier II Capital of the Company and thereby enhance the capital adequacy position
- Enables the Company to better manage prevailing maturity mismatch between short term borrowing and medium to long term investments
- Provides access to a diversified source of long-term funding

6.0 PROCEDURE FOR APPLICATION

6.1. Eligible Applicants

Applications are invited for the subscription of Debentures from the following categories of applicants.

- a. Citizens of Sri Lanka, resident in Sri Lanka and above 18 years of age.
- b. Corporate bodies and societies registered/incorporated/established in Sri Lanka and authorized to invest in Debentures.
- c. Approved unit trusts licensed by SEC.
- d. Approved provident funds and contributory pension schemes registered/incorporated/established in Sri Lanka and authorized to invest in Debentures. In the case of approved provident funds and approved contributory pension schemes, the Application should be in the name of the trustee/board of management.
- e. Regional and country funds approved by SEC and authorized to invest in Debentures.
- f. Non-Residents: foreign institutional investors including country funds, regional funds or mutual funds, corporate bodies incorporated outside Sri Lanka, citizens of foreign states whether resident in Sri Lanka or outside Sri Lanka and Sri Lankans resident outside Sri Lanka.

Applications will not be accepted from Applicants who are under the age of 18 years, or in the names of sole proprietorships, partnerships or unincorporated trusts.

“Individuals resident outside Sri Lanka” will have the same meaning as in the notice published under the Foreign Exchange Act in Gazette No. 12 of 2017 in Gazette No.2045/56 dated 17 November 2017.

When permitting Non-residents to invest in the Debentures, the Company will comply with the relevant Exchange Control Regulations including the conditions stipulated in the notice under the Foreign Exchange Act with regard to the Issue and transfer of Debentures of companies incorporated in Sri Lanka to foreign investors as published in the Government Gazette (Extraordinary) No. 2045/56 dated 17 November 2017.

6.2. How to Apply

The terms and conditions applicable to the Applicants are as follows.

- (a) Applications should be made on the Application Forms, which accompany and constitute a part of this Prospectus (exact size photocopies of Application Forms will also be accepted). Care must be taken to follow the instructions given herein and in the Application Form. Applicants using photocopies are requested to inspect the Prospectus which is available for inspection with the Registrar to the Issue and also issued free of charge by the parties listed in Annexure III of this Prospectus.

The Application Form can also be downloaded from the website of CSE, www.cse.lk, the website of the Company, www.firstcapital.lk until the Closing Date.

The Prospectus will be made available and can be downloaded from the website of CSE, www.cse.lk and the website of Company, www.firstcapital.lk until the Date of Redemption of the Debentures.

Applications which do not strictly conform to instructions and other conditions set out herein or which are incomplete or illegible may be rejected.

Applicants should apply only for one Type of Debentures (i.e. either Type A or Type B Debentures) under one Application Form.

In the event an applicant wishes to apply for more than one type of Debentures, separate Application Forms should be used. Once an Application Form has been submitted for a particular type of Debentures, it will not be possible for an applicant to switch between the Types of Debentures.

More than one Application submitted by an applicant under the same Type of Debentures will not be accepted. If two or more Application Forms are submitted for one Type of Debentures from a single applicant, those would be considered as multiple Applications and the Company will not accept such multiple Applications or suspected multiple Applications.

- (b) If the ownership of the Debentures is desired in the name of one Applicant, full details should be given only under the heading SOLE/FIRST APPLICANT in the Application Form. In the case of Joint Applicants, the signatures and particulars in respect of all Applicants must be given under the relevant headings in the Application Form.
- (c) An applicant of a joint application will not be eligible to apply for the same Type of Debenture through a separate Application Form either individually or jointly. Such applicants are also deemed to have made multiple applications and will be rejected.

In the case of joint Applications, the refunds (if any), interest payments and the Redemption will be remitted in favour of the first Applicant as identified in the Application Form.

The Company shall not be bound to register more than three (03) natural persons as joint holders of any Debentures (except in the case of executors, administrators or heirs of a deceased member). Joint Applicants should note that all parties to the Application should either be residents of Sri Lanka or Non-Residents.

- (d) Applications by companies, corporate bodies, societies, approved provident funds, trust funds and approved contributory pension schemes registered/incorporated/established in Sri Lanka should have obtained necessary internal approvals as provided by their internal approval procedures at the time of applying for the Debentures and should be made under their common seal or in any other manner as provided by their articles of association or such other constitutional documents of such Applicant or as per the statutes governing them. In the case of approved provident funds, trust funds and approved contributory pension schemes, the Applications should be in the name of the trustee/board of management.
- (e) All Applicants should indicate in the Application for Debentures, their CDS account number.

All resident individual Applicants should ensure that;

- If the Applicant's CDS account carries the NIC number, the NIC number of the Applicant is stated in the relevant cage of the Application Form; or

- If the Applicant's CDS account carries the passport number, the passport number of the Applicant is stated in the relevant cage of the Application Form.

All Non-Resident individual Applicants and corporate Applicants should ensure that the passport number/company number and CDS Identification Number (CDS ID) are stated in the relevant cages of the Application Form.

In the event the name, address or NIC number/passport number/company number of the Applicant mentioned in the Application Form differ from the name, address or NIC number/passport number/company number as per the CDS records, the name, address or NIC number/passport number/company number as per the CDS records will prevail and be considered as the name, address or NIC number/passport number/company number of such Applicant. Therefore, Applicants are advised to ensure that the name, address or NIC number/passport number/company number mentioned in the Application Form tally with the name, address or NIC number/passport number/company number given in the CDS account as mentioned in the Application Form.

In the case of Joint Applicants, a joint CDS account in the name of the Joint Applicants should be indicated.

