FIRST CAPITAL TREASURIES PLC
ANNUAL REPORT
2020-21

First Capital
A Janashakthi Group Company

CONTENT

FINANCIAL HIGHLIGHTS

For the year ended 31 March	2021	2020	Variance
Income Statement (Rs'000)			
Income	**4,294,461**	3,708,401	586,060
Net Trading Income before Expenses	**2,792,503**	2,015,440	777,063
Profit after tax	**1,837,281**	1,207,577	629,704
Total Comprehensive Income	**1,835,035**	1,206,333	628,702
Selected Return Ratios (Percentage)			
Return on Average Equity	**44.51%**	34.69%	9.82%
Return on Average Assets	**5.82%**	3.46%	2.36%
Financial Position (Rs'000)			
Total Assets	**25,724,457**	37,382,601	(11,658,144)
Total Shareholders' Funds	**4,518,223**	3,737,403	780,820
Stated Capital	**256,500**	256,500	-
Funds Employed (Equity/ Debt)	**24,607,950**	36,678,518	(12,070,568)
Selected Ratios (Time/ Percentage)			
Leverage Ratio (Debt to Equity)	**4.45**	8.81	(4.36)
Interest Cover	**2.84**	1.86	0.98
Capital Adequacy Ratio	**33.22%**	26.20%	7.02%
Shares related information*			
Earnings per Share (Rs.)	**11.94**	7.85	4.09
Dividend per Share (Rs.)	**3.35**	5.15	(1.80)
Net Assets per Share (Rs.)	**29.36**	24.29	5.07
Dividend Payout Ratio (Percentage)	**28.06%**	65.61%	(37.55%)
Number of Shares issued	**153,900,000**	153,900,000	-

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

CHAIRMAN'S STATEMENT

I am pleased to present to you the Annual Report and Audited Financial Statements of First Capital Treasuries PLC (FCT) for the year ended 31 March 2021.

PERFORMANCE

It is inspiring to note that FCT performed remarkably well achieving a Profit after Tax of Rs. 1.84Bn for the year 2020/21 compared to Rs. 1.21Bn in the previous year to record its best performance to date. Most significantly, FCT continued to account for the highest amongst standalone primary dealers raising debt for the government, taking up as much as 9% and 6% of the total issuance of treasury bonds and treasury bills respectively in 2020.

In addition to the effective execution of prudent strategies, FCT's performance was also well supported by a conducive Monitory Policy environment of low interest rates, and a relaxed policy stance adopted by the Central Bank of Sri Lanka (CBSL) to stimulate economic activities.

The key policy interest rates of Standing Deposit Facility Rate (SDFR) and Standing Lending Facility Rate (SLFR) were reduced by a total of 250 basis points on five occasions, to their historically lowest levels of 4.50% and 5.50% respectively.

Streamlining of shared services during the year under review saw us beginning to harness the synergies of operating as part of the Janashakthi Group. I am pleased to bring to your notice that the rating awarded to FCT by ICRA Lanka Limited was upgraded during the year to [SL] A from [SL] A- in the previous year.

DIVIDEND

First Capital Treasuries PLC declared an interim dividend of Rs. 3.35 per share (adjusted for sub-division of shares) which amounted to a total dividend payout of Rs. 515.6Mn for the financial year 2020/21. The dividend was paid out in March 2021.

GOVERNANCE

At FCT, its Board as well as the Board of its parent Company, First Capital Holdings PLC set the tone at the top by promoting professional standards and corporate values that cascade down to senior management and other employees of the Company.

We encourage open discussion to ensure transparency and free flow of ideas, that also enhance Board decisions and effective implementation of the Company's strategies. In creating long term value to its stakeholders, your Company believes that the highest standard in governance is indispensable and must not be compromised.

Moreover, FCT ensures that its mechanisms for good governance are constantly reviewed, benchmarked and strengthened to meet evolving requirements.

OUTLOOK

The Central Bank of Sri Lanka anticipates growth estimates to be revised to below 5.0% from an earlier expectation of 6.0% amidst restrictions due to multiple variants of the virus spreading across the Island and as several parts of the world are witnessing a resurgence of the COVID-19 pandemic.

Further, the Central Bank of Sri Lanka is likely to continue its policy to maintain a low interest rate environment over the year to stimulate economic activities considering the aggravated economic challenges due to the pandemic and lockdown conditions. The move is expected to offer relief to those whose livelihoods have been disrupted

We will look to sustain FCT's position as the leading standalone Primary Dealership in the primary auction and amongst the top three participants in the secondary market as we continue to adapt strategies that have served us well. FCT will continue to further strengthen our platform for sustained long term growth, as we remain open to new opportunities which can complement our profitability.

APPRECIATIONS

As we look to the years ahead, I would like to convey my sincere appreciation to my colleagues on the Board for their valued contribution and constant support for steering the Company to achieve outstanding results, and to the entire team of loyal employees led by the Managing Director and the Director/Chief Executive Officer, whose talents, unreserved effort and commitment continue to broaden the horizons for the Company.

My gratitude is also due to the officials of the Central Bank of Sri Lanka and other regulatory bodies for their valuable guidance and support and the vital role they play in the industry, and to all our stakeholders and customers for their loyalty which continues to inspire us.

(Sgd.)
Nishan Fernando
Chairman

11 August 2021

DIRECTOR/CHIEF EXECUTIVE OFFICER'S REVIEW

PERFORMANCE HIGHLIGHTS

I am pleased to report an outstanding performance by First Capital Treasuries PLC (FCT), the Primary Dealing arm of First Capital Holdings PLC (FCH). The Company recorded its highest- ever Profit after Tax of Rs. 1.84Bn in 2020/21 (2019/20 - Rs. 1.21Bn), well supported by the low interest rate regime maintained since February 2020.

INDUSTRY ENVIRONMENT

Indicating a significant improvement in profitability following the decline in yields of the government securities, Standalone Primary Dealership (PD) companies reported a Profit after Tax of Rs. 4.9Bn during 2020 compared to Rs. 3.8Bn in the previous year. The significant increase in trading gains recorded in 2020 compared to 2019 has largely contributed to the increase in profits.

Consequently, the PD companies reported an increased Return on Assets (ROA) and Return on Equity (ROE) of 7.6% and 30.5% respectively by end 2020 from 6% and 28.5% recorded in 2019 respectively. Equity of PD companies increased by 11.2%, largely due to accumulation of profit during the year. The Risk Weighted Capital Adequacy Ratio (RWCAR) of the PD companies was well above the statutory minimum of 10% despite a marginal decline to 27% as at the end of 2020 from 27.6% reported as at the end of 2019.

The total investment portfolio of government securities consisting of trading, available for sale and held to maturity portfolios amounted to Rs. 80.1Bn at the end of 2020, recording an increase of 15.5% during the year. The total asset base of Primary Dealer (PD) companies increased by 12.4% to Rs. 87.2Bn in 2020.

Trading portfolio increased to Rs. 62.6Bn by the end of 2020 from Rs. 57.5Bn recorded at the end of 2019 while the held to maturity portfolio increased to Rs. 14.7Bn at the end of 2020 from Rs. 8.6Bn at the end of 2019. Available for sale portfolio decreased to Rs. 2.8Bn by the end of 2020 compared to Rs. 3.3Bn as at the end of 2019.

COMPANY PERFORMANCE

FCT's Profit after Tax of Rs. 1.84Bn mainly comprised trading gains on sale of government securities amounting to Rs. 2.47Bn and net interest income amounting to Rs. 519Mn. FCT was able to make substantial gains on sale of government securities, particularly during the first half of the year by capitalising on trading opportunities. Further, the Company was able to realise substantial exchange gains from depreciation of the Rupee as envisaged, with the adaptation of the strategic decision we made at the beginning of 2020/21 to expand our portfolio of investments into US Dollar denominated Sri Lanka Development Bonds (SLDB).

OUTLOOK

We expect that the low interest rate environment to continue in 2021/22 despite the upward pressure on interest rate. In a backdrop of low foreign exchange inflows, low economic activities and diminishing foreign reserves, the Sri Lankan Rupee is likely to depreciate further.

FCT remains positive on the opportunities in the year ahead to further enhance its interest income in the primary dealership market.

The rapid digitalisation initiatives of FCH aimed at enhancing the ease of doing business and the introduction of non-face-to-face account opening for individual clients, requiring no physical documentation with minimal inconvenience to customers, ensure speedy processors and the safety of our people. FCT thus stands well poised, backed by the strength of our ultimate parent company – the Janashakthi Group, to deliver a new phase of growth.

APPRECIATIONS

I would like to express my gratitude to our Chairman and my colleagues on the Board and the entire team that makes up FCT for their talents, commitment and dynamism. My sincere thanks also go to the Central Bank of Sri Lanka and other regulatory bodies for their guidance and the invaluable role they play in the development of the industry. My sincere appreciation is due to all our clients for their trust in us and the inspiration they provide us to keep raising the bar for ourselves and the industry.

(Sgd.)
Dilshan Wirasekara
Director/Chief Executive Officer

11 August 2021

BOARD OF DIRECTORS

NISHAN FERNANDO
Independent Non-Executive Chairman

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

He counts over 30 years of experience, during which period he has held the position of CFO/ Head of Finance at leading corporates in Sri Lanka. Nishan is a Past President of the Institute of Chartered Accountants of Sri Lanka. He has served on the International Accounting Education Standards Board of the International Federation of Accountants, and its Consultative Advisory Board. He has also served on the Board of South Asian Federation of Accountants. He is currently serving as the Vice Chair of the Asia Oceanian Standards Setters' Group and is the Chair Elect for 2022-2023.

He had been a Commission Member of the Securities and Exchange Commission of Sri Lanka and also served on the Accounting and Auditing Standards Monitoring Board, Governing Boards of Postgraduate Institute of Management and of National Institute of Business Management. He has been serving on the Sri Lanka Accounting Standards Committee for over sixteen years and chaired it in 2009-2013 during which period Sri Lanka fully converged with IFRS. He has also been chairing the SLFRS Implementation and Interpretation Committee of CA Sri Lanka.

Other principal appointments
Chairman: First Capital Holdings PLC
Managing Director: BDO Consulting (Pvt) Limited

DINESH SCHAFFTER
Managing Director

Dinesh Schaffter currently serves as the Managing Director of First Capital Holdings PLC and its subsidiaries. He has a background in finance, and substantial experience and expertise of over 25 years, during which he has executed a range of transactions including M&A, restructuring and business valuations.

With professional qualifications in Finance as a Member of the Chartered Institute of Management Accountants (CIMA), UK, a Bachelor's Degree in Law (LL.B.) and an Executive Master's Degree in Business Administration (MBA) from INSEAD, France, his insights are valuable to the company in developing strategies for expansion, acquisitions and business collaboration. He was formerly the Managing Director of Kelsey Developments PLC and Dunamis Capital PLC.

Other principal appointments
Managing Director: First Capital Holdings PLC
Director: Janashakthi Limited, Janashakthi Insurance PLC and Kelsey Developments PLC

DILSHAN WIRASEKARA
Director/Chief Executive Officer

Dilshan Wirasekara, Director/Chief Executive Officer of First Capital Holdings PLC is an experienced professional with a career spanning over 25 years, comprising diversified expertise in financial services including, banking, treasury and investment management, capital market strategy and corporate finance advisory services.

Having joined First Capital in 2013, Wirasekara steered the Company, a full service investment institution holding licenses as a primary dealer in government securities, stock brokering as a full trading member of the CSE, unit trust management and wealth management licensed by SEC and debt structuring, trading and corporate finance advisory in addition to its fully fledged research unit covering macro fundamentals, equity and fixed income, to establish itself as a significant contributor to the local capital market industry. He spearheaded the formation of key debt structuring deals with internationally based development Financial Institutions as well the signing of strategic partnerships with foreign institutions focusing on emerging markets such as Sri Lanka.

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

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

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

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

PRAKASH SCHAFFTER
Non-Independent Non-Executive Director

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

Over the course of his tenure of leadership as the Executive Chairman of Janashakthi Insurance PLC, he has led Janashakthi through a growth phase that saw Janashakthi become the third largest Non-Life Insurer. He was instrumental in acquiring the Non-Life segment of AIA Insurance Lanka in 2015 and also led the divestment project of Janashakthi's Non-Life segment in 2018.

Prakash is a former President of the Insurance Association of Sri Lanka, and continues to impact the business sector through his membership on the council of the Sri Lanka Institute of Directors (SLID). He served on the Boards of several listed and unlisted entities including the Bank of Ceylon and has been amongst the youngest Fellow Members of the Chartered Insurance Institute. He has also served as President of the Young Presidents Organisation of Sri Lanka.

Board of Directors

A former first-class cricketer, he represented both the University of Cambridge and London University during his cricketing career. He has also served as President and Secretary of the Tamil Union Cricket and Athletic Club. He is a former Secretary of Sri Lanka Cricket, having served on three separate occasions on Interim Committees appointed by the Government.

Other principal appointments
Chairman: Janashakthi Insurance PLC
Deputy Chairman: Janashakthi Limited
Director: First Capital Holdings PLC, Kelsey Developments PLC, Orient Finance PLC

RAMESH SCHAFFTER
Non-Independent Non-Executive Director

Ramesh Schaffter serves as Managing Director/Group Chief Executive Officer of Janashakthi Limited. Counting over three decades of experience in Finance and Marketing, he is a Fellow Member and former Council Member of the Chartered Institute of Management Accountants, Sri Lanka, and an Associate Member of the Chartered Institute of Marketing. He has served on the Boards of several public listed and unlisted companies.

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

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

Other principal appointments
Managing Director/ Group Chief Executive Officer: Janashakthi Limited
Director: First Capital Holdings PLC, Janashakthi Insurance PLC, Kelsey Developments PLC, Orient Finance PLC, Serendib Land PLC.

MINETTE PERERA
Independent Non-Executive Director

Minette Perera was the Group Finance Director of the MJF Group, which comprises several tea growing, packing and exporting companies, supplying the "Dilmah Tea" brand around the world, from September 2000 till March 2013.

During the period of her employment with the MJF Group, she was appointed a Director of the MJF Group of Companies, including MJF Holdings Limited. She continues to hold Board positions in some Companies of the MJF Group. She has also held board positions before joining the MJF Group.

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

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

CHANDANA DE SILVA
Independent Non-Executive Director

Chandana de Silva, who has 32 years of managerial and financial experience acquired in Sri Lanka and the United Kingdom, held several senior management positions including that of Chief Financial Officer of a Nasdaq quoted data communication services company during his 23 years of work experience in the UK. Since moving back to Sri Lanka in 2002 he worked at MAS Holdings in a variety of roles and established its Supply Chain Management function, set up the MAS training centre and was the Chief Executive Officer of the MAS Investments Division.

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

He now serves as a Non-Executive Board member and as a consultant.

Other principal appointments
Chairman: Janashakthi Limited
Director: First Capital Holdings PLC, Kelsey Developments PLC, Eureka Technologies (Pvt) Limited, 24/7 Techies (Pvt) Limited, Reap Digital (Pvt) Limited and Bairaha Farms PLC.

NISHAN DE MEL
Independent Non-Executive Director

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

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

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

ECONOMIC BACKDROP

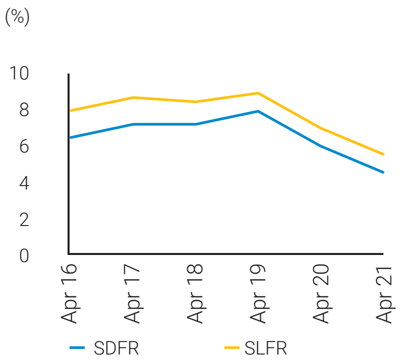
The year recorded the worst recession in decades due to the severe social and economic impacts of the COVID-19 pandemic. As reported by the IMF in its World Economic Outlook of April 2021, the global economy contracted by 3.3% in 2020 compared to a growth of 2.8% in 2019. Advanced economies were estimated to have contracted by 4.7% while a contraction of 2.2% was estimated in relation to emerging market and developing economies. Meanwhile in China, where the COVID-19 pandemic originated, the economy recorded a growth of 2.3% in 2020.

During the year 2020, the Sri Lankan economy contracted by 3.6% reflecting the worst recession since independence, due to the unprecedented impacts via outbreak of the COVID-19 coupled with the adverse impact of the Ester attack in 2019. The economic performance, combined with low foreign currency liquidity and the sharp rise in the Sovereign Debt to GDP ratio led to a downgrade of Sri Lanka's Long-Term Foreign-Currency Issuer Default Rating (IDR) by Fitch Ratings to 'CCC' from 'B-' in November 2020.

INDUSTRY ENVIRONMENT

Domestic money market liquidity which remained broadly in surplus levels since mid-April 2019 was maintained at significantly high levels since the outbreak of COVID-19 to provide sufficient space for financial markets to support the affected businesses and individuals and to stimulate economic activities. Accordingly, the key policy interest rates of Standing Deposit Facility Rate (SDFR) and Standing Lending Facility Rate (SLFR) were reduced by the Central Bank of Sri Lanka (CBSL) by a total of 250 basis points on five occasions to their historically lowest levels of 4.50% and 5.50% respectively.

Central Bank of Sri Lanka - Policy Rates (2016/17 - 2020/21)



Moreover, reductions in the Statutory Reserve Ratio (SRR) in March and June 2020 the CBSL's purchases of government securities from the primary market, transfers of distributable profits of CBSL to the Government, CBSL's purchases of foreign currency from the domestic foreign exchange market, entering into foreign currency swap agreements with licensed banks and the disbursement of credit through the Saubagya COVID-19 Renaissance Facility schemes resulted in a notable increase in domestic money market liquidity during this period.

