

THE PINNACLES OF **ACHIEVEMENT**



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THE PINNACLES OF **ACHIEVEMENT**

At First Capital Treasuries, we are proud to report that this year has been a year of financial achievement, in our 40-year history of the Company. We have faced and overcome many challenges and presently, the Company is well poised for sustained growth as we continue to march forward purposefully, remaining customer centric throughout our journey; our exceptional people are our strength and purpose. First Capital Treasuries remains committed to embracing the notion of pinnacle achievement and venturing into sustainability strategies, to build trust, equity, and confidence into our brand name, for the benefit of our valued stakeholders, across Sri Lanka.





Corporate Overview

THE SUMMIT OF STRENGTH

With innovation as our compass and a pioneering spirit guiding us, we are poised to seize new opportunities and shape a future that is brighter and more promising than ever before.

About Us

Who we are

First Capital Treasuries PLC (the Company or FCT) is a subsidiary of First Capital Holdings PLC (First Capital, First Capital Group or the Group), a member of the Janashakthi Group. With 40 years of industry expertise, FCT is the leading standalone non-bank primary dealer in Sri Lanka, appointed and regulated by the Central Bank of Sri Lanka to deal exclusively in government securities.

We serve an array of companies, institutions, government agencies, high net-worth individuals and retail clients seeking market access, tactical trading and innovative rate solutions in government securities markets. We operate throughout Sri Lanka via offices in Colombo, Kandy, Matara, Kurunegala and Negombo.

As a company listed on the Colombo Stock Exchange (CSE) (Ticker: FCT), we exemplify financial transparency and governance standards. Reflecting credit fundamentals including a robust capital structure, liquidity, risk controls and earnings profile, we have been rated "A" by Lanka Rating Agency Limited (LRA).

FCT maintains a strong interlink between the parent entity and the subsidiaries within the First Capital Group through the sharing of a common brand, management team, systems, and Group treasury function. As a result, our guiding principles are that of our parent entity.

OUR SERVICE OFFERING

Our entrepreneurial roots go back to 1982. First Capital's collaborative culture and multiple capabilities are a result of organic and inorganic growth over the years. Harnessing 40 years of expertise, we leverage on opportunities created through the dynamics of the markets in which we operate and have gained distinct competitive advantages in our core businesses.

Our specialised offering comprises distributing and leveraging of government securities as a standalone non-bank primary dealer developing the government securities market in Sri Lanka.

Seamless investment solutions provided by First Capital Treasuries PLC

- Participation at Primary Auction
- Secondary Market Trading of Government Securities
- Purchasing US Dollar denominated Sri Lanka Development Bonds (presently on hold for non-bank Primary Dealers)
- In-depth research on the Government Securities market including pre-policy analysis and economic overview



Please scan QR code to view about us online

First Capital Treasuries at a Glance



First Capital

A Janashakthi Group Company

A Capital Base of over Rs. 5Bn - the highest among stand-alone non-bank primary dealers in Sri Lanka

Strong base of clients across diverse segments, including several leading Corporates and Banks in Sri Lanka

Dividend Payout of 43% for the past ten years

A Company with an illustrious history and a proven over 40-year track record

Board of Directors comprising of experienced professionals from diverse backgrounds who have established a robust Corporate Governance structure

Recorded a 5-year average ROE of 26%

Highest rated non-bank primary dealer with a credit rating of 'A' assigned by Lanka Rating Agency Limited

Our Journey

1982

The Company was incorporated on 19 August as a money brokering company

1992

The Company was appointed as a Primary Dealer in Government Securities by the Central Bank of Sri Lanka

2000

The Primary Dealer license of the Company was renewed by the Central Bank of Sri Lanka with the formation of eight dedicated Primary Dealer Companies

2001

The Company subscribed to the first-ever dollar denominated bond issued by the Central Bank of Sri Lanka as 'Sri Lanka Development Bonds'

2007

The Company became a subsidiary of Dunamis Capital PLC

2010

The Company surpassed its capital base of Rs. 1Bn

2014

The Company was assigned a corporate credit rating of 'A-'

2015

The Company enhanced its long-term capital base (Tier 2) by way of a listed debenture issue of Rs. 500Mn quoted on the Colombo Stock Exchange by way of Debt Listing

2020

The Company exceeds Profit before Tax of Rs. 1 Bn

The Company successfully completed a debenture issue of Rs. 750Mn (Tier 2)