Application Forms stating third party CDS accounts, instead of Applicants' own CDS account numbers, except in the case of margin trading, will be rejected.

- (f) Applicants who wish to apply through their margin trading accounts should submit the Application Forms in the name of the "Margin Provider/Applicant's name" signed by the margin provider, requesting a direct deposit of the Debentures to the Applicant's margin trading account in the CDS. The margin provider should indicate the relevant CDS account number relating to the margin trading account in the Application Form. A photocopy of the margin trading agreement must be submitted along with the Application.

Margin providers can apply under their own name and such Applications will not be construed as multiple Applications.

- (g) Application Forms may be signed by a third party on behalf of the Applicant(s) provided that such person holds the Power of Attorney (POA) of the Applicant(s). A copy of such POA certified by a Notary Public as "True Copy" should be attached with the Application Form. Original of the POA should not be attached.
- (h) Funds for the investment in Debentures and the payment for Debentures by Non-Residents should be made only out of the monies available to the credit of a "Inward Investment Account" (IIA) of the Non- Resident Applicants opened and maintained in a licensed commercial bank in Sri Lanka in accordance with the directions given by the Controller of Exchange in that regard to licensed commercial banks.

An endorsement by way of a letter by the licensed commercial bank in Sri Lanka in which the Applicant maintains the IIA, should be attached to the Application Form to the effect that such payment through bank draft/bank guarantee/RTGS has been made out of the funds available in the IIA.

- (i) Non-Residents should have obtained necessary internal approvals as provided by their internal approval procedures at the time of applying for the Debentures and may be affected by the laws of the jurisdiction of their residence. If the Non-Resident Applicants wish to apply for the Debentures, it is

their responsibility to comply with the laws relevant to the jurisdiction of their residence and of Sri Lanka.

Application Forms properly filled in accordance with the instructions thereof together with the remittance for the full amount payable on Application should be enclosed in an envelope marked **“FIRST CAPITAL TREASURIES PLC – DEBENTURE ISSUE 2020”** on the top left hand corner in capital letters and dispatched by post or courier or delivered by hand to the Registrars to the Issue or Collection Points mentioned in Annexure III of this Prospectus.

Applications sent by post or courier or delivered to any Collection Point set out in Annexure III of this Prospectus should reach the office of the Registrars to the Issue, **SSP Corporate Services (Pvt) Limited, No. 101 Inner Flower Road, Colombo 03, at least by 4.30 p.m. on the following Market Day immediately upon the Closing Date.** Applications received after the said period will be rejected even though they have been delivered to any of the said Collection Points prior to the Closing Date or carry a postmark dated prior to the Closing Date.

Applications delivered by hand to the Registrars to the Issue after the Closing Date of the Issue will also be rejected.

Please note that Applicant information such as full name, address, NIC number/passport number/company number and residency will be downloaded from the database of CDS, based on the CDS account number indicated in the Application Form. Such information will take precedence over information provided in the Application Form.

Care must be taken to follow the instructions on the reverse of the Application Form. Applications that do not strictly conform to such instructions and additional conditions set out hereunder or which are illegible may be rejected.

PLEASE NOTE THAT ALLOTMENT OF DEBENTURES WILL ONLY BE MADE IF THE APPLICANT HAS A VALID CDS ACCOUNT AT THE TIME OF SUBMISSION OF APPLICATION.

Please note that upon the allotment of Debentures under this Issue, the allotted Debentures would be credited to the Applicant's CDS account so indicated.

Hence, DEBENTURE CERTIFICATES WILL NOT BE ISSUED.

6.3. Number of Debentures to be Subscribed

Applicants are allowed to invest in either;

- Debentures of Type A; and/or
- Debentures of Type B

Subject to the minimum subscription under each Type.

A minimum of One Hundred (100) Debentures (LKR 10,000/-) and in multiples of One Hundred (100) Debentures (LKR 10,000/-). An applicant should apply only for one Type of Debentures under one Application Form.

6.4. Mode of Payment

- (a) Payment in full for the total value of Debentures applied for should be made separately in respect of each Application either by cheque/s, bank draft/s, bank guarantee drawn upon any licensed commercial bank operating in Sri Lanka or RTGS transfers directed through any licensed commercial bank operating in Sri Lanka, as the case may be, subject to (b) below.
- (b) Payments for Application values above and inclusive of Sri Lanka Rupees One Hundred Million (LKR 100,000,000/-) should be supported by either;
 - A bank guarantee issued by a licensed commercial bank; or
 - Multiple bank drafts/cheques drawn upon any licensed commercial bank operating in Sri Lanka; or
 - An RTGS transfer with value on the Issue opening date.

Multiple bank drafts/cheques, bank guarantees or RTGS transfers will not be accepted for Application values below Sri Lanka Rupees One Hundred Million (LKR 100,000,000/-).

In the case of Application values above and inclusive of Sri Lanka Rupees One Hundred Million (LKR 100,000,000/-), multiple bank drafts/cheques drawn upon any licensed commercial bank operating in Sri Lanka each of which should be for a value less than LKR 100,000,000/- will be accepted

- (c) Cheques or bank drafts should be made payable to “**FIRST CAPITAL TREASURIES PLC – DEBENTURE ISSUE 2020**” and crossed “Account Payee Only” and must be honoured on the first presentation.
- (d) In case of bank guarantees, such bank guarantees should be issued by any licensed commercial bank in Sri Lanka in favour of “**FIRST CAPITAL TREASURIES PLC – DEBENTURE ISSUE 2020**” in a manner acceptable to the Company and be valid for a minimum of one (01) month from the Issue opening date (i.e. 27 January 2020).