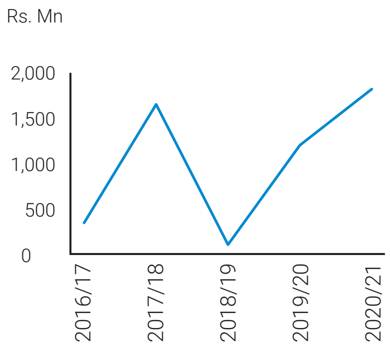
Additional liquidity was provided to the standalone primary dealers as required through the liquidity support facility (LSF). Subsequently, overnight money market liquidity increased to around Rs. 220Bn by mid-June 2020 and the CBSL allowed this surplus liquidity conditions to remain in the market, thereby inducing downward pressure on market interest rates and encouraging credit disbursements. The CBSL conducted term reverse repurchase auctions and provided liquidity through the LSF during the period from end September to mid-November 2020 amidst liquidity absorptions arising from the scheduled foreign loan repayments. Given these developments, the daily liquidity in the domestic money market which on average remained around Rs. 30Bn in 2019, increased significantly to around Rs. 130Bn in 2020. Further, driven by the purchases of government securities in the primary market by the CBSL, money market liquidity, on average, increased to around Rs. 160Bn in the first quarter of 2021, despite occasional reductions in liquidity due to scheduled foreign loan repayments and maturities of government securities.

Primary Dealer (PD) companies reported Profit after Tax of Rs. 4.9Bn for the year 2020 compared to Rs. 3.8Bn in the previous year indicating a significant improvement in the profitability consequent to the decline in yields of Government Securities. The significant increase in trading gains recorded in 2020 compared to 2019 has been the main contributor to the increase in profits despite the marked-to-market losses recorded by PD companies in year 2020.

COMPANY PERFORMANCE

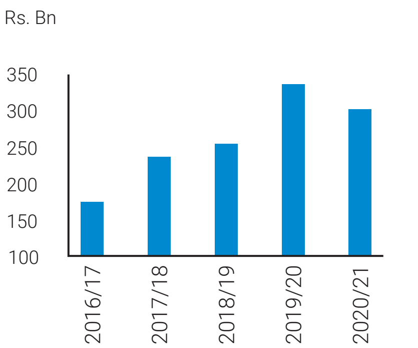
First Capital Treasuries PLC (FCT) showed remarkable performance with a Profit after Tax of Rs. 1.84Bn in 2020/21 compared to Rs. 1.21Bn in the previous year. In addition to the effective execution of prudent strategies, FCT's performance was also well supported by a conducive policy environment of low interest rates maintained by the CBSL. FCT's Profit after Tax comprised trading gains on sale of government securities amounting to Rs. 2.47Bn and net interest income amounting to Rs. 519Mn.

FCT - Profit after Tax (2016/17 - 2020/21)



FCT continued to account for the highest amongst private sector entities raising debt for the government, taking up as much as 9% and 6% of the total issuance of treasury bonds and treasury bills respectively in 2020. The sale of government securities by FCT for the year 2020/21 was Rs. 302Bn (2019/20 – Rs. 336Bn).

FCT - Sale of Government Securities (2016/17 - 2020/21)



The strategic decision that we made at the beginning of 2020/21 to expand our portfolio of investments into US Dollar denominated Sri Lanka Development Bonds (SLDB) proved fruitful as the Company was able to realise the envisaged exchange gains from depreciation of the Rupee.

HUMAN RESOURCES

During the year 2020/21, the Company enabled further measures to facilitate work from home and other safety protocols for employees. Moreover, initiatives to enhance skills and capabilities of our people and to keep them motived were taken on. As such, internal and external knowledge development programmes and a variety of virtual fellowship events were conducted.

OUTLOOK

Advanced economies are expected to recover faster than most emerging market economies due to increased access to vaccines and large policy space available to maintain accommodative macroeconomic policies for an extended period. However, this recovery is expected to vary across and within regions, attributed to variations in the magnitude of disruptions, the size and effectiveness of policies, pre-pandemic fiscal and socioeconomic conditions and coverage of vaccine rollout.

The IMF projects for global growth for the next few years have been revised upward by to 6% in 2021 and 4.4% in 2022 reflecting a stronger-than-expected recovery from the pandemic. Accordingly, advanced economies are projected to grow by 5.1% and 3.6%, in 2021 and 2022 respectively.

In Sri Lanka, the CBSL anticipates that growth estimates to be revised to below 5.0% from an earlier expectation of 6% amidst extensive restrictions on businesses, livelihoods, and many aspects of everyday lives resulting in a heavier toll on the economy. The CBSL is likely to continue a low interest rate policy stance until 2022. Accordingly, Average Lending and Deposit rates are expected to remain low over the year ahead.

RISK MANAGEMENT

First Capital Treasuries PLC (the Company) aligns the enterprise risks to the strategic objectives of the Company. The Senior Management of the Company identifies, measures, responds to all types of risk with an oversight by the Board of Directors. This sets the basis of risk appetite of the Company which is closely monitored by the risk function independent from the business function.

We also have the advantage of having insights from the competent research team to analyse the dynamics of economic, political, and social environment to forecast the scenarios impacting our investments and to mitigate the risks encountered in a robust manner. The above will enable us to stress test our exposures in order to initiate timely mitigating measures.

The Company's risk management model is based on 3 lines of defence;

RISK CULTURE

Oversight (3 Lines of Defence)

1st Line
Operations

2nd Line
Independent Risk and Compliance Division

3rd Line
Internal / External Audit

Oversight (Governance)

- **Delegated Authority Manual**
- **Group Limit Structure**
- **Process Manuals**
- **Group Policies and Procedures**

Committees

- **Enterprise Risk Management Committee**
- **Board Audit Committee**
- **Related Party Transactions Review Committee**

System and Control Infrastructure

Communication, Education, Training and Guidance

FIRST LINE

The first line of defence is made up of business units assisted by support functions. The activities undertaken by them will give rise to different risk exposures which are managed by well - documented and Board approved procedures, internal controls and limits.

Front office and back office staff members engaged in business operations, perform their tasks in accordance with the regulatory compliances, approved internal policies, procedures, and controls. They contribute invaluable inputs to update the Risk Register which will ultimately improve the risk awareness and risk culture across the Company.

SECOND LINE

The second line of defence is made of Enterprise Risk Management Committee (ERMC) and Independent Risk and Compliance division, responsible for effective management and to ensure that the risks undertaken are within the level of defined risk appetite. ERMC is a Board sub-committee chaired by an Independent Non-Executive Director, that ensure principal and emergent risks as well as events and outcomes which may significantly impact business continuity, profitability and reputation are identified, assessed and responded through appropriate controls whilst apprising the Board in this regard.

The Risk and Compliance division coordinates the risk management processes across the Company to ensure that risk management and internal control systems are ingrained in the Company culture. The Risk and Compliance division is also responsible for giving assurance to the ERMC and the Audit Committee on regulatory compliance and risk tolerance.

One of the salient features of the Company is its Middle Office. The Division consist of staff members who are competent and experienced to validate all the transactions of the Company based on prevailing market rates/prices and economic conditions. Middle office validates transaction risks for price, limits, and approvals, where any exceptions encountered are escalated for higher approval.

The Investment and Asset and Liability Committee whilst directing investment strategy of the Company, execute asset and liability management and liquidity management to provide a risk-oversight role. This monitoring responsibility is in terms of determining limits and the controls applicable on predominantly interest rate risk that comes under its general mandate.

THIRD LINE

The Internal and External Audits are the last layer of control that provide an assurance of effective implementation of processes and controls. Internal Auditors convey assurance through their review reports to the Board Audit committee on a bi-annual basis. The Committee reviews the financial reporting and audit process, the systems of internal control and the Company's procedures for monitoring statutory and regulatory compliance alongside the code of conduct in effect.

TYPES OF RISKS FACED BY THE COMPANY

Trading Market Risk

As all our investments are categorised under the trading book, risk of fall in value of portfolios that occur due to market volatility is a significant risk which is closely monitored by the Investment and Asset and Liability Committee with internally established limits.

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

Asset	Valuation as at 31 March 2021 (Rs. '000)
Government Securities (Outright purchases)	23,085,413
Government Securities purchased under Resale Agreements	2,158,045
Total	**25,243,458**

Risk and Compliance division and Finance division circulate Management Information reports to the Investment and Asset and Liability Committee which meets fortnightly to make decisions on managing such financial instruments and services. The committee establishes portfolio and sensitivity limits in order to manage the positions which Risk and Compliance division monitors on a daily basis. Any exceptions are duly escalated to the Committee for corrective measures.

Stress testing calculations are performed by the Risk and Compliance Division to assess the impact of interest rate risk on portfolio values, capital adequacy, earnings and net asset positions also flagging any potential threat to regulatory requirements/limits.

The robust Middle Office function ensures adherence to limits, the flagging of off-market rates applied to transactions and such exceptions are duly escalated for necessary approval.

LIQUIDITY RISK

Liquidity Risk is the risk of non-compliance with payment obligations on time or doing so with excessive cost. A material and sustained shortfall in our cash flow could undermine our credit rating, impair investor confidence and also restrict Company's ability to raise funds.

Investment Committee reviews the liquidity position of the Company on fortnightly basis, setup maturity mismatch concentration limits in order to manage liquidity risk effectively. Accordingly, management of the Company makes sure its sources of funds are diversified, expanded and balanced to minimise over reliance on any one source.

First Capital Research division provides their support in evaluating macro-environmental risks that impact the availability of funds and the details are assessed to ensure the sufficiency and flexibility of funds.

Risk Management

OPERATIONAL RISK

Risk of losses due to inadequacy or failure of processes, people, systems and internal or external events. These risks are mitigated through well laid down procedures, internal controls and transfer of low frequency, high impact, unexpected risk of operational losses through insurance.

Heads of each business and supporting units are responsible for maintaining an appropriate process driven environment within the framework of the Company's policies and procedures. Each of the business and support units also have their own risk grids that identify risk events and the related impact on their respective units.

Risk and Compliance division develops and updates all process manuals, policies and procedures based on regulatory requirements, strategic plans and limits and circulates the same to relevant business units for execution. Extensive on-going training is provided to ensure that the staff are fully aware of their responsibility for complying with the correct operational procedures in order to optimise operational efficiency and individual accountability at all levels of the Company. Operations Department follows the guidelines related to Document Deficiency Procedure and Deal Level Exception Procedure to report any exceptions to the laid down processes and circulates the same to the Director/ Chief Executive Officer and Managing Director for approval. The summary is reported/tabled to the Enterprise Risk Management Committee.

Physical and system segregation of duties is in place to prevent any impact of conflict of interest and independent review of deal execution.

An outsourced Internal Audit function operating in semi-annual examination cycles ensures critical points of internal control are independently reviewed and reported.

REGULATORY AND COMPLIANCE RISK

The risk due to non-compliance of regulatory requirements. These risks are of the constant review of the Board of Directors as the Company is governed by the Central Bank of Sri Lanka (CBSL), Securities and Exchange Commission (SEC) and Colombo Stock Exchange (CSE). Risk and Compliance divisions' staff members are vigilant about the changes of relevant regulatory directions and circulars. Internal process manuals of individual business units are created and updated benchmarking such directions and industry best practices.

Business agreements, contractual documents and service level agreements are carefully and independently reviewed by the internal legal officer and professional services of external legal experts are sought whenever specific expertise is required.

Quarterly compliance reports are submitted to the Board and all non-compliances (if any) are informed to the regulator concerned with proposed remedial action for their concurrences.

REPUTATIONAL RISK

The risk of damage to the Company's corporate image in the public domain including customers, investors, and all other Stakeholder groups.

These risks have been identified as crucial to business continuation and several measures have been implemented to mitigate such risks. Complaint Handling Procedure is one named.

An embedded system of shared values that include ethical and honest, transparent and performance driven culture is in effect. The whistle blower policy is in operation to strengthen the values and professionalism in managing affairs of the Company.

Implementation of a strong risk and process driven culture is a key to hold the Company and its staff members responsible to safe guard the best interest of the client. Risk and Compliance department together with the individual business units had created business level process manuals, Policy and Procedure Manual and Delegated Authority framework in order to sustain the process driven culture. Continuous training and awareness sessions are conducted to maintain the awareness of processes, changes in regulatory directions etc.

We have enhanced our strategy in brand and reputation building raising public awareness regarding our business, focusing on the Company's governance and ethical perspectives.

The Company's marketing team engages in strengthening stakeholder engagement including investor relations.

Further, the Company conducts constant service level reviews and provide proactive responses to client feedback in mitigating reputational risk.

STRATEGIC RISK

The risk that the results are significantly different from the strategy and business plan as a result of changes in the business environment and risks associated with strategic decisions.

We use our business planning process to help manage strategic risk. The planning process aligns objectives, goals and resources throughout the Company with the business plan establishing strategic direction.

The Board holds quarterly meetings and monthly performance reviews at which strategy and performance are a central focus together with embedded risk management aspects. The assessment and monitoring of the effective implementation of strategy and communication of the change of business environment and remedial measures by each business unit are discussed at Management Committee and CEO's meetings held fortnightly.

BUSINESS CONTINUITY AND SYSTEM & INFORMATION RISK

Due to the nature of the industry, continuity of normal course of business of the Company is increasingly dependent on Information Technology (IT) systems and the management of information. Consequently, a greater emphasis is placed on the need for secure and reliable IT systems, together with infrastructure and cautious management of the information that is in our possession.

Disruption of IT systems is treated as an IT disaster which could disrupt most of the Company's business activities including cash and security settlement management, information sharing, administration and communication, ultimately impacting results.

The Company invested in a fully-fledged Disaster Recovery (DR) site which facilitates functioning of all the critical operations. Mirror databases and off site back up databases are maintained in order to keep the safety of the critical data. The Company carries out DR tests bi-annually to ensure the readiness of people, processes and equipment at the event of a disaster.

A comprehensively documented Business Continuity Plan is in place, validated by external consultants and our staff including the specific teams is fully trained in its operation in the event of a disaster. The Business Continuity Management Team and the Crisis Management Team appointed as a part of Business Continuity Plan are effectively managing the potential risks that could adversely impact the normal course of business. Prompt actions taken by these teams helped the Company in managing the contingency situation occurred due to COVID-19 pandemic. The Company managed to conduct all business functions without any adverse impact to the customers.

The IT policy manual which includes policies covering the protection of both business and personal information, as well as the use of IT systems and applications by our employees is developed and updated. All service level agreements with the system providers are duly signed and maintained.

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

ANNUAL REPORT OF THE BOARD OF DIRECTORS

The Directors of First Capital Treasuries PLC have pleasure in presenting their Annual Report together with the Audited Financial Statements for the year ended 31 March 2021 which were approved by the Directors on 11 August 2021.

REVIEW OF OPERATIONS

During the year under review, the Company reported total revenue of Rs. 4,294Mn compared to Rs. 3,708Mn reported in the previous year.

Net Trading Income before expenses for the year is Rs. 2,793Mn (2019/20- Rs. 2,015Mn) and consequently, profit before tax increased to Rs. 2,397Mn from Rs. 1,752Mn in the previous year.

PRINCIPAL ACTIVITIES

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

LEGAL STATUS

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

FINANCIAL RESULTS

The Company's net profit after tax was Rs. 1,837Mn compared with net profit after tax of Rs. 1,208Mn in year 2019/20.

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

	2021 Rs.'000	2020 Rs.'000
Revenue	**4,294,461**	3,708,401
Profit before tax	**2,397,342**	1,751,660
Profit after tax	**1,837,281**	1,207,577
Total comprehensive income	**1,835,035**	1,206,333

The financial statements of the Company are set out in pages 30 to 70 of the Annual Report.

BOARD OF DIRECTORS

Directorate

The following were the Directors of the Company as at 31 March 2021.

1. Mr. Nishan Fernando
2. Mr. Dinesh Schaffter
3. Mr. Dilshan Wirasekara
4. Mr. Prakash Schaffter
5. Mr. Ramesh Schaffter
6. Ms. Minette Perera
7. Mr. Chandana de Silva
8. Dr. Nishan de Mel

The profiles of the Directors are given in pages 6 to 9 of the Annual Report.

INTEREST IN SHARES

Directors/Chief Executive Officer and their shareholdings as at 31 March 2021 were as follows:

	No. of Shares 31.03.2021	No. of Shares 31.03.2020*
Mr. Nishan Fernando	**Nil**	Nil
Mr. Dinesh Schaffter	**10**	10
Mr. Dilshan Wirasekara	**Nil**	Nil
Mr. Prakash Schaffter	**Nil**	Nil
Mr. Ramesh Schaffter	**Nil**	Nil
Ms. Minette Perera	**Nil**	Nil
Mr. Chandana de Silva	**Nil**	Nil
Dr. Nishan de Mel	**Nil**	Nil

**Effect of sub-division of shares executed in 2020/21 has been considered retrospectively.*

OTHER DIRECTORSHIP/ SIGNIFICANT POSITIONS OF DIRECTORS

Information of the other Directorships/ significant positions of the present Directors of the Company are given on pages 6 to 9.

RELATED PARTY TRANSACTIONS

Related party transactions have been declared at the meetings of the Directors and are detailed in Note 33 to the financial statements.