The Company's corporate credit rating was upgraded to 'A'

First Capital was recognised as a TOP 30 Corporate in Sri Lanka, performing in a challenging environment by Business Today

2018

The Company became a subsidiary of Janashakthi Limited

2021

The Company introduced 'digital onboarding' to facilitate Online Account Opening for Government Securities

First Capital was certified as a great workplace by Great Place to Work® in Sri Lanka

The Company listed shares on the Diri Savi Board of Colombo Stock Exchange

2022

First Capital recognised by LMD amongst top 100 Corporate 2022

First Capital ranked amongst Sri Lanka's top brands by Brand Finance

2023

First Capital recorded its highest ever profit after tax of Rs. 2.9 Bn

Financial Highlights

For the year ended 31 March	2023	2022	Variance
Income Statement (Rs'000)			
Income	9,969,951	622,824	9,347,127
Net Trading Income/(Loss) before Expenses	4,747,750	(450,962)	5,198,712
Profit/(Loss) after tax	2,886,396	(652,445)	3,538,841
Total Comprehensive Income/(Loss)	2,883,967	(644,663)	3,528,630
Selected Return Ratios (Percentage)			
Return on Average Equity	61.82	(15.55)	77.37
Return on Average Assets	7.15	(2.41)	9.56
Financial Position (Rs'000)			
Total Assets	52,323,908	28,416,583	23,907,325
Total Shareholders' Funds	5,464,013	3,873,560	1,590,453
Stated Capital	256,500	256,500	-
Funds Employed (Equity/Debt)	50,056,916	28,031,975	22,024,941
Selected Ratios (Time/Percentage)			
Leverage Ratio (Debt to Equity)	8.16	6.24	1.92
Interest Cover	1.60	0.15	1.45
Capital Adequacy Ratio	23.98	84.87	(60.85)
Shares related information			
Earnings per Share (Rs.)*	4.68	(1.06)	5.74
Dividend per Share (Rs.)	1.50	-	1.50
Net Assets per Share (Rs.)*	8.88	6.29	2.59
Dividend Payout Ratio (Percentage)	32.05	-	32.05
Closing Share Price (Rs.)	22.50***	28.00**	-
Market Capitalisation (Rs.Mn)	13,851.00***	4,309.20**	-
Number of Shares issued	615,600,000***	153,900,000**	-

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

** Before the sub- division of shares

*** After the sub- division of shares

Operational Highlights

Sale of Government Securities

Rs. 488 Bn

Sale of Government Securities (Rs. Bn)



Investment in Government Securities

Rs. 52 Bn

Net Assets

Rs. 5.5 Bn

Credit Rating

“A”

Profit after Tax

Rs. 2.9 Bn

Return on Equity

61.8%



Management
Discussion and Analysis

THE CREST OF EXCELLENCE

We remain resolute in our commitment to harmonising
growth, leveraging our strengths, and delivering
exceptional value to our stakeholders.



Chairman's Statement



I am pleased to present the Annual Report of First Capital Treasuries PLC (the Company or FCT) for the year ended 31 March 2023 (FY2023).

Context

Since I last wrote to the shareholders, Sri Lanka witnessed a confluence of socio-political and macroeconomic impediments while the global economy overshadowed by heightened geopolitical tensions saw moderating growth under the weight of continuing high inflation and monetary tightening.

In Sri Lanka, pre-existing structural and policy deficiencies, initiated and precipitated a financial crisis of historic proportions. An acute recession, peaking inflation and interest rates, depleted reserves, while unsustainable public debt and systemic weaknesses in the financial sector shaped the operating landscape.

The Government of Sri Lanka (GoSL) engaged the International Monetary Fund (IMF) for a 48-month Extended Funded Facility (EFF) of approximately USD 3.0 Bn and a macro-economic adjustment programme (collectively the IMF-EFF programme) with staff level agreement was reached in September 2022. The IMF Board approval was received for the latter in March 2023. An initial disbursement of around USD 330 Mn is expected to catalyse new financial support as the IMF-EFF programme envisages a multi-pronged strategy and reform approach spanning fiscal consolidation, public debt sustainability and financial sector stability amongst

others. The economy's medium-term outlook is defined primarily by the timely and efficient implementation of this ambitious transformative roadmap.