Applicants are advised to ensure that sufficient funds are available in order to honour the bank guarantees, inclusive of charges when called upon to do so by the Registrars to the Issue. It is advisable that the Applicants discuss with their respective bankers the matters with regard to the issuance of bank guarantees and all charges involved. All expenses with regard to such bank guarantees should be borne by the Applicants.

- (e) In case of RTGS transfers, such transfers should be made to the credit of “**FIRST CAPITAL TREASURIES PLC – DEBENTURE ISSUE 2020**” bearing the account number 0864-13130297-001 at Seylan Bank PLC – Millennium Branch with value on the Issue opening date (i.e. the funds to be made available to the above account on the Issue opening date).

The Applicant should obtain a confirmation from the Applicant’s bank, to the effect that arrangements have been made to transfer payment in full for the total value of Debentures applied for to the credit of “**FIRST CAPITAL TREASURIES PLC – DEBENTURE ISSUE 2020**” bearing the account number 0864-13130297-001 at Seylan Bank PLC – Millennium Branch with value on the Issue opening date (i.e. the funds to be made available to the above account on the Issue opening date) and should be attached with the Application Form.

For RTGS transfers above and inclusive of Sri Lanka Rupees One Hundred Million (LKR 100,000,000/-), the Applicants are entitled to an interest at the rate of three decimal Zero *per centum* (3.00%) per annum from the date of such transfers up to the Date of Allotment. However, no interest will be paid if the RTGS transfers are not realised before the end of the Closing Date. Furthermore, even if such RTGS transfers are effected prior to the Issue opening date, no interest will be paid for the period prior to the Issue opening date.

- (f) Cash will not be accepted.
- (g) Payment for the Debentures by Non-Residents should be made only out of the monies available to the credit of a “Inward Investment Account” (IIA) maintained with any licensed commercial bank in Sri Lanka in accordance with the directions given by the Controller of Exchange in that regard to licensed commercial banks and to be in line with the relevant laws of the land.

An endorsement by way of a letter by the licensed commercial bank in Sri Lanka in which the Applicant maintains the IIA, should be attached to the Application Form to the effect that such payment through bank draft/bank guarantee/RTGS has been made out of the funds available in the IIA.

- (h) The amount payable should be calculated by multiplying the number of Debentures applied for under a particular Type by the Par Value (LKR 100/-). If there is a discrepancy in the amount payable and the amount specified in the cheque/bank draft or bank guarantee or transferred via RTGS/SLIPS, the Application will be rejected.
- (i) In the event that cheques are not realised prior to the date of deciding the basis of allotment, the monies will be refunded and no allotment of Debentures will be made. Cheques must be honoured on first presentation for the Application to be valid.
- (j) All cheques/bank drafts received in respect of the Applications for Debentures will be banked commencing from the Working Day immediately following the Closing Date.

6.5. Rejection of Applications

Application Forms and the accompanying cheques/bank drafts/bank guarantee or RTGS transfers, which are illegible or incomplete in any way and/or not in accordance with the terms, conditions and instructions, set out in this Prospectus and in the Application Form will be rejected at the sole discretion of the Company.

Applications received from Applicants who are under the age of 18 years or in the names of sole proprietorships, partnerships and unincorporated trusts will also be rejected.

Any Application Form, which does not state a valid CDS account number, will be rejected.

Any applicant who has applied for more than one Debenture type in a single Application Form will be rejected.

More than one application submitted by an applicant under the same type of Debentures will not be accepted. If two or more application forms are submitted for one type of Debentures from a single applicant, those would be considered as multiple applications and the Company will not accept such multiple applications or suspected multiple applications.

Any application form with more than three (03) natural persons as joint applicants for any type of Debentures will be rejected

Applications delivered by hand to the Registrars to the Issue after the subscription list is closed will be rejected. Applications received by post or courier after 4.30 p.m. on the Market Day immediately following the Closing Date will be also rejected even if they carry a post mark dated prior to the Closing Date.

Applications delivered to any place mentioned in Annexure III should also reach the office of the Registrars to the Issue at least by 4.30 p.m. on the Market Day immediately following the Closing Date. Applications received after the said duration will be rejected even though they have been delivered to any of the said Collection Points prior to the Closing Date.

In the event that cheques are not realised prior to the date of deciding the basis of allotment and realised after such date, the monies will be refunded and no allotment of Debentures will be made. Cheques must be honoured on first presentation for the Application to be valid. In the event cheques are dishonoured/returned on first presentation, such Applications will be rejected.

6.6. Banking of Payments

All cheques or bank drafts or bank guarantees received in respect of Applications will not be banked or called on until the Working Day immediately after the Closing Date as set out in Section 5.5 of this Prospectus, in terms of the CSE Listing Rules.

6.7. Refunds

- Where an Application is rejected for reasons given in Section 6.5 of this Prospectus, subsequent to the cheque being realized, the applicant's money in full or where an Application is accepted only in part, the balance of the applicant's money will be refunded.
- The Applicants may indicate the preferred mode of refund payments in the Application Form (i.e. direct transfer via SLIPS/RTGS or cheque)
- If the Applicant has provided accurate and complete details of his/her bank account in the Application, the Bankers to the Issue will make refund payments up to and inclusive of Rupees Five Million (LKR 5,000,000/-) to the bank account specified by the Applicant, through SLIPS and a payment advice will be sent.
- If the applicant has provided accurate and complete details of his/her bank account in the application, the Bankers to the Issue will make refund payments up to and inclusive of Rupees One Hundred Million (LKR 100,000,000/-) to the bank account specified by the Applicant, through RTGS and a payment advice will be sent.
- Funds received via IIA accounts will be refunded via IIA accounts in the event there are refunds to be made.

In the event the Applicant has not provided accurate and correct details of his bank account in the Application or if the Applicant has not provided details of the bank account in the Application Form, the Company will make such refund payments to the Applicant by way of a cheque and sent by post at the risk of the Applicant.