DIRECTORS' INTERESTS

As required by the Companies Act, No. 7 of 2007, an Interests Register was maintained by the Company during the period under review. All Directors have made declarations as provided for in Section 192 (2) of the Companies Act aforesaid. The Interests Register is available for inspection as required under the Companies Act.

The Company carries out transactions in the ordinary course of business with entities in which a Director of the Company is a Director. The transactions with entities where a Director of the Company either has control or exercises significant influence have been classified as related party transactions and disclosed in Note 33 to the Financial Statements.

REMUNERATION AND FEES

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

RISK AND INTERNAL CONTROL

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

CORPORATE GOVERNANCE

The Directors acknowledge their responsibility for the Company's corporate governance and the system of internal control. The Directors are responsible to the shareholders for providing strategic direction to the Company and safeguarding the assets of the Company. The Board is satisfied with the effectiveness of the system of internal control for the period up to the date of signing the financial statements. The compliance with recommended corporate governance practices is disclosed in pages 20 to 23 of the Annual Report.

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

DIVIDEND

The Company paid an interim dividend of Rs. 3.35 per share amounting to Rs. 515.6Mn for year 2020/21 in March 2021 (2019/20 - total dividend of Rs. 5.15 per share amounting to Rs. 792.5Mn was paid). Dividend per share is stated after considering the impact of the sub-division of shares.

SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted in the preparation of the financial statements are given on pages 34 to 45. There were no changes in the accounting policies adopted by the Company during the year under review.

GOING CONCERN

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

CAPITAL EXPENDITURE

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

RESERVES

The movements in reserves during the financial year 2020/21 have been presented in the Statement of Changes in Equity on page 32 of the Annual Report.

INCOME TAX EXPENSES

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

STATED CAPITAL

The stated capital of the Company as at 31 March 2021 was Rs. 256.5Mn consisting of 153,900,000 ordinary shares.

On 29 March 2021, the Shareholders of the Company resolved to execute a sub-division of shares without a change to the stated capital of Rs. 256.5Mn by splitting every one (01) existing voting ordinary share into ten (10) voting ordinary shares. The shares so divided rank equal and pari pasu in all respects with the existing shares from which the division arose (Number of shares represented by the stated capital prior to the sub-division of shares was 15,390,000).

Annual Report of the Board of Directors

SHARE INFORMATION AND SUBSTANTIAL SHAREHOLDERS

As at 31 March 2021, there were three registered shareholders.
Share information as at 31 March 2021 is given below.

Name of the Shareholder	No. of Shares held as at 31 March 2021	Percentage of Shareholding (%)
First Capital Limited	**145,349,990**	94.44
Employee Trust Fund Board	**8,550,000**	5.56
Mr. Dinesh Schaffter	**10**	-
Total	**153,900,000**	100.00

CORPORATE DONATIONS

During the year under review, the Company made charitable donations of Rs. 2.4Mn.

STATUTORY PAYMENTS AND COMPLIANCE WITH LAWS AND REGULATIONS

The Directors, to the best of their knowledge and belief are satisfied that all statutory payments due to the Government and in relation to the employees have been made on time, and that the Company has not engaged in any activities contravening laws and regulations.

EQUAL OPPORTUNITIES

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

EVENTS OCCURRING AFTER THE REPORTING DATE

There were no material events after the financial reporting period which requires an adjustment to or a disclosure in the financial statements other than those disclosed in Note 36 to the financial statements.

INDEPENDENT AUDITORS

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

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

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

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

INDEPENDENT AUDITOR'S REPORT

The independent Auditor's report on the financial statements is given on pages 27 to 29 of the Annual Report.

AUDITOR'S RIGHT TO INFORMATION

Each person who is a Director of the Company at the date of approval of this report confirms that:
As far as each Director is aware, there is no relevant audit information of which the Company's Auditors are unaware.

Each Director has taken all the steps that he or she ought to have taken as a Director to make him or herself aware of any relevant audit information and to establish that the Company's Auditors are aware of that information.

ANNUAL GENERAL MEETING

The Annual General Meeting of the Company will be held on 22 September 2021. The notice convening the Meeting and the agenda are given on page 73 of the Annual Report.

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

(Sgd.)
KHL Corporate Services Limited
Secretaries

(Sgd.)
Dinesh Schaffter
Managing Director

(Sgd.)
Nishan Fernando
Chairman

11 August 2021
Colombo

STATEMENT OF DIRECTORS' RESPONSIBILITY

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

The Directors of the Company are responsible for ensuring that the company keeps proper books of accounts of all the transactions and prepare and present the financial statements to the shareholders in accordance with the relevant provisions of the Companies Act, No. 7 of 2007 and other statutes which are applicable in the preparation of financial statements. The financial statements comprise of the Statements of Financial Position as at 31 March 2021, the Statement of Profit or Loss and Other Comprehensive Income, Statement of Changes in Equity, Statement of Cash Flow for the year ended and Notes thereto. The Directors are required to prepare these financial statements on a going concern basis unless it is not appropriate.

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

- The state of affairs of the Company as at 31 March 2021
  and
- The financial performance of the Company for the financial year ended 31 March 2021

The financial statements of the Company for the year ended 31 March 2021 incorporated in this report have been prepared in accordance with the Companies Act, No. 7 of 2007, Sri Lanka Accounting Standards (LKAS/SLFRS) and Listing Rules of the Colombo Stock Exchange.

The financial statements of the Company have been certified by the Chief Financial Officer of the Company who is responsible for the preparation of financial statements as required by the Companies Act, No. 7 of 2007. The financial statements have been signed by two Directors on 11 August 2021 in accordance with Section 150 (1) (c) and 152 (1) (c) of the Companies Act.

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

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

The Auditors of the Company, Messrs. KPMG who were reappointed in accordance with a resolution passed at the last Annual General Meeting were provided with all necessary information required by them in order to carry out their audit and to express an opinion which is contained on page 27 to 29 of this Annual Report.

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

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

(Sgd.)
K H L Corporate Services Limited
Secretaries

11 August 2021
Colombo

CORPORATE GOVERNANCE

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

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

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

BOARD COMPOSITION AND INDEPENDENCE

The Board comprises of four Non-Executive Independent Directors, two Non- Executive Non Independent Directors and two Executive Directors all of whom possess a broad range of skills and experience across a range of industries and functional areas. Detailed profiles of each member of the Board are provided in a separate section of this Annual Report (pages 6 to 9).

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

The Board meets frequently in order to ensure the effective discharge of its duties. Formal Board Meetings were held five times during the year and performance review meetings were held monthly. Attendance of the Directors for the Board meetings is as follows.

Name of Director	Attendance in 2020/21 (Attended/Eligible to Attend)
Mr. Nishan Fernando	5/5
Mr. Dinesh Schaffter	5/5
Mr. Dilshan Wirasekara	5/5
Mr. Prakash Schaffter	4/5
Mr. Ramesh Schaffter	4/5
Ms. Minette Perera	5/5
Mr. Chandana de Silva	5/5
Dr. Nishan de Mel	5/5

BOARD RESPONSIBILITIES

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

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

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

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

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

BOARD BALANCE

Executive ,Independent Non-Executive, and Non -Executive Non- Independent Directors on the Board who are professionals / academics / business leaders hold senior positions in their respective fields ensure a right balance between executive expediency and independent judgment as no individual Director or small group of Directors dominate the Board discussion and decision making.

Directors are provided with monthly reports of performance and minutes of the Boards Meetings and are given the specific documentation necessary, in advance of such meetings.

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

APPOINTMENT AND RE-ELECTION OF DIRECTORS

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

BOARD COMMITTEES (STATUTORY)

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

AUDIT COMMITTEE

The Audit Committee of First Capital Holdings PLC (Parent Company) functions as Audit Committee of First Capital Treasuries PLC. The Report of the Audit Committee is presented on pages 24 and the duties of the Committee are included therein.

REMUNERATION COMMITTEE

The Remuneration Committee of First Capital Holdings PLC, Immediate Listed Parent Company functions as Remuneration Committee of First Capital Treasuries PLC. Composition of the Committee, mandate of the Committee and other details are shown on Pages 22 to 23.

SHAREHOLDER RELATIONS

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

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

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

INTERNAL AUDIT AND CONTROL

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

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

EXTERNAL AUDIT

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

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

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

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

Corporate Governance

COMPANY SECRETARIES

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

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

	CSE Rule	Status of Compliance	Details/Reference
7.10.1 Non-Executive Director (NED)			
a./b./c.	At least 2 members or one third of the Board, whichever is higher should be NEDs as at the conclusion of immediately preceding AGM. Any change to this ratio should be rectified within 90 days.	Complied	Six out of Eight Directors were Non-Executive Directors as at the conclusion of immediately preceding AGM.
7.10.2 Independent Directors			
a.	At least 2 or one third of the NEDs, whichever is higher shall be independent.	Complied	Out of Six Non-Executive Directors Four are determined to be independent.
b.	Each NED should submit annually a signed and dated declaration of his/her independence or non-independence.	Complied	Four Non-Executive Directors have submitted their confirmations on independence as per the criteria laid down in the listing rules.
7.10.3 Disclosures Relating to Directors			
a./b.	The Board should determine the independence or otherwise of the NEDs and disclose in the annual report the names of the NEDs determined to be "independent".	Complied	Profile of Directors in pages 6 to 9.
c.	A brief resume of each Director with information on his/her area of expertise should be included in the annual report.	Complied	
d.	Upon appointment to the Board, a brief resume of the new Director should be provided to the Exchange for dissemination to the public.	Complied	
7.10.5 Remuneration Committee			
a. 1	Remuneration committee should comprise at least 2 independent NEDs or more than 2 NDEs majority of whom shall be independent.	Complied	The Remuneration Committee of First Capital Holdings PLC (Immediate Listed Parent Company) functions as Remuneration Committee of First Capital Treasuries PLC.
a. 2	One NED shall be appointed as chairman of the committee by the Board of Directors.	Complied	The Remuneration Committee (through Immediate Listed Parent Company) consists of two Non-Executive Directors namely, Mr. Eardley Perera and Mr. Chandana de Silva. Mr. Eardley Perera functions as the Chairman of the committee. The Committee is mandated with ensuring accountability, transparency and fairness in reward structures that recognised the relationship between performance and reward.

	CSE Rule	Status of Compliance	Details/Reference
b.	Remuneration committee shall recommend the remuneration of the CEO and Executive Directors to the Board.	Complied	The Committee functions with delegated authority from the Board and is responsible for setting the Company's remuneration policy and ensuring its continued ability to attract and retain high caliber candidates. The Company bases remuneration on both individual and company performance whilst paying due regard to staff retention. The Committee recommends increment levels and determines the remuneration payable to the executive directors. The aggregate remuneration paid to the Directors is given in the Note 10 to the financial statements.
c.	The Annual Report should include the names of the Remuneration committee members, a statement of remuneration policy and the aggregate remuneration paid to Executive and Non-Executive Directors.	Complied	
7.10.6 Audit Committee			
a. 1	Audit Committee should comprise at least 2 independent NEDs or more than 2 NEDs majority of whom shall be independent.	Complied	Audit Committee Report on page 24.
a. 2	One NED shall be appointed as Chairman of the committee by the Board of Directors.	Complied	
a. 3	Chief Executive Officer and the Chief Financial Officer shall attend the Audit Committee meetings.	Complied	
a. 4	The Chairman of the Audit Committee or one member should be a member of a recognised professional accounting body.	Complied	
Functions of the Audit Committee			
b.1	Overseeing the preparation, presentation of the financial statements and adequacy of disclosures in accordance with SLFRS/LKAS.	Complied	
b. 2	Overseeing the compliance with financial reporting requirements and information requirements as per laws and regulations.	Complied	
b. 3	Overseeing the processes to ensure internal controls and risk management functions are adequate to meet the requirements of Sri Lanka Auditing Standards.	Complied	
b. 4	Assessing the independence and performance of the external auditors.	Complied	
b. 5	Making recommendations to the Board pertaining to appointment or reappointment or removal of external auditors and to approve their remuneration and terms of engagement.	Complied	
C	The Annual Report should include the names of the audit committee members, the basis for the determination of the independence of the external auditors and a report of the Audit Committee setting out the manner of compliance with the above requirements during the specified period.	Complied	

AUDIT COMMITTEE REPORT

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

COMPOSITION OF GROUP AUDIT COMMITTEE

The Group Audit Committee consists of two Independent Non-Executive Directors and a Non-Independent Non-Executive Director of the company. The Committee is chaired by Ms. Minette Perera.

The members of the Group Audit Committee are as follows.
Ms. Minette Perera - *Chairperson - Independent Non-Executive Director*
Mr. Nishan Fernando - *Independent Non-Executive Director*
Mr. Ramesh Schaffter - *Non -Independent Non-Executive Director*

Brief profiles of the members of Group Audit Committee are given on Pages 6 to 9 of the Annual Report.

MEETINGS

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

The attendance of the members for the Group Audit Committee meetings during the year 2020/21 is as follows.

Name of Director	Attendance in 2020/21 (Attended/ Eligible to Attend)
Ms. Minette Perera	5/5
Mr. Nishan Fernando	5/5
Mr. Ramesh Schaffter	4/5

FUNCTIONS

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

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

FINANCIAL REPORTING SYSTEM

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

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

INTERNAL AUDIT

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

EXTERNAL AUDIT

External Auditors' management letters pertaining to the previous year's audit and the Management's response thereto were discussed during the year. Follow up action taken by the management to ensure that the recommendations contained in the management letter were implemented was reviewed. Further, the draft annual financial statements for 2020/21 were also reviewed with the External Auditors prior to release.

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

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

Having reviewed the effectiveness of the External Audit, the Group Audit Committee also recommended to the Board of Directors that Messrs. KPMG be reappointed as Auditors for the financial year ending 31 March 2022, subject to the approval of the shareholders at the Annual General Meeting.

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

11 August 2021
Colombo

FINANCIAL REPORTS

FINANCIAL CALENDAR 2020/21

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

Reports	Date of Release
1st Quarter 2020/21 Interim Financial Report (Unaudited)	17 August 2020
2nd Quarter 2020/21 Interim Financial Report (Unaudited)	13 November 2020
3rd Quarter 2020/21 Interim Financial Report (Unaudited)	15 February 2021
4th Quarter 2020/21 Interim Financial Report (Unaudited)	31 May 2021

INDEPENDENT AUDITOR'S REPORT

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

Tel +94 - 11 542 6426
Fax +94 - 11 244 5872
+94 - 11 244 6058
Internet www.kpmg.com/lk

TO THE SHAREHOLDERS OF FIRST CAPITAL TREASURIES PLC

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of First Capital Treasuries PLC ("the Company"), which comprise the statement of financial position as at 31 March 2021, and the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information as set out on pages 30 to 70.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 March 2021, and of its financial performance and its cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

Basis for Opinion

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

Key Audit Matters

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

1. VALUATION OF FINANCIAL INSTRUMENTS MEASURED AT FAIR VALUE

Refer to the significant accounting policy in Note 3.2 and explanatory Note 14 and 15 to the financial statements.

Risk Description

As at 31 March 2021, the Company's investment portfolio comprises of financial assets measured at fair value amounted to Rs. 23,087.73 Mn which represent 90% of the total assets of the Company.

The exercise of judgment and the use of estimates and assumptions are in particular required for instruments where observable market prices or market parameters are not available. For such instruments, the fair value is determined through the use of valuation techniques or models applied by the Company.

Further, as a result of the COVID-19 pandemic, volatility in the financial markets has increased. There have been a decline in market yields, greater illiquidity of financial assets due to low trading, all of which have diminished the observability of the market data needed to measure these financial instruments, making their measurement more significant.

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

Our Response

Our audit procedures included:

- Obtaining an understanding of and assessing the design, implementation and operating effectiveness of the management's key controls over identification, measurement and management of valuation risk as well as evaluating the methodologies and input parameters used by the Company in determining fair values.

Independent Auditor's Report

KPMG

- Comparing observable inputs against independent sources and externally available market data and re-performing independent valuations.
- Testing mathematical accuracy and verifying the appropriateness and completeness of the data used.
- Obtaining and agreeing with the third party confirmations for a sample of outstanding financial instruments.
- Assessing the adequacy of the disclosures in the financial statements in accordance with the relevant accounting standards.

2. RECOGNITION OF GAINS/ LOSSES ON SALES AND INTEREST INCOME ON FINANCIAL ASSETS

Refer to the significant accounting policy in note 3.13 and 3.14 and explanatory note 6 to the financial statements.

Risk Description

As described in Note 6, the Company has recognised a net gain on sales and interest income on financial assets of Rs. 4,294.46Mn, based on the Company's business model, this arises from different types of financial instruments.

In addition, the Company considers such income as an important element in the preparation of budgets and measuring management performance. These factors could create an incentive for gains/ losses on sales and interest income to be recognised in contrary to the recognition criteria.

Considering above factors, we identified gains/ losses on sales and interest income of financial assets as a key audit matter because it is a significant audit risk and one of the key performance indicators of the Company and therefore there is an inherent risk of manipulation of the timing of recognition by management to meet specific targets or expectations.

Our response

Our audit procedures included:

- Obtaining an understanding of and assessing the design, implementation and operating effectiveness of the management's key controls over the gains/ losses on sales and interest income recognition and measurement.
- Testing the operating effectiveness of key IT application controls over gains/ losses on sales and interest income, in addition to evaluating the integrity of the general IT control environment.
- Evaluating the appropriateness of the Company's gains/ losses on sales and interest income recognition policies, including the recognition, measurement and classification criteria as well as disclosure requirements.
- Performing sophisticated test of details over gains/ losses on sales and interest income by inspecting a sample of transactions, recomputation of gains and losses/ interest and testing of cut off transactions in order to ensure such income is recognised and measured in accordance with the applicable financial reporting requirements and the Company accounting policies.