Highlights

Against an uncertain market and economic backdrop, the Company delivered a historic financial outcome. Direct income reached a record level of Rs. 9,970 Mn reflecting a fifteen-fold growth from the prior year's muted performance Rs. 623 Mn. A historic high in net profit after tax stood at Rs. 2,886 Mn reflecting 542 % growth YoY against the net loss of Rs. 652 Mn recorded in FY2022. We found opportunity in the tightening policy cycle for tactical trading interspersing short-term opportunistic position-taking and active market-making complemented by interest income accruals. Market yields moved disproportionately higher relative to policy rates, reflecting increased risk-premia amidst concerns on the domestic debt restructuring (DDR), substantial domestic borrowing by the GoSL, alongside policy tightening. As a result, rate spreads broadened significantly, accelerating income and profitability.

A key measure of balance sheet strength, our capital adequacy ratio reflecting both common equity Tier 1 and Tier 2 capital (CAR) was maintained at 24.0 %, well above the prudential threshold of 10.0% stipulated by the Central Bank of Sri Lanka (CBSL). The year began with capital held at the upper end of targets (FY2022 CAR: 85.0%) to help navigate external shocks, minimising impact on reserves while materially improving our ability to pivot to focused growth where opportunities arose.

Against an uncertain market and economic backdrop, the Company delivered a historic financial outcome.

Direct income reached a record level of Rs. 9,970 Mn reflecting a fifteen-fold growth from the prior year's muted performance Rs. 623 Mn.

The exceptional performance being fortified by prudent capital management, the Board resolved to pay an interim dividend of Rs. 1.50 per share, representing a sustainable payout of 32.0% in line with policy.

Performance as primary dealer

During the year, the GoSL borrowed principally from the domestic market as international credit market access dried up with the preemptive default of selected foreign debt in April 2022. Monetary policy tightening took effect with the Standing Deposit Facility Rate (SDFR) and the Standing Lending Facility Rate (SLFR), the two key policy rates, being raised

progressively from fiscal year opening levels of 6.50% and 7.50% to historic highs of 15.50% and 16.50% at the end of FY2023. Private and public credit markets decelerated and yields in both the primary and secondary markets of gilts rose steeply. There was a marked difference between policy rates and market yields prompting capital flight to government bond markets.

In this background we focused on our critical role as a licensed primary dealer, contributing to the efficient functioning of markets. As market makers, we provided liquidity and price-continuity and supported the allocation of capital in the economy. Our business aligned closely with the sustainability vision of First Capital Holdings Group (First Capital Group or Group) for inclusive growth and prosperity for all Sri Lankans, satisfactorily meeting primary dealer performance obligations set by the CBSL. We maintained market leadership within non-bank affiliated primary dealer space retaining market shares of 10.2% and 10.1% in T-Bills and T-Bonds, respectively in FY2023.

Our value proposition targets capturing new retail markets to broaden client-flow in line with Group sustainability goals. As a result of active retail campaigning and digital onboarding, our client base reached 2,023 as at the end of FY2023. In our trading model client flows far outweighed proprietary trading in FY 2023 reflective of our client-centricity.

Chairman's Statement

Risk culture and governance

As a core business unit, the First Capital Group's vision of 'improving the lives of all Sri Lankans through financial solutions' is deeply embedded in FCT's culture and strategies. Guided by the Group corporate philosophy and underlying values, these foundational aspects of our culture are further distilled by compliance with the Customer Charter for Primary Dealers in Government Securities, which sets out the expectations of the regulator in view of responsible interactions with clients. The staff maintain a high level of professional conduct across our operations - a commitment that has been upheld throughout our 40-year journey as an entrepreneurial and responsible primary dealer.

We actively manage and enhance our risk culture and the risk management framework in response to changes in our business operations, outcomes of our oversight activities and the expectations of regulators and communities. The Board and Management regularly review and enhance reporting, training and monitoring activity.

Given the three lines of defence model, all staff at FCT is accountable for their conduct, and managers are accountable for outcomes in their divisions with oversight by Group Risk and Compliance. Third party assurance is provided to the Board by external auditors both in view of internal audit and financial reporting. Further details on the systems, frameworks and processes for risk management are reported in the Enterprise Risk Management Report.