In the case of Joint Application, the cheques will be drawn in favour of the Applicant's name appearing first in the Application Form.

Applicants can obtain details on bank and branch codes required for providing instructions on SLIP transfers at the following website;

http://www.lankaclear.com/product_service/3-guidelines

Refunds on Applications rejected, or partly allotted Debentures would be made within Ten (10) Market Days excluding the Closing Date. Applicants would be entitled to receive interest at the rate of the last quoted Average Weighted Prime Lending Rate (AWPLR) published in the immediately preceding week by the Central Bank of Sri Lanka or any other authority (in the event that the Central Bank of Sri Lanka ceases to publish the AWPLR) plus five *per centum* (5.00%) for the delayed period on any refunds not made within this period.

6.8. CDS Accounts and Secondary Market Trading

Debentures allotted will be directly deposited to the respective CDS accounts given in the Application Forms before the expiry of eighteen (18) Market Days, from the Closing Date. A written confirmation of the credit will be sent to the Applicants within two (02) Market Days of crediting the CDS account, by ordinary post to the address provided by each Applicant.

The Company will submit to the CSE a 'Declaration' on direct upload to CDS on the Market Day immediately following the day on which the Applicants' CDS accounts are credited with the Debentures.

Trading of Debentures on the secondary market will commence on or before the Third (3rd) Market Day from the receipt of the Declaration by the CSE as per the CSE Listing Rules.

7.0 FINANCIAL AND OTHER INFORMATION

7.1. Financial Year

The financial year of the Company commences on 01 April and ends on 31 March.

7.2. Litigation, Disputes and Contingent Liabilities

- (i) The Company has appealed against an income tax assessment for 2008/09 amounting to LKR 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 LKR 584Mn and LKR 152.6Mn respectively to the Tax Appeals Commission. The hearing of said appeals has not been concluded yet.
- (ii) 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 LKR 218.9Mn, LKR 205.2Mn and LKR 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.

- (iii) The Company entered into a sale and purchase agreement to acquire a property (land and premises) for a consideration of LKR 382Mn and an advance of LKR 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.

Apart from legal proceedings mentioned above, the Company is not a party to any material contingent liabilities, litigation, mediation or arbitration proceedings and is not aware of any pending or threatened litigation or arbitration that, if decided adversely to the Company, would have a significant effect upon the Company's financial position, nor has it been a party to any such proceedings in the recent past.

7.3. Particulars of Debt and Loan Capital

The outstanding borrowings of First Capital Treasuries PLC as at 30 September 2019 comprise of the following categories of borrowings;

	Amount (LKR.'000)
Securities sold under re-purchase agreements	29,059,811
Borrowings on Listed Debentures	535,140
Bank Overdrafts	9,806
Total	29,604,757

Source: 30 September 2019 unaudited Balance Sheet.

7.4. Other Debt Securities in Issue - As at the date of the Prospectus

Debenture Code	Par Value (LKR)	Ranking	Tenor	Interest Rate p.a.	Issue Value LKR (Mn)	Issue Date	Maturity Date
FCT-BD-06/02/20-C2295-9.5	100	Subordinate	5 years	9.50%	500	06.02.2015	06.02.2020

The holders of Debentures are entitled to receive the Principal sum on the date of Maturity/Redemption and interest on the Debentures as per the provisions set out in the Prospectus / Trust Deed. The holders of the said Debentures are not entitled to any special rights or any privileges or rights of the Shareholders of the Company, including the right to receive notice to attend and vote at General Meetings of the Shareholders of the Company. Debenture Holders' rights in respect of calling and attending meetings of Debenture Holders are stated in the respective Trust Deeds.

The Debenture Holders of the above mentioned Debenture Issue does not have the following rights;

- Attending and voting at meetings of holders of shares and other Debentures
- Sharing in the profits of the Company
- Participating in any surplus in the event of liquidation

The claims of the Debenture holders shall in the event of winding up of the Company, rank after all the claims of the Secured and other Unsecured Creditors of the Company and any preferential claims under any Statutes governing the Company but in priority to and over the claims and rights of the Shareholders of the Company.

There are no outstanding Debt Securities convertible to equity as at the Date of the Issue.

7.5. Key Financial Ratios

Description	31.03.2019	31.03.2018	31.03.2017	31.03.2016	31.03.2015
Interest cover* (times)	1.06	1.50	1.17	1.02	1.96
Debt/Equity Ratio** (times)	8.99	7.09	12.15	9.59	10.17
Return on Equity*** (percentage)	3.01	69.73	22.19	0.78	53.02

- (a) Interest cover ratio* = EBIT/Interest Expense
- (b) Debt/Equity ratio** = Debt/ (Debt+Equity)
- (c) Return on Equity*** = Profit After Tax/Average Shareholder Funds

7.6. Debt Servicing Details of First Capital Treasuries PLC

Description	2018/19 LKR 000'	2017/18 LKR 000'	2016/17 LKR 000'	2015/16 LKR 000'	2014/15 LKR 000'
Gross interest due on Debentures	47,922	47,885	47,851	47,625	6,802
Debenture interest paid on or before due date	47,922	47,885	47,851	47,625	6,802
Debenture interest paid after due date	-	-	-	-	-
Debenture interest not paid as of due date	-	-	-	-	-

7.7. Major Shareholders as at 30 September 2019

	Shareholder Name	Shares	%
1	First Capital Limited	14,534,999	94.44%
2	Employees Trust Fund Board	855,000	5.56%
3	Mr. Dinesh Schaffter	1	0.00%
	Total	15,390,000	100.00%

7.8. Financial Statements & Financial Summary

The following financial information is hosted on the Company's web site, www.firstcapital.lk and CSE web site www.cse.lk;

- Audited financial statements of First Capital Treasuries PLC as at 31 March 2019
- Interim financial statements of First Capital Treasuries PLC as at 30 September 2019
- Summarized financial statement for the five years ended 31 March 2019 to 31 March 2015 preceding the date of the application stating the accounting policies adopted by the Company certified by the Auditors and Qualifications carried in any of the Auditors Reports covering the period in question and any material changes in accounting policies during the relevant period.