Other Information

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

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

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

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

KPMG

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SLAuSs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SLAuSs, we exercise professional judgement and maintain professional skepticism through-out the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

Report on Other Legal and Regulatory Requirements

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

CA Sri Lanka membership number of the engagement partner responsible for signing this independent auditor's report is 3544.

Chartered Accountants
Colombo

11 August 2021

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March,	Note	2021 Rs. '000	2020 Rs. '000
Income	6	**4,294,461**	3,708,401
Direct Expenses	7	**(1,322,859)**	(2,056,410)
Net Trading Income		**2,971,602**	1,651,991
Other Income	8	**206,834**	519
Net gain/ (loss) on Fair Valuation of Financial assets recognised through profit or loss measured at fair value	9	**(385,933)**	362,930
		2,792,503	2,015,440
Operating Expenses			
Personnel Expenses		**(324,084)**	(199,523)
Premises, Equipment and Establishment Expenses		**(33,595)**	(33,765)
Other Operating Expenses		**(37,482)**	(30,492)
		(395,161)	(263,780)
Profit before Tax	10	**2,397,342**	1,751,660
Income Tax expense	11	**(560,061)**	(544,083)
Profit for the Year		**1,837,281**	1,207,577
Other Comprehensive Income			
Items that will never be reclassified to Profit or Loss			
Loss on financial assets at fair value through other comprehensive income	31	**-**	(1,000)
Actuarial Loss on Retirement Benefit Obligation	28	**(2,955)**	(338)
Tax Effect on Other Comprehensive Income	11	**709**	94
Items that are or may be reclassified to Profit or Loss		**-**	-
Other Comprehensive Income		**(2,246)**	(1,244)
Total Comprehensive Income for the Year		**1,835,035**	1,206,333
Basic Earnings per Share (Rs.)	12	**11.94**	7.85

Figures in brackets indicate deductions.

The notes disclosed on pages 34 to 70 form an integral part of these Financial Statements.

STATEMENT OF FINANCIAL POSITION

As at 31 March,	Note	2021 Rs. '000	2020 Rs. '000
Assets			
Cash at Banks and in Hand	13	**146,614**	8,361
Derivative Financial Instruments	14	**2,315**	2,734
Financial Assets recognised through profit or loss - measured at fair value	15	**23,085,413**	36,212,069
Financial Assets - at Amortised cost	16	**2,158,045**	793,503
Receivable from Related Companies	17	**165**	360
Taxes Receivable		**-**	508
Deferred tax asset	18	**4,731**	262,493
Other Assets	19	**316,406**	94,272
Property, Plant and Equipment and Right of use Assets	20	**9,849**	7,195
Intangible Assets	21	**919**	1,106
Total assets		**25,724,457**	37,382,601
Liabilities			
Derivative Financial Instruments	22	**824**	3,118
Securities sold under Repurchase Agreements	23	**19,330,472**	32,182,773
Creditors and Other Payables	24	**336,366**	227,058
Payable to Related Companies	25	**18,515**	19,698
Taxes Payable	26	**740,959**	439,878
Borrowing on Listed Debentures	27	**759,255**	758,342
Retirement Benefit Obligations	28	**19,843**	14,331
Total liabilities		**21,206,234**	33,645,198
Equity			
Stated Capital	29	**256,500**	256,500
Risk Reserve	30	**1,386,793**	1,203,065
Retained Earnings		**2,876,930**	2,279,838
Fair Valuation Reserve	31	**(2,000)**	(2,000)
Total equity		**4,518,223**	3,737,403
Total equity and liabilities		**25,724,457**	37,382,601
Net Assets per Share (Rs.)		**29.36**	24.29

The notes disclosed on pages 34 to 70 form an integral part of these Financial Statements.

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

Mangala Jayashantha
Chief Financial Officer

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

Dilshan Wirasekara
Director/ Chief Executive Officer

Dinesh Schaffter
Managing Director

11 August 2021
Colombo

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March,	Note	Stated Capital Rs. '000	Risk Reserve Rs. '000	Retained Earnings Rs. '000	Fair Valuation Reserve Rs. '000	Total Equity Rs. '000
Balance as at 1 April 2019		**256,500**	**1,082,307**	**1,887,076**	**(1,000)**	**3,224,883**
Impact on adoption of IFRIC 23		**-**	**-**	**(439,878)**	**-**	**(439,878)**
Adjusted balance as at 1 April 2019		**256,500**	**1,082,307**	**1,447,198**	**(1,000)**	**2,785,005**
Total Comprehensive Income for the Year						
Profit for the Year		-	-	1,207,577	-	1,207,577
Other Comprehensive Income		-	-	(244)	(1,000)	(1,244)
Total Comprehensive Income		**-**	**-**	**1,207,333**	**(1,000)**	**1,206,333**
Transactions with Equity Holders						
Distribution to Equity Holders						
Dividend paid - Interim 2019/20	32	-	-	(253,935)	-	(253,935)
Total distribution to Equity Holders		**-**	**-**	**(253,935)**	**-**	**(253,935)**
Total Transactions with Equity Holders		**-**	**-**	**(253,935)**	**-**	**(253,935)**
Transfers to Risk Reserve	30	-	120,758	(120,758)	-	-
Balance as at 31 March 2020		**256,500**	**1,203,065**	**2,279,838**	**(2,000)**	**3,737,403**
Balance as at 1 April 2020		**256,500**	**1,203,065**	**2,279,838**	**(2,000)**	**3,737,403**
Total Comprehensive Income for the Year						
Profit for the Year		**-**	**-**	**1,837,281**	**-**	**1,837,281**
Other Comprehensive Income		**-**	**-**	**(2,246)**	**-**	**(2,246)**
Total Comprehensive Income		**-**	**-**	**1,835,035**	**-**	**1,835,035**
Transactions with Equity Holders						
Distribution to Equity Holders						
Dividend paid - 2nd Interim 2019/20	32	**-**	**-**	**(538,650)**	**-**	**(538,650)**
- 1st Interim 2020/21	32	**-**	**-**	**(515,565)**	**-**	**(515,565)**
Total distribution to Equity Holders		**-**	**-**	**(1,054,215)**	**-**	**(1,054,215)**
Total Transactions with Equity Holders		**-**	**-**	**(1,054,215)**	**-**	**(1,054,215)**
Transfers to Risk Reserve	30	**-**	**183,728**	**(183,728)**	**-**	**-**
Balance as at 31 March 2021		**256,500**	**1,386,793**	**2,876,930**	**(2,000)**	**4,518,223**

Figures in brackets indicate deductions.

The notes disclosed on pages 34 to 70 form an integral part of these Financial Statements.

STATEMENT OF CASH FLOWS

For the year ended 31 March,	Note	2021 Rs. '000	2020 Rs. '000
Cash Flows from Operating Activities			
Interest Receipts and Gains realised		**4,293,072**	3,708,163
Interest Payments and Other Direct Cost		**(1,259,725)**	(1,782,628)
Other Receipts		**206,834**	519
Cash Payments to Employees and Suppliers		**(278,232)**	(138,229)
Operating profit before changes in operating assets and liabilities		**2,961,949**	1,787,825
(Increase)/ Decrease in Financial Assets at Amortised cost		**(1,363,153)**	1,070,731
(Increase)/ Decrease in Financial Assets- Fair value through profit or loss- measured at fair value		**12,738,848**	(6,314,752)
(Increase)/ Decrease in Other Assets		**(222,134)**	(2,822)
Increase/ (Decrease) in Short term Borrowings		**-**	(991,384)
(Increase)/ Decrease in Receivable from Related Companies		**195**	11,256
Increase/ (Decrease) in Securities sold under Repurchase Agreements		**(12,914,521)**	4,423,485
Increase/ (Decrease) in Payable to Related Companies		**(1,183)**	18,982
Increase/ (Decrease) in Creditors and Accrued Charges		**(491)**	14,834
Cash generated from operations		**1,199,510**	18,155
Income Tax paid	26	**-**	(5)
Gratuity paid	28	**-**	-
Net cash flows generated from operating activities		**1,199,510**	18,150
Cash Flows from Investing Activities			
Acquisition of Property, Plant and Equipment	20	**(6,675)**	(138)
Acquisition of Intangible Assets	21	**(370)**	(200)
Proceeds from Sale of Property, Plant and Equipment		**3**	-
Investment in financial assets fair value through other comprehensive income		**-**	(1,000)
Net cash flows used in investing activities		**(7,042)**	(1,338)
Cash Flows from Financing Activities			
Dividend paid	32	**(1,054,215)**	(253,935)
Redemption of borrowing on debentures issued in February 2015	27	**-**	(500,000)
Borrowing on debentures isued in January 2020	27	**-**	750,000
Net cash flows used in financing activities		**(1,054,215)**	(3,935)
Net increase in cash and cash equivalents		**138,253**	12,877
Cash and cash equivalents at the beginning of the year		**8,361**	(4,516)
Cash and cash equivalents at the end of the year	13	**146,614**	8,361

Figures in brackets indicate deductions.

The notes disclosed on pages 34 to 70 form an integral part of these Financial Statements.

NOTES TO THE FINANCIAL STATEMENTS

1. REPORTING ENTITY

1.1 Domicile and Legal Form

First Capital Treasuries PLC ("the Company") is a public limited liability company incorporated and domiciled in Sri Lanka on 19 August 1982. The registered office and place of business of the Company is No. 2, Deal Place, Colombo 03. The debentures issued by the Company are listed on the Colombo Stock Exchange. The staff strength of the Company as at 31 March 2021 is 13 (2020 – 13).

1.2 Parent Entity and Ultimate Parent Entity

The Company's parent entity is First Capital Limited. The ultimate parent undertaking and controlling party of the Company is Janashakthi Limited.

1.3 Principal Activities

The principal activity of the Company continued to be engaged in the business operations of a Primary Dealer in Government Securities. There were no significant changes in the nature of the principal activities of the Company during the financial year.

2. BASIS OF PREPARATION

2.1 Statement of Compliance

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

2.2 Presentation of Financial Statements

The assets and liabilities of the Statement of Financial Position are grouped by nature and listed in-order to reflect their relative liquidity and maturity pattern.

2.3 Approval of Financial Statements by Directors

The Financial Statements for the year ended 31 March 2021 were authorised for issue by the Board of Directors on 11 August 2021.

2.3.1 Directors' Responsibility for the Financial Statements

The Board of Directors is responsible for the preparation and fair presentation of these Financial Statements in accordance with Sri Lanka Accounting Standards and as per the provisions of the Companies Act No. 07 of 2007 and related disclosure requirements of Listing Rules. This responsibility includes: designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of Financial Statements that are free from material misstatements, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

The Board of Directors acknowledges their responsibility as set out in the "Annual Report of the Board of Directors" and "Statement of Director's Responsibility".

2.4 Basis of Measurement

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

Category	Basis of measurement	Note
Derivative Financial Assets/Liabilities	Fair value	Note 3.2.3
Financial Assets measured at fair value though profit or loss	Fair value	Note 3.2.4.1
Financial Assets measured at fair value though other comprehensive income	Fair value	Note 3.2.4.3
Financial Assets at amortised cost	Amortised cost	Note 3.2.4.2
Right of use of assets	Present value of the pre-paid lease rentals	Note 3.6

2.5 Functional and Presentation Currency

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

2.6 Use of Significant Judgments, Estimates and Assumptions

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

Estimates and underlying assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results which form the basis of making the judgments about the carrying amount of assets and liabilities that are not readily apparent from other sources.

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

Information about critical judgments, estimates and assumptions in applying accounting policies that have the most significant effect on the amounts recognised in the Financial Statements are included in the following notes to these Financial Statements.

Critical accounting estimate/judgment	Disclosure reference
Going concern	2.11
Classification of financial assets and liabilities	3.2.2
Fair value of financial instruments	3.2.11
Useful lives of intangible assets	3.3
Useful lives of property, plant and equipment	3.4
Retirement benefit obligation	3.12
Deferred tax on unutilised tax losses	3.7.2
Impairment losses on financial assets	3.2.7
Impairment of non-financial assets	3.5
Provisions for liabilities, commitments and contingencies	3.20

2.7 Comparative Information

Comparative information including quantitative, narrative and descriptive information is disclosed in respect of the previous period in the Financial Statements in order to enhance the understanding of the current period's Financial Statements and to enhance the inter period comparability.

The presentation and classification of the Financial Statements of the previous year are amended, where relevant for better presentation and to be comparable with those of the current year

2.8 Materiality, Presentation and Aggregation

As per LKAS – 1 "Presentation of Financial Statements", each material class of similar items are presented separately in the Financial Statements. Items of dissimilar nature or function are presented separately unless they are immaterial.

Notes to the Financial Statements are presented in a systematic manner which ensures the understandability and comparability of Financial Statements of the Company. Understandability of the Financial Statements is not compromised by obscuring material information with immaterial information or by aggregating material items that have different natures or functions.

2.9 Offsetting

Financial assets and financial liabilities are offset and the net amount reported in the Statement of Financial Position, only when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or to realise the assets and settle the liabilities simultaneously. Income and expenses are not offset in the Income Statement, unless required or permitted by an Accounting Standard or Interpretation (issued by the International Financial Reporting Interpretations Committee and Standard Interpretations Committee) and as specifically disclosed in the Significant Accounting Policies of the Company.

2.10 Rounding

The amounts in the Financial Statements have been rounded off to the nearest Thousand, except where otherwise indicated as permitted by the Sri Lanka Accounting Standard LKAS 1 on 'Presentation of Financial Statements'.

2.11 Going Concern

The Board of Directors is satisfied that the Company has adequate resources to continue its operations in the foreseeable future and management is not aware of any material uncertainties that may cast significant doubt upon the Company's ability to continue as a going concern. Therefore, going concern basis has been adopted in preparing these Financial Statements.

2.12 Events after Reporting Date

Events after the reporting date are those events, favorable and unfavorable, that occur between the reporting date and the date when the Financial Statements are authorised for issue. In this regard, all material and important events that occurred after the reporting period are considered and appropriate disclosures are made where necessary (Note 36).

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these financial statements and have been applied consistently by the Company unless otherwise stated. Comparative information has where necessary been reclassified to confirm the current year`s presentation.

3.1 Foreign Currency

3.1.1 Foreign Currency Transactions

Transactions in foreign currencies are translated to the respective functional currency (Sri Lankan Rupees-LKR) at exchange rates at the dates of the transactions.

Notes to the Financial Statements

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

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items in a foreign currency that are measured in terms of historical cost are translated using the exchange rate at the date of the transaction.

Foreign currency differences arising on retranslation are recognised in Statement of Profit or Loss.

3.2 Financial Instruments

3.2.1 Initial Recognition, Classification and Subsequent Measurement

3.2.1.1 Date of Recognition

All financial assets and liabilities are initially recognised on the trade date, i.e., the date that the Company becomes a party to the contractual provisions of the instrument. This includes "regular way trades": purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place.

3.2.1.2 Initial Measurement of Financial Instruments

The classification of financial instruments at initial recognition depends on the purpose and the management's intention for which the financial instruments were acquired and their characteristics. All financial instruments are measured initially at their fair value plus transaction costs, except in the case of financial assets and financial liabilities recorded at fair value through profit or loss.

3.2.2 Classification and Subsequent Measurement of Financial Instruments

On initial recognition, a financial asset is classified as measured at: amortised cost, FVTOCI or FVTPL.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

– the asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and
– the contractual terms of the financial asset give rise on specified dates to cash flows that are Assessment of whether Contractual Cash Flows are Solely Payments of Principal and Interest ("SPPI").

A debt instrument is measured at FVTOCI only if it meets both of the following condition and is not designated as at FVTPL:

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

On initial recognition of an equity investment that is not held for trading, the Company may irrevocably elect to present subsequent changes in fair value in OCI. This election is made on an investment by investment basis. All other financial assets are classified as measured at FVTPL.

In addition, on initial recognition, the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

3.2.2.1 Business Model Assessment

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

The information considered includes:

✦ the stated policies and objectives for the portfolio and the operation of those policies in practice. In particular, whether Management's strategy focuses on earning contractual interest revenue, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realising cash flows through the sale of the assets;
✦ how the performance of the portfolio is evaluated and reported to the Company's Management;
✦ the risks that affect the performance of the business model (and the financial assets held within that business model) and its strategy for how those risks are managed;
✦ how managers of the business are compensated (e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected); and
✦ the frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Company's stated objective for managing the financial assets is achieved and how cash flows are realised.

Financial assets that are held for trading or managed and whose performance is evaluated on a fair value basis are measured at FVTPL because they are neither held to collect contractual cashflows nor held both to collect contractual cash flows and to sell financial assets.

Financial assets - Assessment whether contractual cash flows are solely payments of principal and interest

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

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

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

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

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

3.2.3 Derivatives recorded at fair value through profit or loss

3.2.3.1 Derivatives held for risk management purposes

Derivatives held for risk management purposes include all derivative assets and liabilities that are not classified as trading assets or liabilities. Derivatives held for risk management purposes are measured at fair value in the statement of financial position.