The Board and Management recognise the importance of sound environmental, social and governance (ESG) practices as part of our responsibility to our stakeholder communities and the society at large. Under the centralised structure, Group ESG considerations guide and inform the way we conduct our business operations and manage risk. A broader suite of ESG initiatives and reporting are effective at

Group level, which we expect to continue to contribute to and evolve over the coming years.

Board and leadership changes

The Board reflects on the passing of Dinesh Schaffter on 15 December 2022 with deep sorrow. Dinesh had been an Executive Director on the Board since January 2008 and served as the Managing Director of the First Capital Group and the Company since 2014. Dinesh played an instrumental role in the acquisition and consolidation of the First Capital Group, and the Company has immensely benefited from his vision and leadership. His sudden and unexpected passing is deeply felt. His contribution to the business and his valued presence on the Board stands earnestly acknowledged and appreciated.

Manjula Mathews was re-appointed to the Board to fortify composition upon the casual vacancy, as Deputy Chair, effective 27 December, 2022. Manjula has previously acted in the capacity of Managing Director of the Group and was the proceeding Chairperson prior to my assuming the role in 2017.

The Board welcomes Sachith Perera who was appointed to our Executive Leadership Team as Chief Executive Officer on 01 February 2023, subject to regulatory approval. The appointment places FCT in good stead thanks to Sachith's extensive experience in global banking and markets. Sachith has a proven track record of delivering exceptional results and crafting winning teams across relevant services including primary dealing, forex, derivatives trading, balance sheet management and custodial services.

Outlook

As we move into the next financial year, the short-term salutary impacts including moderating interest rates and inflation of this 'Big Reset' will become apparent. Sri Lanka has already started implementing requisite policy actions and a conclusive path has been drawn for domestic debt restructuring. We are hopeful that a

fundamental transition that can be catalytic in reviving economic growth has been set in motion with the successful implementation of strategic and structural reform targets.

While still subject to external and domestic shocks given the fragility of the economy, in our view the interest rate environment is likely to be benign for the bond markets. For the Company, it heralds a time of purposeful growth through active management of our portfolios within a markedly lower rate environment and enhancing of digitally-led capabilities and reach to better serve clients.

Acknowledgement

I would like to express my gratitude to my esteemed Board colleagues for their exceptional leadership and resolute focus on strategy and governance during this time of transition in Sri Lanka.

The Board joins me in commending the senior leadership and the entire staff for their achievements over the past year.

I would like to thank our valued clients and shareholders for their ongoing support and enabling us to achieve this strong result in FY2023.

I appreciate our regulators, the Central Bank of Sri Lanka, the Securities and Exchange Commission of Sri Lanka and the Colombo Stock Exchange for constructive interactions during this year of challenges.

I wish for the continued confidence and engagement of all our stakeholders in this journey forward.

(Sgd)
Nishan Fernando
Chairman

15 August 2023

Chief Executive Officer's Review



Against a tenuous and complex macro-economic backdrop, the Company delivered an exceptionally strong financial outcome in FY2023.

Deep market insight and capabilities of our teams backed by a proven risk management culture helped us adapt and respond to the vagaries of these uncertain times.

Operating context

While the global economy was defined by increased geopolitical tensions and supply chain disruptions, Sri Lanka witnessed increased financial market volatility and risks amid unprecedented challenges and exposed unique macroeconomic vulnerabilities.

Reflecting on the year, our business and clients faced peak inflation, high interest rates, socio-political instability, an acute economic slowdown, challenging conditions in financial markets and systemic macroeconomic weaknesses. Against this backdrop of persistently high

Chief Executive Officer's Review

inflation, the CBSL significantly tightened its monetary policy stance during calendar year (CY2022) starting with a massive rate hike of 700 bps to 13.50% and 14.50% and another 100 bps to close CY2022 at 14.50% and 15.50% for SLDR and SLFR, respectively. A further rate hike of 100 bps in March 2023 took policy rates higher – the highest level seen in living memory.

Market yields adjusted upwards sharply for Government Securities across all tenors, by between 20.00% -25.00%, by mid-November 2022.

However, towards the end of CY2022 and Q12023, yields began moderating in part due to positive sentiment emerging since Inflation and exchange rates peaking in September 2022 and a staff level agreement being reached with the IMF, ahead of Executive Board approval. This sentiment was further reinforced on 20 March 2023 with the Board approval and initial disbursement of funds under the IMF-EFF programme signifying that Sri Lanka was at an inflection point for fundamental and historic transition through accelerated reform.