ANNEXURE I - STATUTORY DECLARATIONS**Statutory Declaration by the Directors**

This Prospectus has been seen and approved by the Directors of First Capital Treasuries PLC (“Company”) and we collectively and individually accept full responsibility for the accuracy of the information given and confirm that provisions of the CSE Listing Rules and the Companies Act No. 07 of 2007 and amendments thereto have been complied with and after making all reasonable enquiries and to the best of our knowledge and belief, that there are no other facts the omission of which would make any statement herein misleading or inaccurate. Where representations regarding the future performance of the Company have been given in the Prospectus, such representations have been made after due and careful enquiry of the information available to the Company and making assumptions that are considered to be reasonable at the present point in time in the best judgement of the Directors.

The parties to the Issue have submitted declarations to the Company declaring that they have complied with all regulatory requirements applicable to such parties, and that such parties have no conflict of interest with the Company. Nevertheless, the Company Secretary, KHL Corporate Services Limited and First Capital Limited, Joint-Managers to the Issue are related parties of First Capital Treasuries PLC.

An application has been made to the Colombo Stock Exchange for permission to deal in and for a listing of the Debentures issued by the Company and those Debentures which are the subject of this issue. We are aware that such permission will be granted when the Securities are listed on the Colombo Stock Exchange and that the Colombo Stock Exchange assumes no responsibility for the correctness of any of the statements made or opinions expressed or reports included in this Prospectus. Further, the listing on the Colombo Stock Exchange is not to be taken as an indication of the merits of the Company or of the Debentures issued.

Name of Director	Designation	Signature
Mr. W.N.I.C. Fernando	Chairman (Independent, Non-Executive Director)	Sgd.
Mr. D. Schaffter	Managing Director (Executive Director)	Sgd.
Mr. D. G. Wirasekara	Director/ CEO (Executive Director)	Sgd.
Mr. R Schaffter	Non-Independent, Non-Executive Director	Sgd.
Ms. M.D.A Perera	Independent, Non-Executive Director	Sgd.
Mr. C. L de Silva	Independent, Non-Executive Director	Sgd.
Dr. N. C. de Mel	Independent, Non-Executive Director	Sgd.

Statutory Declaration by the Joint-Managers to the Issue

We First Capital Limited of No. 02, Deal Place, Colombo 03, who are named in the Prospectus as the Joint-Managers to the Issue hereby declare and confirm that to the best of our knowledge and belief based on the information provided to us by the Company, the Prospectus constitutes full and true disclosure of all material facts about the Issue and First Capital Treasuries PLC whose Debentures are being listed.

Signed by two Directors of First Capital Limited, being duly authorized thereto, on this 20th day of January 2020.

Sgd.
Director

Sgd.
Director

We People's Bank – Investment Banking Unit of People's Bank Head Office, 13th Floor, No. 75, Sir Chittampalam A. Gardinar Mawatha, Colombo 02, who are named in the Prospectus as the Joint-Managers to the Issue hereby declare and confirm that to the best of our knowledge and belief based on the information provided to us by the Company, the Prospectus constitutes full and true disclosure of all material facts about the Issue and First Capital Treasuries PLC whose Debentures are being listed.

The Common seal of People's Bank was affixed on 20th January 2020 at Colombo in the presence of Chairman (Director) and Secretary to the Board of People's Bank.

Sgd.
Chairman / Director

Sgd.
Secretary to the Board of Directors

ANNEXURE II – CREDIT RATING REPORT



ICRA Lanka reaffirms the ratings of First Capital Treasuries PLC

December 27, 2019

Instrument*	Previous Rated Amount (LKR Mn)	Current Rated Amount (LKR Mn)	Rating Action
Issuer rating	N/A	N/A	[SL]A- with stable outlook; Reaffirmed
Subordinated Unsecured Redeemable Debenture programme	500	500	[SL]BBB+ with stable outlook; Reaffirmed
Proposed Subordinated Unsecured Redeemable Debenture programme	-	750	[SL]BBB+ with stable outlook; Assigned

Rating action

ICRA Lanka Limited, subsidiary of ICRA Limited, a group company of Moody's Investors Service, has reaffirmed the issuer rating of [SL]A- (pronounced SL A minus) with stable outlook for First Capital Treasuries PLC (FCT or "the Company"). ICRA Lanka has also reaffirmed the issue rating of [SL]BBB+ (pronounced SL triple B plus) with stable outlook for the LKR 500 Mn Subordinated Unsecured Redeemable Debenture programme of the company. Further, ICRA Lanka has assigned the issue rating of [SL]BBB+ (pronounced SL triple B plus) with stable outlook for the proposed LKR 750Mn Subordinated Unsecured Redeemable Debenture programme of FCT.

Rationale

The ratings continue to factor in FCT's position as one of the leading standalone primary dealers (PD) in Sri Lanka with an established track record, franchise and clientele. The ratings also take comfort from the low credit risk profile, as all the exposures are towards Government securities. ICRA Lanka notes that while the portfolio has modest credit risk, it is however susceptible to adverse movements in interest rates. The ratings take note of the gearing which stood at 8.13 times in September 2019 (gearing adjusted for the deferred tax asset stood at 9.55 times) vis-à-vis 8.99 times in March 2019. The capitalization is adequate with the total capital adequacy ratio standing at 15.0% as at September 2019 compared with 14.7% in March 2018; ICRA Lanka notes that capital adequacy has remained fairly stable despite an increase in the trading portfolio and duration during the same period (to 3.05 years from 1.49 years).