3.2.3.2 Other Derivatives

If a derivative is not held for trading, and is not designated in a qualifying hedge relationship, then all changes in its fair value are recognised immediately in profit or loss as a component of net income from other financial instruments at FVTPL.

3.2.4 Financial Assets

Financial assets are within the scope of SLFRS 9 are classified appropriately as Financial assets recognised through profit or loss, Financial assets measured at fair value through other comprehensive income and Financial assets at amortised cost.

All the financial assets are recognised at fair value at its initial recognition.

3.2.4.1 Financial Assets measured at - fair value through profit or loss

A financial asset is classified at fair value through Profit or Loss if it is classified as held for trading or is designated as such upon initial recognition. Financial assets are designated at fair value through Profit or Loss if the Company manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Company's documented risk management or investment strategy. Upon initial recognition, transaction costs are recognised in Profit or Loss as incurred.

Financial assets at fair value through Profit or Loss are measured at fair value, and subsequent therein are recognised in Profit or Loss. This comprises of investment in government securities issued in local (LKR) and foreign currency (USD).

Notes to the Financial Statements

3.2.4.2 Financial Assets at amortised cost
A financial asset shall be measured at amortised cost if both of the following conditions are met:

a) the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and
b) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost of the Company comprise of the lending.

3.2.4.3 Financial Assets measured at fair value through other comprehensive income
Financial assets measured at fair value through other comprehensive income (FVTOCI) are nonderivative financial assets that are designated FVTOCI and that are not classified in any of the previous categories of financial assets. FVTOCI are recognised initially at fair value plus any directly attributable transaction costs.

Subsequent to initial recognition, these are measured at fair value and changes therein, other than impairment losses are recognised in other comprehensive income and presented within equity in the fair value reserve. When an investment in debt instrument is derecognised, the cumulative gain or loss in other comprehensive income is transferred to Profit or Loss.

3.2.4.4 Cash and Cash Equivalents
Cash and cash equivalents comprise of cash in hand and cash at banks and other highly liquid financial assets which are held for the purpose of meeting short-term cash commitments with original maturities of less than three months which are subject to insignificant risk of changes in their fair value.

Bank overdrafts that are repayable on demand and form an integral part of the Company cash management are included as a component of cash and cash equivalents for the purpose of the Statement of Cash Flows.

3.2.5 Financial Liabilities
The Company initially recognises debt securities and borrowings on the date that they are originated. All other financial liabilities are recognised at initially on the trade date, which is the date that the Company becomes party to the contractual provisions of the instruments.

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

The Company classifies non-derivative financial liabilities into the other financial liabilities category. Such financial liabilities are recognised initially at fair value plus any directly attributable transaction cost. Subsequent to initial recognition, these financial liabilities are measured at amortised cost using effective interest rate method.

Financial liabilities comprise;

- Securities sold under re-purchase agreements
- Borrowing on listed debentures

3.2.5.1 Recognition and Measurement of Financial Liabilities
Company classifies financial liabilities, other than financial guarantees and loan commitments, into one of the following categories:

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

A financial liability is measured initially at fair value plus, transaction costs that are directly attributable to its acquisition or issue. Subsequent measurement of financial liability is at fair value or amortised cost. The amortised cost of a financial liability is the amount at which the financial liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initial amount and the maturity amount.

3.2.5.1.1 Classification and subsequent measurement of financial liabilities
The subsequent measurement of financial liabilities depends on their classification.

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

The EIR amortisation is included in "Interest expense" in the income statement. Gains and losses too are recognised in the income statement when the liabilities are derecognised as well as through the EIR amortisation process.

3.2.5.3 Financial Liabilities at fair value through profit or loss
Financial liabilities at fair value through profit or loss include derivative liabilities held for risk management purposes.

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

3.2.7 Impairment of Financial Assets
3.2.7.1 Recognition and Measurement of Expected credit losses (ECL)
Company assesses financial assets under three stages in determining ECL.

- **Stage 1** : financial instruments that have not had a significant increase in credit risk since initial recognition. For these assets, a 12-months ECL is recognised.
- **Stage 2** : financial instruments that have experienced a significant increase in credit risk since initial recognition but for which the exposure is not yet defaulted. For these assets, lifetime ECLs are recognised, representing the expected credit losses that result from all possible default events over the expected life of the financial asset.
- **Stage 3** : financial instruments which are deemed to be credit impaired. This is where a credit loss has already been suffered on the assets. For these assets, lifetime ECLs are recognised, representing the expected credit losses that result from all possible default events over the expected life of the financial asset.

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

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

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

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

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

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

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

3.2.7.2 Credit-Impaired Financial Assets

At each reporting date, the Group assesses whether financial assets carried at amortised cost and debt financial assets carried at FVTOCI are credit-impaired (referred to as "Stage 3 financial assets"). A financial asset is "credit-impaired" when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

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

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

3.2.7.3 Presentation of Allowance for ECL in the Statement of Financial Position

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

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

3.2.7.4 Write-off

Loans and debt securities are written off (either partially or in full) when there is no reasonable expectation of recovering a financial asset in its entirety or a portion thereof.

This is generally the case when the Company determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. This assessment is carried out at the individual asset level.

Recoveries of amounts previously written off are included in "provision for impairment of financial assets at amortised cost" in the Statement of Profit or Loss.

Financial assets that are written off could still be subject to enforcement activities in order to comply with the Company's procedures for recovery of amounts due.

3.2.8 Derecognition of Financial Assets and Financial Liabilities

3.2.8.1 Financial Assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- The rights to receive cash flows from the asset have expired.
- The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay

Notes to the Financial Statements

the received cash flows in full without material delay to a third party under a 'pass–through' arrangement; and either:

- The Company has transferred substantially all the risks and rewards of the asset, or
- The Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass–through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Company's continuing involvement in the asset. In that case, the Company also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

3.2.8.2 Financial liabilities

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

3.2.9 Offsetting financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously.

3.2.10 Amortised Cost Measurement

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

3.2.11 Fair Value Measurement

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

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

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

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

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

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

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

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

3.3 Intangible Assets

3.3.1 Software

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

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

Software is amortised on a straight-line basis in profit or loss over its estimated useful life, from the date on which it is available for use. The estimated useful life of software is 5 years.

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

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

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

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

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

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

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

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

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

Type of Asset	Life Time (Years)
Computer equipment	5
Fixtures and fittings	5
Furniture	5
Office equipment	5
Motor vehicle	5

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

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

3.5 Impairment of Non-financial Assets
At each reporting date, the Comapny reviews the carrying amounts of its non-financial assets (other than investment properties and deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that is largely independent of the cash inflows of other assets.

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

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

Impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

3.6 SLFRS 16 – Leases
At the inception of a contract, the Company assess whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for a consideration.

To assess whether a contract conveys the right to control the use of an identified asset, the Company use the definition of a lease in SLFRS 16.

This is applicable for leases entered after 01 April 2019.

3.6.1 Company acting as a Lessee
The Company recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred.

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The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate plus remaining value of lease rentals paid in advance if any.

The Company determines its incremental borrowing rate by analysing its borrowings from various external sources and makes certain adjustments to reflect the terms of the lease and type of the lease asset.

Lease payments included in the measurement of lease liability includes:

- Fixed payments
- Variable lease payments that depend on an index or rate
- Amount expected to be payable under residual value guarantee
- The exercise price under a purchase option that the Company is reasonably certain to exercise

Lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Company's estimate of the amount expected to be payable or if there is a fixed in substance lease payment.

When the lease liability is remeasured as such, a corresponding adjustment is made to the carrying amount of the right-of-use asset or is recorded in the profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Company presents the right-of-use asset in Note 20.

Short term leases and leases of low value assets
The Company elected not to recognise right-of-use assets and lease liabilities for lease of low value assets and short-term leases. The Company recognises the lease payments associated with these leases as an expense on the straight-line basis.

3.7 Tax Expense

Tax expense comprises current, deferred tax and other statutory taxes. Income tax and deferred tax expense is recognised in Statement of Profit or Loss except to the extent that it relates to items recognised in the Statement of Other Comprehensive Income or Statement of Changes in in equity.

The Company has determined that interest and penalties related to income taxes, including uncertain tax treatments, do not meet the definition on income taxes, and therefore accounted for them under IAS 37 Provisions, Contingent Liabilities and Contingent Assets.

3.7.1 Current tax expense

Current tax is the expected tax payable or recoverable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years. Current tax payable also includes any tax liability arising from the tax on dividend income.

The provision for income tax is based on the elements of income and expenditure as reported in the Financial Statements and is measured using the tax rates enacted or substantially enacted as at the reporting date.

3.7.2 Deferred tax

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for:

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

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

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

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

Deferred tax assets and liabilities are not discounted.

The net increase in the carrying amount of deferred tax liability net of deferred tax asset is recognised as deferred tax expense and conversely any net decrease is recognised as reversal to deferred tax expense, in the Statement of Profit or Loss.

3.7.3 Uncertainty Over Income Tax Treatments

The Company accounted for the uncertainty over tax treatments under

IFRIC 23. An 'uncertain tax treatment' is a tax treatment for which there is uncertainty over whether the relevant taxation authority will accept the tax treatment under tax law.

If it is not probable that the taxation authority will accept an uncertain tax treatment, effect of uncertainty shall be reflected in determining the related taxable profit (tax loss), tax bases, unused tax losses, unused tax credits or tax rates. The effect of uncertainty for each uncertain tax treatment shall be reflected by using either of the most likely amount or the expected value methods, depending on which method the Company expects to better predict the resolution of the uncertainty.

3.7.4 Value Added Tax on Financial Services (VAT on FS)

VAT on Financial Services is calculated in accordance with the amended VAT Act No. 7 of 2003 and subsequent amendments thereto. VAT on financial services is computed on the prescribed rate of 15%.

The VAT on Financial service is recognised as expense in the period it becomes due.

3.8 Borrowings

Repo borrowings and borrowing on debentures are the Company's sources of debt funding. When the Company sells a financial asset and simultaneously enters into an agreement to repurchase the asset (or a similar asset) at a fixed price on a future date (sale and repurchase agreement), the arrangement is accounted for as a borrowing, and the underlying asset continues to be recognised in the Company's financial statements.

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

The borrowing on debentures are initially measured at fair value minus incremental direct transaction costs, and subsequently measured at their amortised cost using the effective interest method.

3.9 Provisions

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

3.10 Dividends Payable

Dividends on ordinary shares are recognised as a liability and deducted from equity when they are recommended and declared by the Board of Directors.

3.11 Other Liabilities

Other liabilities are recorded at amounts expected to be payable at the Reporting date.

3.12 Employee Benefits

3.12.1 Defined Contribution Plan

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

3.12.1.1 Employees' Provident Fund

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

3.12.1.2 Employees' Trust Fund

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

3.12.2 Defined Benefit Plans

A defined benefit plan is a postemployment benefit plan other than a defined contribution plan.

Gratuity

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

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

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

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

3.12.3 Short-term Employee Benefits

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

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

3.13 Interest Income and expense

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

The calculation of the effective interest rate includes transaction costs and fees

Notes to the Financial Statements

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

Interest income and expense presented in the statement of profit or loss and Other Comprehensive Income include:
- interest on financial assets and financial liabilities measured at amortised cost calculated on an effective interest basis; and
- interest on debt securities measured at FVOCI is calculated on an effective interest basis.

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

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

3.14 Gain/ (Loss) on Sale of Financial Investments measured at Fair Value though Profit or loss

Gain/(loss) on Sale of Financial Investments measured at fair value through profit or loss comprises realised trading gains on disposal of government securities presented in direct income as sale of financial investments at fair value through profit or loss in the statement of profit or loss and other comprehensive income.

3.15 Gain/ (Loss) on Disposal of Financial Investments – Fair Value through Other Comprehensive Income

Gain/ (Loss) on Disposal of Financial Investments measured at fair value through other comprehensive income comprises realised capital gain/ (loss) on disposal of investment in equity securities classified as financial assets measured at fair value through other comprehensive income, is presented in other income.

3.16 Gain/ (Loss) on Fair Valuation of Financial Investments – Fair Value through Profit or Loss

Gain/(loss) on Fair Valuation of Financial Investments is the unrealised gain/ (loss) on fair valuation (marked to market valuation) of government securities. The fair valuation gain/ (loss) is presented in profit or loss in the statement of profit or loss and other comprehensive income.

3.17 Dividend Income

Dividend income is recognised in profit or loss on an accrual basis when the Company's right to receive the dividend is established. This is usually on the ex-dividend date for equity securities. Dividends are presented in other income.

3.18 Expenses Recognition

Expenses are recognised in the Statement of Profit or Loss on the basis of a direct association between the cost incurred and the earning of specific items of income. All expenditure incurred in the running of the business and in maintaining the property, plant & equipment in a state of efficiency has been charged to income in arriving at the profit for the year. For the presentation of the Statement of Profit or Loss the Directors are of the opinion that the nature of the expenses method present fairly the element of the Company's performance, and hence such presentation method is adopted.

3.19 Earnings per Share (EPS)

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

3.20 Commitments and Contingencies

All discernible risks are accounted for in determining the amount of all known liabilities. The Company's capital commitments are also included with appropriate disclosures.

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

4. STATEMENT OF CASH FLOWS

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

5. NEW AMENDMENTS TO THE SRI LANKA ACCOUNTING STANDARD ISSUED BUT NOT EFFECTIVE AS AT REPORTING DATE

The Institute of Chartered Accountants of Sri Lanka has issued following new amendments to the Sri Lanka Accounting Standard which will become applicable for financial periods beginning after on or after 1 April 2021. Accordingly, the Company has not applied the following new amendments to the standards in preparing these Financial Statements.

The following new amendments to the standards are not expected to have a significant impact on the Company's financial statements.

5.1 Amendment to SLFRS16 - Covid-19-Related Rent Concessions

The amendments provide relief to lessees from applying SLFRS 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the COVID-19 Pandemic.

As a practical expedient, a lessee may elect not to assess whether a COVID-19 related rent concession from a lessor is a lease modification. A lessee that makes this election accounts for any change in lease payments resulting from COVID-19 related rent concession the same way it would account for the change under SLFRS16, if the change were not a lease modification.

This amendments to Standard will be effective for annual reporting periods beginning on or after 1 June 2020.

5.2 Interest Rate Benchmark Reform (IBOR) (Amendments to SLFRS 9 and SLFRS 7)

Interest Rate Benchmark Reform is expected to result in a change to the basis for determining contractual cash flows of impacted assets and liabilities of the Company. The amendments provide a practical expedient to account for a change in the basis for determining the contractual cash flows as a result of IBOR reform by updating the effective interest rate.

The standard includes amendments in respect of:

- ✦ Modification of a financial asset or a financial liability measured at amortised cost
- ✦ Additional relief for hedging relationships

The standard also amends a number of existing hedge accounting requirements that will assist the Company to maintain its existing hedge accounted relationships post IBOR transition. The Company will continue to record any ongoing hedge ineffectiveness, including that generated by changes as a result of interest rate reform, within the income statement.

On 15 January 2021, the CA Sri Lanka issued Interest Rate Benchmark Reform (Phase 1 and Phase 2) which is mandatory for application in respect of annual periods beginning on or after 1 January 2021.

5.3 Proceeds before intended use (amendments to LKAS 16 - Property, plant and equipment)

The amendment prohibits deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the cost of producing those items, in profit or loss.

The above amendment to Standard will be effective for annual reporting periods beginning on or after 1 January 2022.

5.4 Onerous Contracts - Cost of fulfilling the contract (Amendments to LKAS 37 - Provisions, Contingent Liabilities and Contingent Assets)

The amendment specifies that the ‘cost of fulfilling’ a contract comprises the ‘costs that relate directly to the contract’. Costs that relate directly to a contract can either be incremental costs of fulfilling that contract (direct labour, materials) or an allocation of other costs that relate directly to fulfilling contracts (allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).

The above amendment to Standard will be effective for annual reporting periods beginning on or after 1 January 2022.

5.5 Annual Improvements to SLFRS Standards issued during 2018 to 2020

IFRS issued improvements to standards issued during the period 2018 to 2020 with improved clarification and amendments to IFRS 1, IFRS 9 and IAS 41.

Notes to the Financial Statements

For the year ended 31 March,	2021 Rs. '000	2020 Rs. '000
6. INCOME		
Gain on sale of financial investments - Financial assets recognised through profit or loss measured at fair value	**2,469,688**	1,256,181
Interest income on financial investments -Financial assets recognised through profit or loss measured at fair value	**1,631,552**	2,252,400
Interest income on financial investments -Financial assets at amortised cost	**193,221**	199,820
	4,294,461	3,708,401

6.1 Timing of income recognition

Income generated at a point of time	**2,469,688**	1,256,181
Income generated over the period	**1,824,773**	2,452,220
	4,294,461	3,708,401

7. DIRECT EXPENSES

Interest expenses on repurchase agreements	**1,203,651**	1,966,384
Brokerage cost	**17,155**	20,241
Interest expenses on listed debentures	**97,063**	57,170
Interest expenses on short term borrowing	**4,990**	12,615
	1,322,859	2,056,410

8. OTHER INCOME

Profit on sale of Property, Plant and Equipment	**3**	-
Exchange Gain	**206,831**	295
Miscellaneous income	**-**	224
	206,834	519

9. NET GAIN/ (LOSS) ON FAIR VALUATION OF FINANCIAL ASSETS RECOGNISED THROUGH PROFIT OR LOSS MEASURED AT FAIR VALUE

Gain/ (Loss) on fair valuation of financial assets recognised through profit or loss measured at fair value	**(387,808)**	363,889
Gain/ (Loss) on fair valuation of derivative financial instruments	**1,875**	(959)
	(385,933)	362,930

Gain/ (loss) on fair valuation of financial investments has been accounted for in accordance with the SLFRS 9.