T-Bills of 91-day, 182-day and 364-day maturities which ended CY2022 at 32.64%, 32.20% and 29.27%, trended down to 25.99%, 25.79% and 24.31%, respectively, at end FY2023. The 2-year, 5-year and 10-year T-Bond yields which ended CY2022 at 33.01%, 31.78% and 30.86%, dropped to 28.79%, 26.49% and 24.80%, respectively, during this period.

Despite the positive outlook in the economy and improved inflation expectations, the yields traded significantly higher than the normal spread to policy rates due to market fears of a Domestic Debt Restructuring (DDR). In March, the Ministry of Finance and CBSL addressed market fears to some extent which eased the concern. Yet in our view, yields remained higher than what should have been a natural level closer to 20.00% in our view.

We recorded a historic high net profit after tax at Rs. 2,886 Mn, up 542 % YoY relative to the previous year's loss after tax of Rs. 652 Mn. Consequently, ROA improved to 7.1% as against (2.4%) while ROE increased to 61.8% against (15.5%) in the prior year.

Financial outcome

We thrived in these complex operating conditions during a year in which we also celebrated the Company's 40th anniversary, achieving a historic financial performance.

In FY2023, the Company delivered record headline income of Rs.9,970 Mn, up 1501% on the prior year. FCT's income comprises interest income, trading income and fee income.

Trading income on the trading portfolio, driven by tactical trading and inventory management amounted to Rs. 1,325 Mn in FY2023, accelerating by 246% YoY in comparison to FY2022 in which we sustained significant trading losses of Rs. 905 Mn. During FY2023, we shed our Held to Maturity (HTM) portfolio in an environment of steeply rising rates and the anticipated negative impact of the

impending DDR at a realised loss of Rs. 1,259 Mn.

Collective trading income (reflecting net gains made on the trading portfolio offset by losses on the sale of the HTM portfolio) amounted to Rs. 67 Mn. Against the previous year's net trading loss, this reflects a 107% YoY increase. Net trading gains comprised 1% of income while interest income earned on our portfolios contributed 99% of income.

The record financial outcome in part reflects our commitment to executing the corporate value proposition of providing best-execution and tactical trading strategies complemented by trading and rate solutions to clients. We executed active strategic trading in the high-rate environment interspersed with opportunistic position-taking. We had an early mover advantage in pivoting to an aggressive duration extension strategy in the second half of the year with dynamic risk reward scenario evaluations in anticipation of market yields declining.

Our financial asset portfolios comprising T-Bill and T-Bonds, resale agreements and derivatives (with underlying treasuries) reached Rs. 51,936 Mn as at year end FY2023, expanding by 88% YoY. FCT was able to finance this portfolio with a combination of own funds, customer repos, interbank repos and the Standing Lending Facility of the Central Bank.

In line with our view of improving market conditions resulting in lower yields in the period ahead, our duration strategy shifted to longer tenors from 4Q2022 resulting in our trading portfolio weighted heavily towards T-Bonds by 96:4 at the end of FY2023.

Our dynamic trading with active market-making complemented a steady Net Interest Income of Rs. 3,598 Mn, up 644% YoY, due to extraordinary spreads seen between asset yields and funding costs primarily due to the DDR fears in the market.

We recorded a historic high net profit after tax at Rs. 2,886 Mn, up 542 % YoY relative to the previous year's loss after tax of Rs. 652 Mn. Consequently, ROA improved to 7.1% as against 2.4% while ROE increased to 61.8% against 15.5% in the prior year.

Earnings per share on an unadjusted basis improved to Rs. 4.68 in FY2023 (FY2022: Rs.1.06) while Net asset value per share was Rs. 8.88 at the end of the year (FY2022: Rs. 6.29).

The Company declared and paid an interim dividend of Rs. 1.50 per share. The cumulative distribution amounted to Rs. 923.4 Mn reflecting a sustainable payout ratio of 32.0%.

Performance as primary dealer

During the financial year, the Government increasingly sought to borrow from the domestic market with access to global credit markets constrained due to the preemptive default of selected foreign debt service payments in April 2022. The gross borrowing limit was revised several times and by November 2022 was raised to Rs. 4.5 Tn to accommodate soaring state funding requirements amidst elevated rates.