The ratings also take cognizance of the short-term nature of the borrowings profile and the short term asset liability mismatch, with the overnight negative mismatch at 35.0% of the total earning assets in June 2019 vis-à-vis 42.8% in June 2018, and the 90-day negative cumulative mismatch at 8.9% of the total earning assets in June 2019 vis-à-vis 7.8% in June 2018. Nevertheless, the highly liquid nature of the portfolio and access to funding lines provide comfort from a liquidity perspective. Going forward, FCT's ability to reduce its leverage, have an adequate buffer over regulatory requirements and generate commensurate internal generation would be crucial from a ratings perspective.



Outlook: Stable

The Stable outlook factors in FCT's adequate capitalization and its track record as one of the leading primary dealers in Sri Lanka. The outlook may be revised to "Positive" based on FCT's ability to operate profitably across cycles while maintaining a comfortable capital and liquidity profile. The outlook may be revised to "Negative" in case of significant weakening in the earnings, liquidity and capitalization profile or in case its exposure profile shifts away from Government securities.

Key rating drivers

Credit strengths

Position as a leading stand-alone primary dealer in Sri Lanka: FCT is one of the leading standalone primary dealers in Sri Lanka, with a market share of 38% as in December 2018 (in terms of total assets), and a total asset base of LKR 33.4 Bn in September 2019. The company has an established track-record as a PD, a large client base, and repo funding arrangements with most of the leading commercial banks in Sri Lanka.

Modest credit risk: FCT's portfolio stood at about LKR 32.8 Bn in September 2019. The same has increased from LKR 31.4 Bn in March 2019 and LKR 26.4 Bn in September 2018. The portfolio comprises of treasury bills, bonds and reverse repos on government securities (which are highly liquid assets), and therefore carries no significant credit risk. However, FCT is exposed to interest rate risk as the trading portfolio is marked to market based on systemic interest rates; the weighted average portfolio duration stood at 3.05 (in years) in September 2019, and has increased from 2.14 (years) in March 2019 and 1.87 (years) in June 2018.

Adequate capitalization profile: As in September 2019, the total capital base (Tier I and Tier II) of the company stood at LKR 3,400 Mn (post adjustment for a deferred tax asset of LKR 541Mn); the total capital adequacy ratio stood at 15.00% (Tier 1 - CAR at 13.67%) above the regulatory minimum of 10%. As in September 2019, reported gearing for the company stood at 8.13 times, while gearing adjusted for the deferred tax asset, stood at about 9.55 times. Due to an adverse market environment, company earned a modest net profit of LKR 96 Mn in FY2019 vis-à-vis a net profit of LKR 1,671 Mn (inclusive of deferred tax gain of LKR 847Mn) in FY2018. However, in the 6M ended September 2019, due to a favourable market environment, company reported a net profit of LKR 671 Mn resulting in a higher accretion to net worth. While the current capitalization remains comfortable in relation to the risk profile, the impact of any future interest rate movements on the earnings and capital profile would be a key monitorable.

Credit challenges

Short term asset liability mismatch (ALM), especially in the overnight maturity: FCT intends to maximize net interest income by leveraging on short-term repo borrowings, whilst maintaining a medium term (about 2-3 years) duration on its overall portfolio. Hence, company is subject to a short term ALM mismatch; as in June 2019, the negative overnight mismatch was 35.0% of total earning assets compared to 42.8% in June 2018, whilst the 90-day negative cumulative mismatch was 8.9% of total earning assets in June 2019 compared with 7.8% in June 2018. However, the highly liquid nature of the portfolio and access to about LKR 1.55 Bn in unutilized funding lines from commercial banks as at September 2019, provides comfort. Further, as a licensed primary dealer, FCT has access to overnight liquidity lines from the Central Bank of Sri Lanka (CBSL), as the lender of last resort.

Vulnerability to interest rate risk: Notwithstanding the lower credit risk, FCT's portfolio is exposed to market risk due to its susceptibility to adverse movements in the interest rates, where the company could make trading losses and fair valuation losses based on systematic rate movements. Accordingly, based on



the portfolio as at September 2019, ICRA Lanka estimates that a rise in interest rates by 100bps would reduce the total CAR by 360bps and increase gearing to around 11 times. During the 6 months ended September 30, 2019, company achieved a trading profit of LKR 892 Mn and fair valuation loss of LKR 57 Mn in the context of falling interest rates, whereas net interest income during the period stood at LKR 215 Mn. However, ICRA Lanka takes comfort from the healthy capital profile of the company which would enable it to withstand negative interest rate movements.

Analytical approach: For arriving at the ratings, ICRA Lanka has applied its rating methodologies as indicated below.

Links to applicable criteria: [ICRA Lanka Rating Methodology for Primary Dealers](#)

About the company:

Incorporated in year 1982, FCT is a licensed primary dealer of government securities in Sri Lanka. The company is 94.44% held by First Capital Limited, while First Capital Limited is in-turn 100% held by First Capital Holdings PLC. First Capital Holdings PLC (FCH) is 83.02% held by Janashakthi PLC (JPLC), the parent of group companies in December 2019. Previously, FCH was held by JPLC via Dunamis Capital PLC (DCP).

With JPLC's acquisition of DCP, JPLC became the ultimate parent of FCT (in December 2018). On October 29, 2019, shareholder approval was obtained for the amalgamation of DCP and JPLC, resulting in DCP ceasing to exist and all of its subsidiaries (namely, FCH and Kelsey Development PLC) becoming the immediate subsidiaries of JPLC. Consequently, DCP was amalgamated with JPLC on December 6, 2019.