For the year ended 31 March,	2021 Rs. '000	2020 Rs. '000

10. PROFIT BEFORE TAX

Profit before taxation is stated after charging all expenses including the following:

Directors' emoluments	**70,942**	86,751
Auditors' remuneration - Audit services	**525**	500
Auditors' remuneration - Other services	**120**	110
Depreciation on Property, Plant and Equipment and right of use assets **(Note 20)**	**4,021**	2,729
Amortisation of intangible assets **(Note 21)**	**557**	493
Retirement benefit cost **(Note 28)**	**2,557**	2,547
Salaries	**67,263**	51,747
Employer's contribution to defined contribution plans	**10,711**	8,280
Legal fees	**11**	244
Donations	**2,400**	-

11. INCOME TAX EXPENSE

Current tax expenses **(Note 11.1)**	**(292,297)**	-
Under provision for tax	**(9,293)**	-
Deferred tax charge during the year **(Note 18)**	**(258,471)**	(544,083)
	(560,061)	(544,083)
Recognised in other comprehensive income		
Deferred tax assets recognised during the year **(Note 18)**	**709**	94

Income tax expenses have been computed in accordance with the provision of the Inland Revenue Act, No. 24 of 2017 and subsequent amendments thereto. The Company is liable to pay income tax at the rate of 24% with effect from 1 January 2020 in accordance with the Inland Revenue (Amendment) Act No. 10 of 2021 (prior to 1 January 2020 - 28%).

For the year ended 31 March,	2021 Rs. '000	2020 Rs. '000
11.1 Reconciliation of accounting profit to income tax		
Profit before tax	**2,397,342**	1,751,660
Less : Exempted income	**(332,661)**	-
Add : Disallowable expenses	**53,206**	31,646
Less : Allowable expenses	**(1,928)**	(2,500)
Statutory Income	**2,115,959**	1,780,806
Tax loss claimed during the year	**(898,061)**	(1,780,806)
Taxable Income	**1,217,898**	-
Income Tax Expense at 24% (up to 1 January 2020 - 28%)	**292,297**	-

Notes to the Financial Statements

For the year ended 31 March,	2021 Rs. '000	2020 Rs. '000
11. INCOME TAX EXPENSE (CONTD.)		
11.2 Accumulated tax losses		
Balance at the beginning of the year	**8,068,602**	11,072,485
Adjustment with respect of previous year	**(5,157)**	(86)
Loss utilised during the year	**(898,061)**	(1,780,806)
Balance at the end of the year before adjusting for loss utilised for past tax assessments	**7,165,384**	9,291,593
Adjustment on loss utilised for past tax assessments as per IFRIC 23 (Note 26.1)	**(20,432)**	(1,222,991)
Balance at the end of the year after adjusting for loss utilised for past tax assessments	**7,144,952**	8,068,602

12. EARNINGS PER SHARE

Basic Earnings per Share has been calculated by dividing profit for the year attributable to the ordinary shareholders by the weighted average number of ordinary shares in issue during the year. The effect on sub-division of shares executed during the year 2020/21 has been adjusted retrospectively (Please see Note 29.1).

For the year ended 31 March,	2021	2020
Profit attributable to ordinary shareholders (Rs.'000)	**1,837,281**	1,207,577
Weighted average number of ordinary shares in issue	**153,900,000**	153,900,000
Basic Earnings per share (Rs.)	**11.94**	7.85

There were no potentially dilutive ordinary shares outstanding at anytime during the year, hence diluted earnings per share is equal to the basic earnings per share.

For the year ended 31 March,	2021 Rs. '000	2020 Rs. '000
13. CASH AT BANKS AND IN HAND		
Cash at Banks **(Note 38.4.1)**	**146,539**	8,286
Cash at Hand **(Note 38.4.1)**	**75**	75
Total	**146,614**	8,361
14. DERIVATIVE FINANCIAL INSTRUMENTS		
Forward purchase contracts - Government securities **(Note 9)**	**2,315**	2,734
	2,315	2,734

15. FINANCIAL ASSETS RECOGNISED THROUGH PROFIT OR LOSS - MEASURED AT FAIR VALUE

	Market Value		Face Value	
As at 31 March,	2021 Rs.'000	2020 Rs.'000	2021 Rs.'000	2020 Rs.'000
Treasury bills	**37,358**	17,769,983	**37,641**	18,660,093
Treasury bonds	**20,348,816**	18,438,245	**19,179,238**	17,294,842
Sri Lanka Development Bond	**2,699,239**	3,841	**2,488,580**	3,542
	23,085,413	36,212,069	**21,705,459**	35,958,477

15.1 Securities pledged as collateral

Out of the Government securities classified as Financial assets recognised through profit or loss - measured at fair value, following securities have been pledged as collateral for Repurchase Agreements entered into by the Company as at 31 March 2021.

As at 31 March,	Market Value		Face Value	
	2021 Rs.'000	2020 Rs.'000	2021 Rs.'000	2020 Rs.'000
Treasury bills	**37,358**	17,478,776	**37,641**	18,360,197
Treasury bonds	**19,132,435**	17,803,140	**18,074,032**	16,704,483
	19,169,793	35,281,916	**18,111,673**	35,064,680

For the year ended 31 March,	2021 Rs. '000	2020 Rs. '000
16. FINANCIAL ASSETS - AT AMORTISED COST		
Investments under resale agreements - Treasury bills	**-**	125,141
Investments under resale agreements - Treasury bonds	**2,158,045**	668,362
	2,158,045	793,503

16.1 Securities received as collateral

As at 31 March,	Market Value		Face Value	
	2021 Rs.'000	2020 Rs.'000	2021 Rs.'000	2020 Rs.'000
Treasury bills	**-**	141,470	**-**	150,000
Treasury bonds	**2,474,184**	758,833	**2,171,672**	711,137
	2,474,184	900,303	**2,171,672**	861,137

The Company is entitled to repledge the securities received as collateral for its Borrowings (Repos) and requires to return the said collateral to the respective counterparties at the time of the settlement of outstandings (Reverse Repos). Accordingly, the Company has repledged market value of treasury bonds amounting to Rs. 2,472.9Mn as at 31 March 2021 (As at 31 March 2020 repledged market value of treasury bills amounting to Rs. 141.47Mn and treasury bonds amounting to Rs. 736.96Mn).

The Company follows the guidelines stipulated in the direction, Reverse Repurchase Transactions of Dealer Direct Participants in Scripless Treasury Bonds and Scripless Treasury Bills issued by the Central Bank of Sri Lanka, in receiving securities for reverse repurchase agreements (Direction No. 01 of 2019 dated 20 December 2019). Only the eligible securities are being used for such receipts and the Section 4.3, 4.4 and 4.5 are being complied with when considering the haircut requirements.

Board of Directors of the Company has established an effective risk management framework by implementing necessary policies and procedures to ensure compliance with the said guidelines. An effective internal control system is being used to verify the accuracy of security receipts.

As at 31 March,	2021 Rs. '000	2020 Rs. '000
17. RECEIVABLE FROM RELATED COMPANIES		
First Capital Markets Limited	**-**	66
First Capital Equities (Pvt) Limited	**87**	218
First Capital Asset Management Limited	**58**	60
Kelsey Homes (Pvt) Limited	**-**	3
Premier Synthetic Leather Manufacturers (Pvt) Limited	**20**	13
	165	360

18. DEFERRED TAX ASSET

Balance at the beginning of the year	**262,493**	806,482
Impact of change in income tax rate recognised in profit or loss **(Note 11)**	**(36,926)**	-
Impact of change in income tax rate recognised in other comprehensive income **(Note 11)**	**(573)**	-
Reversal in profit or loss during the year **(Note 11)**	**(221,545)**	(544,083)
Recognised in other comprehensive income during the year **(Note 11)**	**1,282**	94
Balance at the end of the year	**4,731**	262,493

18.1 Deferred tax asset is recognised by considering the brought forward tax losses of which, the amount in the opinion of the Directors, will be available to allow the benefit of the loss to be realised in accordance with LKAS 12 and provisions of Inland Revenue Act No. 24 of 2017. The deferred tax asset has been computed on the basis of 24% in accordance with the Inland Revenue (Amendment) Act No. 10 of 2021 (2019/20 - 28%).

Deferred tax is attributable to the followings;

	2021		2020	
	(Taxable)/ Deductible Temporary Difference	Tax Effect	(Taxable)/ Deductible Temporary Difference	Tax Effect
On Property, Plant and Equipment	**(132)**	**(32)**	(508)	(142)
On Retirement benefit obligations	**19,843**	**4,763**	14,331	4,013
On Accumulated tax losses	**-**	**-**	923,650	258,622
	19,711	**4,731**	937,473	262,493

The Company's brought forward tax losses as at 31 March 2021 amounting to Rs. 7,145 Mn have not been considered for recognition of deferred tax asset due to the uncertainty in claiming such losses as a result of tax assessments raised (31 March 2020 – Rs. 7,145 Mn).

As at 31 March,	2021 Rs. '000	2020 Rs. '000
19. OTHER ASSETS		
Advance paid for building	223,649	-
Advance paid for land	77,300	77,300
Prepayments and other receivable	14,372	16,370
Staff loans **(Note 19.1)**	1,085	602
	316,406	94,272

19.1 Staff Loans

Balance at the beginning of the year	602	744
Disbursements during the year	710	150
Recoveries during the year	(227)	(292)
Balance at the end of the year	**1,085**	602

20. PROPERTY, PLANT AND EQUIPMENT AND RIGHT OF USE ASSETS

	Office Equipment Rs.'000	Furnitures Rs.'000	Fixtures & Fittings Rs.'000	Right of Use Asset Rs.'000	Total Rs.'000
Cost					
Balance as at 1 April 2020	17,377	7,347	19,052	8,531	52,307
Additions during the year	6,675	-	-	-	6,675
Disposals during the year	-	(49)	-	-	(49)
As at 31 March 2021	**24,052**	**7,298**	**19,052**	**8,531**	**58,933**
Accumulated depreciation					
As at 1 April 2020	16,439	7,347	19,051	2,275	45,112
Charge for the year	1,745	-	1	2,275	4,021
Disposals during the year	-	(49)	-	-	(49)
As at 31 March 2021	**18,184**	**7,298**	**19,052**	**4,550**	**49,084**
Carrying Value as at 31 March 2021	**5,868**	**-**	**-**	**3,981**	**9,849**

Notes to the Financial Statements

20. PROPERTY, PLANT AND EQUIPMENT AND RIGHT OF USE ASSETS (CONTD.)

	Office Equipment Rs.'000	Furnitures Rs.'000	Fixtures & Fittings Rs.'000	Right of Use Asset Rs.'000	Total Rs.'000
Cost					
Balance as at 1 April 2019	17,239	7,347	19,052	-	43,638
Impact on adoption of SLFRS 16	-	-	-	8,531	8,531
Adjusted Balance as at 1 April	17,239	7,347	19,052	8,531	52,169
Additions during the year	138	-	-	-	138
Disposals during the year	-	-	-	-	-
As at 31 March 2020	17,377	7,347	19,052	8,531	52,307
Accumulated depreciation					
As at 1 April 2019	15,988	7,347	19,048	-	42,383
Charge for the year	451	-	3	2,275	2,729
Disposals during the year	-	-	-	-	-
As at 31 March 2020	16,439	7,347	19,051	2,275	45,112
Carrying Value As at 31 March 2020	938	-	1	6,256	7,195

Based on the assessment of potential impairment carried out by the Company as at 31 March 2021, no provision was required to be made in the Financial Statements.

Property, Plant and Equipment included fully depreciated assets having a gross amount of Rs. 51,490,825 as at 31 March 2021 (2019/20 Rs. 50,038,213).

There were no capitalised borrowing cost related to the acquisition of Property, Plant and Equipment during the year (2019/20 - Nil).

There were no restrictions on the title of the Property, Plant and Equipment as at 31 March 2021.

There were no items of Property, Plant and Equipment pledged as security as at 31 March 2021.

There were no temporary idle items of Property, Plant and Equipment as at 31 March 2021.

21. INTANGIBLE ASSETS

	Software	Total	
		2021	2020
	Rs.'000	Rs.'000	Rs.'000
Cost			
As at 1 April	**16,742**	**16,742**	16,542
Additions during the year	**370**	**370**	200
As at 31 March	**17,112**	**17,112**	16,742
Accumulated amortisation/Impairment			
Amortisation			
As at 1 April	**15,636**	**15,636**	15,143
Amortisation charge for the year	**557**	**557**	493
Balance as at 31 March	**16,193**	**16,193**	15,636
Carrying Value as at 31 March 2021	**919**	**919**	-
Carrying Value as at 31 March 2020	**-**	**-**	1,106

As at 31 March,	2021	2020
	Rs. '000	Rs. '000

22. DERIVATIVE FINANCIAL INSTRUMENTS

Forward sale contracts - Government securities **(Note 9)**	**824**	3,118
	824	3,118

23. SECURITIES SOLD UNDER REPURCHASE AGREEMENTS

Against treasury bills	**34,463**	9,762,388
Against treasury bonds	**19,296,009**	22,420,385
	19,330,472	32,182,773

Securities given as collateral

	Market Value		Face Value	
As at 31 March,	2021	2020	2021	2020
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Treasury bills	**37,358**	17,620,245	**37,641**	18,510,197
Treasury bonds	**21,605,300**	18,540,104	**20,244,632**	17,394,483
	21,642,658	36,160,349	**20,282,273**	35,904,680

The Company follows the guidelines stipulated in the direction, Repurchase Transactions of Dealer Direct Participants in Scripless Treasury Bonds and Scripless Treasury Bills issued by the Central Bank of Sri Lanka, in allocating securities for repurchase agreements (Direction No. 01 of 2019 dated 20 December 2019). Only the eligible securities are being used for such allocations and the Section 4.3, 4.4 and 4.5 are being complied with when considering the haircut requirements.

Notes to the Financial Statements

23. SECURITIES SOLD UNDER REPURCHASE AGREEMENTS (CONTD.)

The Company has established an effective risk management framework by implementing necessary policies and procedures to ensure compliance with the said guidelines. An effective internal control system is being used to verify the accuracy of security allocations.

As at 31 March,	2021 Rs. '000	2020 Rs. '000
24. CREDITORS AND OTHER PAYABLES		
Provision for staff expenses	**210,610**	121,367
Other provisions and payables	**11,158**	7,839
VAT/NBT on financial services	**114,598**	97,852
	336,366	227,058
25. PAYABLE TO RELATED COMPANIES		
First Capital Holdings PLC	**16,982**	2,931
First Capital Limited	**780**	16,040
Janashakthi Limited	**728**	711
KHL Corporate Services Limited	**25**	16
	18,515	19,698
26. TAXES PAYABLE		
Balance at the beginning of the year	**439,878**	-
Impact of IFRIC 23	**-**	439,878
	439,878	439,878
Under provision of tax with respect to previous years in line with IFRIC 23	**11,687**	-
Total **(Note 26.1)**	**451,565**	439,878
Current tax provision for the year **(Note 11)**	**292,297**	-
Over provision of tax with respect to previous year	**(2,394)**	-
Transfer of brought forward tax receivable	**(509)**	-
Balance at the end of the year	**740,959**	439,878

26.1 The Company has pending income tax assessments in relation to the chargeability of interest income on Primary Dealer's operations for years of assessment of 2008/09, 2012/13, 2013/14, 2014/15, 2015/16, 2016/17 and 2017/18 amounting to Rs. 1.21Bn. The Company has appealed against the said assessments and they are currently at different appeal procedure levels.

With the tax consultant's view, the Company has assessed and made a provision for the tax liability on the above tax assessments as at 31 March 2021 amounting to Rs. 451.6Mn (31 March 2020 - Rs. 439.9Mn) in line with IFRIC 23 - Uncertainty over income tax treatment. The said provisions reflect the most likely amount of liability that the Company would be liable to pay after absorbing tax losses amounting to Rs. 1.24Bn as at 31 March 2021 (31 March 2020 – Rs. 1.22Bn).

As at 31 March,	2021 Rs. '000	2020 Rs. '000

27. BORROWING ON LISTED DEBENTURES

Balance at the beginning of the year	**758,342**	511,111
Debenture Issued during the year	-	750,000
Transaction cost	-	(7,485)
Accrual of interest	**97,063**	57,170
	855,405	1,310,796
Settlement of interest (Coupon)	**(96,150)**	(52,454)
Debentures redeemed during the year	-	(500,000)
Balance at the end of the year	**759,255**	758,342

27.1 The debentures consist of 7,500,000 Rated, Subordinated, Unsecured, Redeemable 5 year (2020/2025) listed debentures at a face value of Rs. 100/- interest payable at a rate of 12.75% Semi - Annually issued in January 2020. The debentures are quoted on the Colombo Stock Exchange.