For the financial year ended March 31, 2019, FCT reported a net profit of LKR 96 Mn on a total asset base of LKR 32.3 Bn, vis-à-vis net profit of LKR 1,671 Mn (including a deferred tax asset of LKR 847 Mn) on a total asset base of LKR 25.5 Bn during the previous fiscal. For 6 months ended September 30, 2019, FCT reported a net profit of LKR 671 Mn on a total asset base of LKR 33.4 Bn.

Key financial indicators (Audited)

	FY2018	FY2019	6MFY2020*
Net Interest Income	361	414	215
Net Trading Profit	637	(153)	835
Other Income	-	8	2
Net Operating Income	998	269	1,052
Profit after Tax	1,671	96	671
Net worth	3,131	3,225	3,641
Trading Portfolio	23,376	29,533	26,888
Total Assets	25,503	32,323	33,413
Return on Equity	53.37%	2.97%	36.87%
Return on Average Assets	7.05%	0.33%	4.09%
Capital Adequacy Ratio (%)	14.69%	15.69%	15.00%
Gearing (times)	7.09	8.99	8.13
Adjusted Gearing (times)**	9.72	11.99	9.55

* Unaudited ** Gearing adjusted for one-off gains



Rating history for last three years: First Capital Treasuries PLC

Instrument	Amount Rated (LKR Mn)	Current Rating FY2020 Dec-19	Chronology of Rating History for the last 3 years		
			FY2019 Nov-18	FY2018 Sep-17	FY2017 Sep-16
Issuer rating	N/A	[SL]A- (Stable)	[SL]A- (Stable)	[SL]A- (Stable)	[SL]A- (Stable)
Subordinated unsecured redeemable debentures	500	[SL]BBB+ (Stable)	[SL]BBB+ (Stable)	[SL]BBB+ (Stable)	[SL]BBB+ (Stable)
Subordinated unsecured redeemable debentures (proposed)	750	[SL]BBB+ (Stable)	NA	NA	NA

ANALYST CONTACTS

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Subsidiary of

ICRA Limited

A Group Company of Moody's Investors Service

CORPORATE OFFICE

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ANNEXURE III – COLLECTION POINTS

Copies of the Prospectus and Application Form can be obtained free of charge from the following Collection Points.

Joint-Managers to the Issue	Registrars to the Issue
<p>First Capital Limited No. 02, Deal Place, Colombo 03 T: +94 112 639 894 F: +94 112 576 866</p> <p>People's Bank Investment Banking Unit People's Bank Head Office, 13th Floor, No. 75, Sir Chittampalam A. Gardiner Mawatha, Colombo 02. Tel: +94 112 206 782 / +94 112 206 795 Fax: +94 112 458 842</p>	<p>SSP Corporate Services (Pvt) Limited No. 101 Inner Flower Road Colombo 03 Tel: +94 112 573 894 Fax: +94 112 573 609</p>

Members of the CSE

<p>Acuity Stockbrokers (Private) Limited Level 6, Acuity House 53, Dharmapala Mawatha Colombo 03 Tel: +94 11 2 206 206 Fax: +94 11 2 206 298-9 E-mail: sales@acuitystockbrokers.com</p>	<p>Asha Securities Limited No.60, 5th Lane, Colombo 03. Tel: +94 11 2 429 100 Fax: +94 11 2 429 199 E-mail: asl@ashasecurities.net</p>
<p>Asia Securities (Private) Limited 4th Floor, Lee Hedges Tower, No.349, Galle Road, Colombo 03. Tel: +94 11 7 722 000 Fax: +94 11 2 372 280 E-mail: marketinfo@asiasecurities.lk</p>	<p>Assetline Securities (Private) Limited 120, 120A, Pannipitiya Road Battaramulla Tel: +94 11 4 700 100 Fax: +94 11 4 700 112 E-mail: info@assetline.lk</p>
<p>Bartleet Religare Securities (Private) Limited Level "G", "Bartleet House" 65, Braybrooke Place Colombo 02 Tel: +94 11 5 220 200 Fax: +94 11 2 434 985 E-mail: info@bartleetstock.com</p>	<p>Capital Trust Securities (Private) Limited 42, Sir Mohamed Macan Markar Mawatha Colombo 03 Tel: +94 11 2 174 174 Fax: +94 11 2 174 173 E-mail: inquiries@capitaltrust.lk</p>

<p>CT CLSA Securities (Private) Limited 4-14, Majestic City 10, Station Road Colombo 04 Tel: +94 11 2 552 290-4 Fax: +94 11 2 552 289 E-mail: info@ctclsa.lk</p>	<p>First Capital Equities (Pvt) Limited No.2, Deal Place, Colombo 03. Tel: +94 11 2 639 898 Fax: +94 11 5 736 264 E-mail: equity@firstcapital.lk</p>
<p>J B Securities (Private) Limited 150, St. Joseph Street Colombo 14 Tel: +94 11 2 490 900 Fax: +94 11 2 430 070 E-mail: jbs@jb.lk</p>	<p>John Keells Stockbrokers (Private) Limited 186, Vauxhall Street, Colombo 02. Tel: +94 11 2 306 250 Fax: +94 11 2 342 068 E-mail: jkstock@keells.com</p>
<p>Lanka Securities (Private) Limited 228/1, Galle Road Colombo 04 Tel: +94 11 4 706 757, +94 11 2 554 942 Fax: +94 11 4 706 767 E-mail: info@lankasec.com</p>	<p>Somerville Stockbrokers (Private) Limited No. 1A, Park way, Park Road, Colombo 05. Tel: +94-11 2 502 852/ 54/ 58/ 62 Fax: +94 11 2 502 852 E-mail: contact@somerville.lk</p>
<p>NDB Securities (Private) Limited Level 2, NDB Capital Building, No. 135, Bauddhaloka Mawatha, Colombo 04 Tel: +94 11 2 131 000 Fax: +94 11 2 314 181 E-mail: mail@ndbs.lk</p>	<p>SC Securities (Private) Limited 5thFloor, No. 26B, Alwis Place Colombo 03 Tel: +94 11 4 711 000 Fax: +94 11 2 394 405 E-mail: itdivision@sampathsecurities.lk</p>