Tenure	No. of Debentures	Face Value Rs. '000	Carrying value 31.03.2021 Rs. '000	Allotment Date	Maturity Date	Rate of Interest	Frequency on Interest
5 Year	7,500,000	750,000	759,255	30-Jan-20	30-Jan-25	12.75% (AER-13.16%)	Semi annually

As at 31 March,	2021 Rs. '000	2020 Rs. '000

28. RETIREMENT BENEFIT OBLIGATIONS

Balance at the beginning of the year	**14,331**	11,446
Amount recognised in profit or loss for the year		
Gratuity charge for the year	**1,338**	1,383
Interest charge for the year	**1,219**	1,164
Amount recognised in other comprehensive income for the year		
Actuarial (gain)/loss for the year	**2,955**	338
Benefits paid during the year	-	-
Balance at the end of the year	**19,843**	14,331

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

Notes to the Financial Statements

As at 31 March,	2021 Rs. '000	2020 Rs. '000
28. RETIREMENT BENEFIT OBLIGATIONS (CONTD.)		
28.1 Principal assumptions used:		
Discount rate/interest rate	**8.50%**	10.25%
Expected annual average salary increment	**7.50%**	8.00%
Staff turnover factor	**10%**	10%
Retirement age of employees	**55 Years**	55 Years

28.2 Sensitivity of the assumptions used

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

As at 31 March,	2021 Rs. '000	2020 Rs. '000
Decrease in discount rate by 1%	**1,298**	942
Increase in discount rate by 1%	**(1,201)**	(871)
Decrease in salary increment by 1%	**(1,223)**	(896)
Increase in salary increment by 1%	**1,298**	953

As at 31 March,	2021 Rs. '000	2020 Rs. '000
29. STATED CAPITAL		
Ordinary shares of 153,900,000	**256,500**	256,500

29.1 On 29 March 2021, the Shareholders of the Company resolved to execute a sub-division of shares without a change to the stated capital of Rs. 256.5 Mn by splitting every one (01) existing voting ordinary share into ten (10) voting ordinary shares. The shares so divided rank equal and pari pasu in all respects with the existing shares from which the division arose (Number of shares represented by the stated capital prior to the sub-division of shares was 15,390,000).

As at 31 March,	2021 Rs. '000	2020 Rs. '000
30. RISK RESERVE		
Balance at the beginning of the year	**1,203,065**	1,082,307
Transfer during the year	**183,728**	120,758
Balance at the end of the year	**1,386,793**	1,203,065

The Company made a transfer of 10% (2019/20 -10%) of its profit after tax to the risk reserve in accordance with the directions issued by the Central Bank of Sri Lanka.

As at 31 March,	2021 Rs. '000	2020 Rs. '000
31. FAIR VALUATION RESERVE VIA FINANCIAL ASSET RECOGNISED THROUGH OTHER COMPREHENSIVE INCOME		
Balance at the beginning of the year	**(2,000)**	(1,000)
Transfer during the year	**-**	(1,000)
Balance at the end of the year	**(2,000)**	(2,000)

The above reserve is relating to the Company's equity investment in Lanka Financial Services Bureau Limited amounting to Rs. 2Mn (at cost) which is accounted for "Financial Assets - fair value through other comprehensive income." Carrying value of the said investment as at 31 March 2021 is zero (31 March 2020 - zero).

32. DIVIDEND PAID

The Company paid an interim dividend of Rs. 33.50 per share amounting to Rs. 515.6Mn for year 2020/21 in March 2021 (2019/20 - a dividend of Rs. 16.50 per share amounting to Rs.253.9Mn was paid in July 2019 and a dividend of Rs. 35 per share amounting to Rs. 538.6 Mn was paid in April 2020). Dividend per share is stated before executing the sub-division of shares.

Notes to the Financial Statements

33. RELATED PARTY DISCLOSURES

33.1 Directorships in other companies

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

Name of the company	Relationship	Mr. Nishan Fernando	Mr. Dinesh Schaffter*	Mr. Dilshan Wirasekara	Ms. Minette Perera	Mr. Chandana Lal de Silva	Dr. Nishan de Mel	Mr. Prakash Schaffter	Mr. Ramesh Schaffter
Janashakthi Limited	Ultimate Parent	-	Director	-	-	Chairman	-	Deputy Chairman	Managing Director/ Group CEO
Janashakthi Insurance PLC	Subsidiary of the Ultimate Parent	-	Director	-	-	-	-	Chairman	Director
Janashakthi Capital Limited	Subsidiary of the Ultimate Parent	-	-	-	-	-	-	Director	Director
Orient Finance PLC	Subsidiary of the Ultimate Parent	-	-	-	Director	-	-	Director	Director
Orient Capital Limited	Subsidiary of the Ultimate Parent	-	-	-	-	-	-	Director	Director
First Capital Limited	Immediate Parent	Chairman	Managing Director	Director/ CEO	Director	Director	Director	-	-
First Capital Markets Limited	Subsidiary of the Immediate Parent	Chairman	Managing Director	Director/ CEO	Director	Director	Director	-	-
First Capital Asset Management Limited	Subsidiary of the Immediate Parent	Chairman	Managing Director	Director/ CEO	Director	Director	Director	-	-
First Capital Equities (Private) Limited	Subsidiary of the Immediate Parent	Chairman	Managing Director	Director	Director	Director	Director	-	-
First Capital Trustee Services (Private) Limited	Subsidiary of the Immediate Parent	-	Managing Director	Director/ CEO	-	-	-	-	-
Kelsey Developments PLC	Subsidiary of the Ultimate Parent	-	Director	-	-	Director	-	Director	Director
Kelsey Homes (Private) Limited	Subsidiary of the Ultimate Parent	-	Managing Director	-	-	Director	-	-	-
K H L Corporate Services Limited	Subsidiary of the Ultimate Parent	-	Director	-	-	-	-	Director	Director
Kelsey Homes (Central Park) Limited (formerly Twid Capital (Private) Limited)	Subsidiary of the Ultimate Parent	-	Director	-		Director	-	-	-
Thornton Engineering (Private) Limited	Related Party through KMP	-	Director	-	-	Director	-	-	-
Premier Synthetic Leather Manufacturers (Private) Limited	Related Party through KMP	-	Director	-	-	-	-	Director	Director
Nextventures Limited	Related Party through KMP	-	Director	-	-	-	-	-	-

KMP - Key Management Personnel

** Mr. Dinesh Schaffter has been appointed to the Board of Directors of Janashakthi Insurance PLC with effect from 5 July 2021*

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

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

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

As at 31 March,	**2020/21 Rs. '000**	**2019/20 Rs. '000**
33.2 Transactions with parent companies		
Nature of transaction		
Statement of Profit or Loss and Other Comprehensive Income		
Interest expenses on repurchase agreements	**6,299**	1,310
Interest expense on debentures	**15,335**	28,810
Reimbursement of expenses	**10,257**	8,435
Interest expenses on short term borrowings	**-**	7,605
Commitment fee	**4,990**	5,010
Corporate guarantee charges	**1,421**	1,421
Brokerage on debenture borrowing	**-**	5,334
Statement of Changes in Equity		
Dividend paid	**995,648**	239,827
Statement of Financial Position		
Right of use asset (at cost)	**30,832**	33,366
Borrowings on listed debentures	**22,747**	243,370
Securities purchased under re-sale agreements (government securities)	**172,594**	44,738
Current account payable	**18,490**	19,682

Notes to the Financial Statements

As at 31 March,	2020/21 Rs. '000	2019/20 Rs. '000

33. RELATED PARTY DISCLOSURES (CONTD.)

33.3 Transactions with subsidiaries of the parent company (First Capital Limited)

Nature of transaction	2020/21 Rs. '000	2019/20 Rs. '000
Statement of Profit or Loss and Other Comprehensive Income		
Interest expenses on repurchase agreements	**225**	867
Statement of Financial Position		
Right of use asset (at cost)	**7,283**	7,283
Securities sold under repurchase agreements (government securities)	**-**	6,142
Current account receivables	**145**	344

33.4 Transaction with other related parties

Nature of transaction	2020/21 Rs. '000	2019/20 Rs. '000
Statement of Profit or Loss and Other Comprehensive Income		
Interest income on resale agreements	**36,852**	278
Gain on sale of government securities	**43,476**	65,025
Interest expenses on repurchase agreements	**120,140**	71,354
Interest expenses on debenture	**31,875**	5,441
Secretarial fees paid	**299**	307
Statement of Financial Position		
Securities purchased under re-sale agreements (government securities)	**812,410**	125,141
Securities sold under repurchase agreements (government securities)	**5,884,405**	662,162
Borrowings on listed debentures	**253,085**	252,781
Current account payables	**25**	16
Current account receivables	**20**	16

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

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

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

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

a The individual's domestic partner and children;

b. Children of the individual's domestic partner; and

c. Dependants of the individual or individual's domestic partner

Close Family Members are related parties to the Entity.

Transactions with Key Management Personnel and their close family members are disclosed below.

Nature of transaction	2020/21 Rs. '000	2019/20 Rs. '000
Statement of Profit or Loss and Other Comprehensive Income		
Emoluments paid - short term benefits	**70,942**	86,751
Interest income on resale agreements	**48**	202
Interest expense on repurchase agreements	**599**	612
Statement of Financial Position		
Securities sold under re-purchase agreements (against government securities)	**6,190**	7,172

34. CONTINGENT LIABILITIES

There were no material contingent liabilities as at the reporting date which require disclosures in the financial statements for the year ended 31 March 2021 other than the followings:

- The Company has appealed against assestments on financial VAT in year of assesment 2010/11, 2012/13, 2013/14, 2014/15, 2015/16 and 2016/17 amounting to Rs. 357.8Mn to the Tax Appeals Commission. Hearing of the said appeals has not been concluded yet.
- The Commissioner General of Inland Revenue determined the company's appeal on NBT on Financial Services (2016/17) amounting to Rs. 7Mn in favour of the Department of Inland Revenue (January 2021). The matter has been referred to the Tax Appeals Commission.
- The Company has appealed against assestment on financial VAT (2017/18) and NBT on financial services (2017/18) to Rs. 121.9Mn and Rs. 16.2Mn respectively to the Department of Inland Revenue and hearing has not been determined yet.

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

There were no material litigations or claims with respect to employee compensation. Further, the Company did not have any other material litigations or claims that could have a material impact on the financial position of the company, or which would lead to a disclosure in the financial statements for the year ended 31 March 2021.

35. COMMITMENTS

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

(a) Capital Commitments

The Company entered into an agreement to acquire three condominium units currently occupied by the company for a purchase consideration of Rs. 270Mn. An advance payment of Rs. 250Mn was made in 2020/21.

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

(b) Other Commitments

The value of forward purchase contracts (Government Securities) as at 31 March 2021 is Rs. 2,718 Mn (31 March 2020 -Rs. 639 Mn) and the value of forward sales contracts (Government Securities) as at 31 March 2021 is Rs. 1,437 Mn (31 March 2020 - Rs. 967 Mn).

Notes to the Financial Statements

36. EVENTS AFTER THE REPORTING PERIOD

There were no material events occurring after the reporting date, which require adjustments or disclosures in the financial statements.

37. IMPACT ON COVID-19 PANDEMIC

The World Health Organisation declared COVID-19 as a Global Pandemic situation on 11 March 2020. The pandemic significantly affected the Sri Lankan economy as well as the business environment. The situation is being continued effecting many aspects of the country. With the declaration of COVID-19 as a Global Pandemic situation and in response to the serious threat imposed on public health and safety, Sri Lankan Government enforced several measures to control the pandemic in March 2020.

The Country began to stabilise during the second half of year 2020 with lifting of lockdowns and gradual resurrection of business operations along with the consumer demand, that was lowered by the re-surge of 2nd wave of the pandemic occurred towards the end of the year 2020. The Country has been going through another distress as a result of 3rd wave of COVID-19 since April 2021.

COVID-19 Pandemic had a low impact on the Company's general business routines. The Company followed the government guidelines and acted to ensure the safety of employees, stakeholder and business partners. The Company was equipped with a strong Business Continuity Plan. Accordingly, the Company was better prepared and equipped to face such contingent situations when the Government initially imposed curfew in March 2020. The Company had adequate infrastructure in place to face such emergency and therefore the impact on the business operations was minimal. The outbreak of COVID-19 did not have a negative impact on the performance, liquidity and valuation of assets of the Company. During the year 2021, the Central Bank of Sri Lanka reduced the policy rates in three instances which resulted in a favorable impact on the Company's performance.

38. FINANCIAL RISK MANAGEMENT

Overview

The Company has exposure to the following risks via financial instruments.
- Market Risk
- Liquidity Risk
- Credit Risk
- Operational Risk

38.1 Risk Management Framework

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

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

38.2 Market Risk

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

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

INTEREST RATE RISK

The interest rate profile of the Company's interest-bearing financial instruments are as follows:

	2021 Rs.'000	2020 Rs.'000
Fixed rate instruments		
Financial assets		
Forward purchase contracts	**2,315**	2,734
Financial assets recognised through profit or loss - measured at fair value	**23,085,413**	36,212,069
Financial assets at amortised cost	**2,158,045**	793,503
	25,245,773	37,008,306
Financial liabilities		
Forward sale contracts	**824**	3,118
Securities sold under re-purchase agreements	**19,330,472**	32,182,773
Borrowings on debentures	**759,255**	758,342
	20,090,551	32,944,233

Fair value sensitivity analysis for fixed rate instruments

The Company does account for fixed rate financial assets at fair value through profit or loss. Therefore, a change in interest rate at the reporting date would affect profit or loss of the Company.

A reasonably possible 1% change interest rates at the reporting date would have increased or decreased equity and profit or loss by the amounts shown below. The analysis assumes that all other variables, in particular foreign currency exchange rates remain constant.

	Profit or loss		Equity, net of tax	
	1% Decrease Rs. '000	1% Increase Rs. '000	1% Decrease Rs. '000	1% Increase Rs. '000
Fixed rate instruments				
Financial assets				
Forward purchase contracts	**45,996**	**(44,748)**	**34,957**	**(34,008)**
Financial assets recognised through profit or loss - measured at fair value	**439,503**	**(426,807)**	**334,022**	**(324,373)**
Financial assets at amortised cost	**(227)**	**227**	**(173)**	**173**
	485,272	**(471,328)**	**368,806**	**(358,208)**
Financial liabilities				
Forward sale contracts	**(15,711)**	**15,346**	**(11,940)**	**11,663**
Securities sold under re-purchase agreements	**11,565**	**(11,549)**	**8,789**	**(8,777)**
Borrowings on debentures	**1,104**	**(1,215)**	**839**	**(923)**
	(3,042)	**2,582**	**(2,312)**	**1,963**

Notes to the Financial Statements

38. FINANCIAL RISK MANAGEMENT (CONTD.)

Exchange Rate Risk

A reasonably possible 1% change exchange rates (USD to LKR) at the reporting date would have increased or decreased equity and profit or loss by the amounts shown below. The analysis assumes that all other variables remain constant except the exchange rate.

	Profit or loss		Equity, net of tax	
	1% Decrease Rs. '000	1% Increase Rs. '000	1% Decrease Rs. '000	1% Increase Rs. '000
Fixed rate instruments				
Financial assets recognised through profit or loss - measured at fair value- Sri Lanka Development Bonds	(26,797)	26,797	(20,366)	(20,366)
	(26,797)	26,797	(20,366)	(20,366)

38.3 Liquidity Risk

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

Management of liquidity risk includes the following elements:

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

Maturity Analysis of Financial Assets and Financial Liabilities

As at 31 March 2021	Carrying Amount Rs. '000	On demand Rs. '000	Upto 3 Months Rs. '000	3 Months to 1 Year Rs. '000	1-3 Years Rs. '000	3-5 Years Rs. '000	Over 5 Years Rs. '000
Assets							
Cash at banks and in hand	146,614	146,614	-	-	-	-	-
Derivative financial instruments	2,315	-	-	287	2,028	-	-
Financial assets recognised through profit or loss - measured at fair value	23,085,413	-	81,224	2,809,890	17,582,556	2,405,389	206,354
Financial assets - at amortised cost	2,158,045	-	2,158,045	-	-	-	-
Receivable from related companies	165	165	-	-	-	-	-
Total	25,392,552	146,779	2,239,269	2,810,177	17,584,584	2,405,389	206,354
As at 31 March 2020	37,017,027	8,721	798,307	18,302,585	10,203,506	6,835,152	868,013
Liabilities							
Derivative financial instruments	824	-	-	287	537	-	-
Securities sold under repurchase agreements	19,330,472	3,148,208	13,236,279	2,935,489	6,191	-	4,305
Payable to related companies	18,515	18,515	-	-	-	-	-
Borrowing on debentures	759,255	-	-	96,625	191,250	845,887	-
Total	20,109,066	3,166,723	13,236,279	3,032,401	197,978	845,887	4,305
As at 31 March 2020	32,963,931	19,698	4,923,898	27,260,740	5,673	750,000	3,922

38.4 Credit Risk

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

Management of credit risk includes the following components:

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

38.4.1 Credit risk exposure - Cash at bank and in hand

Credit risk exposure of cash at bank and cash in hand is depicted in the below table using carrying values as at the Statement of Financial Position date.