Trading Members

<p>Softlogic Stockbrokers (Private) Limited No.06, 37th Lane, Queens Road, Colombo 03. Tel: +94 11 7 277 000 Fax: +94 11 7 277 099 Email: ssb.inquiry@softlogic.lk</p>	<p>Capital Alliance Securities (Private) Limited Level 5, “Millennium House” 46/58, Navam Mawatha Colombo 02 Tel: +94 11 2 317 777 Fax: +94 11 2 317 788 Email: info@cal.lk</p>
<p>Navara Securities (Private) Limited No.12B, Gregory’s Road Colombo 07. Tel: +94 11 2 358 700/20, Fax: +94 11 5 005 551 E-mail: info@navarasecurities.lk</p>	<p>First Guardian Equities (Private) Limited 32nd Floor, East Tower World Trade Centre Echelon Square Colombo 01 Tel: +94 11 5 884 400 Fax: +94 11 5 884 401 E-mail: info@fge.lk</p>
<p>Candor Equities Limited Level 8, South Wing Millennium House 46/58, Navam Mawatha Colombo 02 Tel: +94 11 2 359 100 Fax: +94 11 2 305 522 E-mail: info@candorh.com</p>	<p>LOLC Securities (Private) Limited No.481, T.B. Jayah Mawatha Colombo 10. Tel: +94 11 5 889 889 Fax: +94 11 2 662 883 E-mail: info@lolcsecurities.com</p>
<p>SMB Securities (Private) Limited No. 02, Gower Street, Colombo 05. Tel: +94 11 4 388 138 Fax: +94 112 550 100 E-mail: info@smbsecurities.lk</p>	<p>Richard Pieris Securities (Pvt) Limited No 310, Highlevel Road, Nawinna, Maharagama. Tel: +94 11 4 310 500 Fax: +94 11 2 330 711 E-mail: rpfsf@rpsecurities.com</p>
<p>Taprobane Securities (Private) Limited 2nd Floor 10, Gothami Road Colombo 08 Tel: +94 11 5 328 200 Fax: +94 11 5 328 177 E-mail: info@taprobane.lk</p>	<p>Enterprise Ceylon Capital (Private) Limited No.73/1, Dharmapala Mawatha, Colombo 07. Tel: +94 11 2 445 644 Fax: +94 11 2 372 541 E-mail: info@ecc.lk</p>

Trading Members – Debt

NSB Fund Management Company Limited No. 255, 1st Floor NSB Head Office Galle Road Colombo 3 Tel: +94 -11 2 564 601 Fax: +94 11 2 574 387	Capital Alliance Limited Level 5, "Millenium House" 46/58, Nawam Mawatha Colombo 2 Tel: +94 11 2 317 777 Fax: +94 11 2 317 788
Wealthtrust Securities Limited No. 32, Dudley Senanayake Mawatha, Colombo 08. Tel: +94 11 2 675 091 – 4 Fax: +94 11 2 689 605 E-Mail: info@wealthtrust.lk	

ANNEXURE IV – CUSTODIAN BANKS

Bank of Ceylon (Head Office) 11th Floor, 04, Bank of Ceylon Mawatha, Colombo 01 T: +94 11 2448348, 2338742/55, 2544333	Citi Bank, N A 65 C, Dharmapala Mawatha, Colombo 07 T: +94 11 2447316/8, 2447318, 2449061
Commercial Bank of Ceylon PLC Commercial House, 21, Sir Razik Fareed Mawatha, Colombo 01 T: +94 11 2445010-15, 238193-5, 430420	Deutsche Bank AG 86, Galle Road, Colombo 03 T: +94 11 2447062, 2438057
Hatton National Bank PLC HNB Towers, 479, T. B. Jayah Mawatha, Colombo 10 T: +94 11 2664664	The Hong Kong and Shanghai Banking Corporation Limited 24, Sir Baron Jayathilake Mawatha, Colombo 01 T: +94 11 2325435, 2446591, 2446303
People's Bank (Head Office) 5th Floor, Sir Chittampalam A Gardiner Mawatha, Colombo 02 T: +94 11 2781481, 237841-9, 2446315/6	Standard Chartered Bank 37, York Street, Colombo 01 T: +94 11 4794400, 2480000
Sampath Bank PLC 110, Sir James Peiris Mawatha, Colombo 02 T: +94 11 5331441	State Bank of India 16, Sir Baron Jayathilake Mawatha, Colombo 01 T: +94 11 2326133-5, 2439405-6, 2447166
Seylan Bank PLC Level 8, Ceylinco Seylan Towers, 90, Galle Road, Colombo 03 T: +94 11 2456789, 4701812, 4701819	Union Bank of Colombo Limited 64, Galle Road, Colombo 03 T: +94 11 2370870
Nations Trust Bank PLC 256, Sri Ramanathan Mawatha, Colombo 15 T: +94 11 4313131	Banque Indosuez C/o Hatton National Bank Limited Cinnamon Garden Branch 251, Dharmapala Mawatha Colombo 07 T: +94 11 2 686 537, 011 2 689 176
Pan Asia Banking Corporation PLC (Head Office) 450, Galle Road, Colombo 03 T: +94 11 2565565	Public Bank Berhard 340, R.A. De Mel Mawatha Colombo 03 T: +94 11 2576289

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