As at 31 March,	Rating	Rating Agency	2021 Rs. '000	2020 Rs. '000
Bank of Ceylon PLC	AA-	Fitch	**4,190**	2,480
Commercial Bank of Ceylon PLC	AA-	Fitch	**47**	4
Hatton National Bank PLC	AA-	Fitch	**44**	45
National Development Bank PLC	A+	Fitch	**33**	5
People's Bank PLC	AA-	Fitch	**1,217**	366
Seylan Bank PLC	A	Fitch	**140,594**	1,295
Total Exposure to credit Risk			**146,125**	4,195
Central Bank of Sri Lanka			**414**	4,091
Cash in hand			**75**	75
Cash and Cash Equivalents			**146,614**	8,361

Notes to the Financial Statements

38. FINANCIAL RISK MANAGEMENT (CONTD.)

38.4 Credit Risk (Contd.)

Credit Quality by Class of Financial Assets

	12 Month expected credit losses Rs. '000	Life time expected credit losses not credit impaired Rs. '000	Life time expected credit losses credit impaired Rs. '000	Total Rs. '000
As at 31 March 2021				
Assets				
Derivative financial instruments	**2,315**	-	-	**2,315**
Financial assets recognised through profit or loss - measured at fair value	**23,085,413**	-	-	**23,085,413**
Financial assets - at amortised cost	**2,158,045**	-	-	**2,158,045**
Staff Loan	**1,085**	-	-	**1,085**
Receivable from related companies	**165**	-	-	**165**
Total	**25,247,023**	-	-	**25,247,023**
As at 31 March 2020				
Assets				
Derivative financial instruments	2,734	-	-	2,734
Financial assets recognised through profit or loss - measured at fair value	36,212,069	-	-	36,212,069
Financial assets - at amortised cost	793,503	-	-	793,503
Receivable from related companies	360	-	-	360
Staff loan	602	-	-	602
Total	37,009,268	-	-	37,009,268

Analysis of Concentration Risk

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

	Cash at Banks Rs. '000	Derivative Financial Instruments Rs. '000	Financial assets recognised through profit or loss - measured at fair value Rs. '000	Financial assets - at Amortised cost Rs. '000	Financial assets - fair value through other comprehensive income Rs. '000	Receivable from Related Companies Rs. '000
As 31 March 2021						
Sector wise breakdown						
Government	**5,821**	**2,315**	**23,085,413**	-	-	-
Corporate	**140,718**	-	-	**1,205,779**	-	**165**
Others	-	-	-	**952,266**	-	-
Total	**146,539**	**2,315**	**23,085,413**	**2,158,045**	-	**165**
As at 31 March 2020						
Sector wise breakdown						
Government	6,937	-	36,212,069	-	-	-
Corporate	1,349	2,734	-	287,663	-	360
Others	-	-	-	505,840	-	-
Total	8,286	2,734	36,212,069	793,503	-	360

38.5 Operational Risk

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

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

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

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

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

39. FINANCIAL INSTRUMENTS - FAIR VALUE MEASUREMENT

The Company measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements.

Level- 1

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

Level- 2

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

Level- 3

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

Notes to the Financial Statements

39. FINANCIAL INSTRUMENTS - FAIR VALUE MEASUREMENT (CONTD.)

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

39.1 Fair Value Versus the Carrying Amount

As at 31 March 2021	2021		2020	
	Carrying Amount Rs.	Fair Value Rs.	Carrying Amount Rs.	Fair Value Rs.
Financial Assets measured at Fair Value				
Derivative financial instruments	**2,315**	**2,315**	2,734	2,734
Financial assets recognised through profit or loss - measured at fair value	**23,085,413**	**23,085,413**	36,212,069	36,212,069
	23,087,728	**23,087,728**	36,214,803	36,214,803
Financial Assets not measured at Fair Value				
Cash at banks and in hand	**146,614**	**146,614**	8,361	8,361
Financial assets - at amortised cost	**2,158,045**	**2,158,045**	793,503	793,503
Receivable from related companies	**165**	**165**	360	360
	2,304,824	**2,304,824**	802,224	802,224
Total Financial Assets	**25,392,552**	**25,392,552**	37,017,027	37,017,027
Financial Liabilities measured at Fair Value				
Derivative financial instruments	**824**	**824**	3,118	3,118
	824	**824**	3,118	3,118
Financial Liabilities not measured at Fair Value				
Securities sold under re-purchase agreements	**19,330,472**	**19,334,019**	32,182,773	32,209,225
Payable to related companies	**18,515**	**18,515**	19,698	19,698
Borrowing on debentures	**759,255**	**827,503**	758,342	772,145
	20,108,242	**20,180,037**	32,960,813	33,001,068
Total Financial Liabilities	**20,109,066**	**20,180,861**	32,963,931	33,004,186

39.2 Financial Instruments - Fair Value

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

As at 31 March 2021	Total Carrying Value Rs. '000	Level 1 Rs. '000	Level 2 Rs. '000	Level 3 Rs. '000	Total Fair Value Rs. '000
Financial Assets measured at Fair Value					
Derivative Financial Instruments					
Forward purchase contracts	2,315	2,315	-	-	2,315
Forward sale contracts	-	-	-	-	-
	2,315	2,315	-	-	2,315
Financial assets recognised through profit or loss - measured at fair value					
Investment in government securities	23,085,413	23,085,413	-	-	23,085,413
	23,085,413	23,085,413	-	-	23,085,413
Financial assets recognised through other comprehensive income	-	-	-	-	-
	23,087,728	23,087,728	-		23,087,728
Financial Assets not measured at Fair Value					
Cash at banks and in hand	146,614	-	-	146,614	146,614
Financial assets - at amortised cost	2,158,045	-	-	2,158,045	2,158,045
Receivable from related companies	165	-	-	165	165
	2,304,824	-	-	2,304,824	2,304,824
Total Financial Assets	25,392,552	23,087,728	-	2,304,824	25,392,552
Financial Liabilities measured at Fair Value					
Derivative Financial Instruments					
Forward purchase contracts	-	-	-	-	-
Forward sale contracts	824	824	-	-	824
	824	824	-	-	824
Financial Liabilities not measured at Fair Value					
Securities sold under re purchase agreements	19,330,472	-	-	19,334,019	19,334,019
Payable to related companies	18,515	-	-	18,515	18,515
Borrowing on listed debentures	759,255	-	827,503	-	827,503
	20,108,242	-	827,503	19,352,534	20,180,037
Total Financial Liabilities	20,109,066	824	827,503	19,352,534	20,180,861

Notes to the Financial Statements

39. FINANCIAL INSTRUMENTS - FAIR VALUE MEASUREMENT (CONTD.)

39.2 Financial Instruments - Fair Value (Contd.)

As at 31 March 2020	Total Carrying Value Rs. '000	Level 1 Rs. '000	Level 2 Rs. '000	Level 3 Rs. '000	Total Fair Value Rs. '000
Financial Assets measured at Fair Value					
Derivative Financial Instruments					
Forward purchase contracts	2,734	2,734	-	-	2,734
Forward sale contracts	-	-	-	-	-
	2,734	2,734	-	-	2,734
Financial assets recognised through profit or loss - measured at fair value					
Investment in government securities	36,212,069	36,212,069	-	-	36,212,069
	36,212,069	36,212,069	-	-	36,212,069
Financial assets - fair value through other comprehensive income	-	-	-	-	-
	36,214,803	36,214,803	-	-	36,214,803
Financial Assets not measured at Fair Value					
Cash at banks and in hand	8,361	-	-	8,361	8,361
Financial assets - at amortised cost	793,503	-	-	793,503	793,503
Receivable from related companies	360	-	-	360	360
	802,224	-	-	802,224	802,224
Total Financial Assets	37,017,027	36,214,803	-	802,224	37,017,027
Financial Liabilities measured at Fair Value					
Derivative Financial Instruments					
Forward purchase contracts	-	-	-	-	-
Forward sale contracts	3,118	3,118	-	-	3,118
	3,118	3,118	-	-	3,118
Financial Liabilities not measured at Fair Value					
Securities sold under re purchase agreements	32,182,773	-	-	32,209,225	32,209,225
Payable to related companies	19,698	-	-	19,698	19,698
Borrowing on listed debentures	758,342	-	772,145	-	772,145
	32,960,813	-	772,145	32,228,923	33,001,068
Total Financial Liabilities	32,963,931	3,118	772,145	32,228,923	33,004,186

INFORMATION ON LISTED DEBENTURES

1. INFORMATION OF LISTED DEBENTURES

Allotment Date	Frequency on Interest Payment	No. of Debentures issued and alloted	Face Value Rs. 000	Rate of Interest	Tenure	Date of Maturity
30-Jan-2020	Semi-annually	7,500,000	750,000	12.75% (AER - 13.16%)	5 Years	30-Jan-2025

2. OBJECTIVES OF THE ISSUE

The Company has achieved the following objectives as stipulated in the prospectus issued to raise Rs. 750Mn via the Debenture Issue made in January 2020.

Objective as per prospectus	Amount allocated as per Prospectus in Rs.	Amount allocated from proceeds in Rs. (A)	% of total proceeds	Amount Utilised in Rs. (B)	% of Utilisation against allocation (B / A)
1. To finance the redemption of listed debentures matured on 6 February 2020	500Mn	500Mn	66.67%	500Mn	100%
2. To invest in government securities	250Mn	250Mn	33.33%	250Mn	100%

3. MARKET VALUE AS AT 31 MARCH 2021

Debentures with 5 year maturity have been traded during the year ended 31 March 2021. Last traded price (yield) has been recognised as the market value. Yield to maturity on trade done is ranging from 9.75% to 10.50%.

5 year fixed rate (12.75% p.a. payable semi-annually)	2020/21 Rs.	2019/20 Rs.
Highest price	**110.02**	-
Lowest price	**107.76**	-
Last traded price	**110.02**	-

Debenture Interest Yield (last traded)	2020/21	2019/20
5 year fixed rate (12.75 % p.a. payable semi-annually)	**9.75%**	N/A

Yield of Comparable Government Securities (%)	As at 31-03-2021	As at 31-03-2020
Treasury bond (maturity 15 March 2025)	**6.83%**	9.25%

4. DEBT RATIOS

	As at 31-03-2021	As at 31-03-2020
Debt/equity ratio (times)	**4.45**	8.81
Quick asset ratio (times)	**1.31**	1.14
Interest cover (times)	**2.84**	1.86

5. CREDIT RATINGS

ICRA Lanka Limited upgraded the Company's credit rating to [SL] "A" from [SL] "A-" in November 2020. The Company's long term issue rating of Rs. 750Mn Listed, Rated, Subordinated, Unsecured, Redeemable Debentures (2020/25) has also been upgraded to [SL] "A-" from [SL] "BBB+."

FIVE YEAR SUMMARY

Year ended 31 March	2021	2020	2019	2018	2017
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Trading Results			Based on LKAS/ SLFRS		
Gross income	**4,294,461**	3,708,401	2,671,869	2,510,251	2,536,109
Profit before tax	**2,397,342**	1,751,660	137,428	823,406	343,765
Tax (charge)/ reversal	**(560,061)**	(544,083)	(41,621)	847,465	-
Profit after tax	**1,837,281**	1,207,577	95,807	1,670,871	343,765
Other comprehensive income/ (expense)	**(2,246)**	(1,244)	(2,204)	(438)	4,410
Total comprehensive income	**1,835,035**	**1,206,333**	**93,603**	**1,670,433**	**348,175**

As at 31 March	2021	2020	2019	2018	2017
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Financial position					
Assets					
Cash at banks and in hand	**146,614**	8,361	2,144	3,077	13,731
Derivative financial instruments	**2,315**	2,734	3,454	47,868	24,075
Financial assets recognised through profit or loss - measured at fair value	**23,085,413**	36,212,069	29,533,427	23,376,073	15,384,251
Financial assets -fair value through other comprehensive income	**-**	-	-	1,000	1,000
Financial assets - at amortised cost	**2,158,045**	793,503	1,863,996	968,887	6,369,562
Deferred tax asset	**4,731**	262,493	806,482	847,635	-
Property, plant and equipment and right of use assets	**9,849**	7,195	1,255	1,393	2,581
Other assets	**317,490**	96,246	112,189	256,751	144,336
Total assets	**25,724,457**	**37,382,601**	**32,322,947**	**25,502,684**	**21,939,536**
Liabilities					
Bank overdrafts	**-**	-	6,660	2,759	-
Derivative financial instruments	**824**	3,118	2,878	21,659	2,240
Securities sold under re-purchase agreements	**19,330,472**	32,182,773	27,482,737	21,691,825	19,677,003
Short term borrowings	**-**	-	991,384	-	-
Tax payables	**740,959**	439,878	-	-	-
Retirement benefit obligations	**19,843**	14,331	11,446	10,974	8,600
Borrowings on listed debentures	**759,255**	758,342	511,111	510,689	510,304
Other liabilities	**354,881**	246,756	91,848	133,498	80,472
Total liabilities	**21,206,234**	**33,645,198**	**29,098,064**	**22,371,404**	**20,278,619**
Equity					
Stated capital	**256,500**	256,500	256,500	256,500	256,500
Risk reserve	**1,386,793**	1,203,065	1,082,307	1,072,726	905,639
Retained earnings	**2,876,930**	2,279,838	1,887,076	1,802,054	498,778
Fair valuation reserve	**(2,000)**	(2,000)	(1,000)	-	-
Total equity	**4,518,223**	**3,737,403**	**3,224,883**	**3,131,280**	**1,660,917**
Total equity and liabilities	**25,724,457**	**37,382,601**	**32,322,947**	**25,502,684**	**21,939,536**

NOTICE OF MEETING

Notice is hereby given that the Annual General Meeting of First Capital Treasuries PLC will be held on Wednesday, 22 September 2021 at the Board Room of the Company at No. 2, Deal Place, Colombo 03 at 10.30 a.m. to transact the following businesses.

1. To receive the Report of the Board of Directors and the Audited Financial Statements of the Company for the year ended 31 March 2021 together with the report of the Auditors thereon.

2. To re-elect Ms. Minette Perera who retires by rotation in terms of Article 90 of the Articles of Association of the Company and offers herself for re-election.

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

4. To authorise the Directors to determine and make donations.

(Sgd.)
K H L Corporate Services Limited
Secretaries

At Colombo

11 August 2021

Note:
1. A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote on behalf of him/her.
2. A proxy need not be a member of the Company.
3. A Form of Proxy is enclosed for this purpose.
4. The Completed Form of Proxy must be deposited at the Office of the Secretaries, No.15, Walukarama Road, Colombo 03 not less than 48 hours before the time fixed for the meeting.

NOTES

FORM OF PROXY

I / We .... of ....

being a member/s of First Capital Treasuries PLC, hereby appoint Mr./Mrs./Miss. ....

(holder of NIC No ....) of ....

.... failing him/her,

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

as my/our Proxy to represent me / us and vote on my/our behalf at the Annual General Meeting of the Company to be held on Wednesday, 22 September 2021 at the Board Room of the Company at No. 2, Deal Place, Colombo 03 at 10.30 a.m. and at any adjournment thereof and at every poll which may be taken in consequence thereof.

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

	For	Against
1. Receive the Report of the Board of Directors and the Audited Financial Statements of the Company for the year ended 31 March 2021 together with the report of the Auditors thereon.		
2. Re-election of Ms. Minette Perera who retires by rotation in terms of Article 90 of the Articles of Association of the Company.		
3. Re-appointment of Messrs. KPMG, Chartered Accountants as Auditors of the Company for the ensuing year and authorising the Directors to determine their remuneration.		
4. Authorising Directors to determine and make donations.		

Signed on this .... day of .... 2021.

Signature/s ....

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

Form of Proxy

INSTRUCTIONS FOR THE COMPLETION OF THE FORM OF PROXY

1. Please perfect the Form of Proxy overleaf, after filling in legibly your full name and address, by signing in the space provided and fill in the date of signature and your National Identity Card Number.
2. The completed Form of Proxy should be deposited at the Office of the Secretaries, K H L Corporate Services Limited of No. 15, Walukarama Road, Colombo 03, 48 hours before the time appointed for the holding of the meeting.
3. If an Attorney has signed the Form of Proxy, the relative Power of Attorney should also accompany the completed Form of Proxy for registration, if such Power of Attorney has not already been registered with the Company.
4. If the Shareholder is a company or a corporate body, the Proxy should be executed under its Common Seal in accordance with its Articles of Association or Constitution.
5. If there is any doubt as to how the vote is to be exercised, by reason of the manner in which the Form of Proxy has been completed, no vote will be recorded by the Form of Proxy.

CORPORATE INFORMATION

NAME OF COMPANY
First Capital Treasuries PLC

LEGAL FORM
Public Limited Liability Company
listed on the Colombo Stock Exchange
(Incorporated in Sri Lanka on
19 August 1982)

COMPANY REGISTRATION NUMBER
PB 127/PQ

REGISTERED OFFICE
No. 2, Deal Place
Colombo 3
Sri Lanka

BOARD OF DIRECTORS
Mr. Nishan Fernando
Mr. Dinesh Schaffter
Mr. Dilshan Wirasekara
Mr. Prakash Schaffter
Mr. Ramesh Schaffter
Ms. Minette Perera
Mr. Chandana de Silva
Dr. Nishan de Mel

SECRETARIES
K H L Corporate Services Limited
No. 15, Walukarama Road
Colombo 3
Tel: 0112 145030

REGISTRARS
SSP Corporate Services (Private) Limited
No. 101, Inner Flower Road
Colombo 03
Tel: 0112 573894

EXTERNAL AUDITORS
Messrs. KPMG
Chartered Accountants
32 A, Sir Mohamad Macan
Marker Mawatha
P.O. Box 186
Colombo 03

PRINCIPAL BANKERS
Seylan Bank PLC
Bank of Ceylon
People's Bank
Commercial Bank of Ceylon PLC
Hatton National Bank PLC
NDB Bank PLC

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First Capital Treasuries PLC
No. 02, Deal Place, Colombo 03, Sri Lanka.
T: +94 11 2 639 898 | F: +94 11 2 639 899
E: info@firstcapital.lk