In a setting in which primary dealers and domestic bond markets were indispensable, the Company satisfactorily met its primary auction obligations. The Company maintained its dominance as a standalone-primary dealer unaffiliated to any licensed commercial bank.

In FY2023, primary market bid participation rate for T-Bills was 16.6% against the regulatory requirement of 10.0% and the market success rate, 10.2%. For T-Bonds, the primary market bid participation rate was 16.8%. The effective participation rate was 128.4% against the regulatory requirement of 50.0% of average issuance per primary dealer.

Successful bids in FY2023 totalled Rs. 429.8 Bn in T-Bill auctions (FY2022: Rs.148.2 Bn) and Rs.128.2 Bn in T-Bond (FY2022: Rs. 33.8 Bn) an increase by multiple fold reflecting the increased borrowing requirements of the Government.

On an outright basis, FCT's annual turnover ratio in secondary market trading of government securities was 11.8 times the average stock in FY2023.

Robust risk management

We remain grounded in a long history of prudent risk management, which is evident in the underlying strength of our FY2023 result. We maintain sufficient surplus capital to act as a buffer and to pursue growth opportunities should they present themselves, and as such, began the year holding capital at upper levels of management targets to navigate uncertainties. We found tremendous opportunity in the tightening policy cycle and have pivoted to targeted growth strategies as reflected in the positive performance achieved.

The Capital Adequacy Ratio (CAR) at year-end was 24%, with a comfortable buffer against the regulatory minimum of 10% (FY2022:85%). Reflecting robust credit fundamentals, the Company is rated "A" with Stable outlook by Lanka Rating Agency.

Client-centricity

FCT was prepared for the impending 'Reset' of the economy and markets. We strategically transitioned from a traditional trading model to a flow-trading model, with emphasis on client-flows relative to proprietary trading volume. By taking the initiative to transform ourselves in response to external influences, we delivered added value to our clients.

We continued to utilise digital technologies and accelerated retail campaigning to broaden reach. Digital onboarding initiated in the prior year continued to enable client convenience. Our active client base as at year-end stood at 2,069.



Chief Executive Officer's Review

We continue to strengthen the retail platform to gain traction in capturing broader under-served retail segments in the country. To this end, we aim to decrease the minimum investment size of Rs. 5.0 Mn, more towards mass affluent or qualified investor category, to Rs. 1.0 Mn, thus increasing affordability for a wider segment of the population. Building for the long-term, we continue to invest in our core technological infrastructure capacity to deliver efficient and seamless service to an increased retail clientele.

Human Capital

First Capital Group's Human Resources function operates as a shared service and provides support for the Company by way of policies and procedures, key recruitment and succession, employee onboarding, skills and capability building and other regular HR engagement activities, interventions and initiatives.



The Company's staff strength as at 31 March 2023, was 13 employees. During the year, we added 3 new recruits across dealing and securities-processing teams to support business growth. Our remuneration approach ensured that employees are recognised for the contribution made in a year of record performance despite the unprecedented challenges. A 45% YoY increase in personnel expenses was due primarily to variable performance pay made in view of significant positive performance milestones achieved by our team. The Company spent Rs.1 Mn in training and development in FY2023.



In conclusion

Sri Lanka's efforts to revive its economy depend primarily on progress toward finalising debt relief and the resolute implementation of the programme agreed with the IMF. Assuming these conditions are met, growth in Sri Lanka is forecast to contract by only 3.0% in CY2023 and then grow by 1.3% in CY2024 as the country's debt overhang eases to a sustainable level. Inflation is forecast to ease in CY2023 and remain at mid-single digits from CY2024 during the IMF-EMF programme period.

We are of the view that bond market rate conditions will be benign in CY2023 and stay low in line with easing inflation, dovish monetary policy, and neutral systemic liquidity conditions.

Overall, the Company remains well-positioned to deliver robust performance in the medium term due to its deep expertise in fixed-income, ongoing technology and human capital development and proven risk management track record and culture.

I wish to thank the Board of Directors and Dilshan Wirasekara, Group Managing Director for the support and guidance extended in acclimating since my appointment as CEO, in February 2023. On behalf of the Management, I would like to thank our team for their dedication and tenacity in delivering this remarkable result in uncertain times. I wish to thank our clients and shareholders for the confidence and trust extended.

I wish to appreciate the industry regulator the CBSL, the securities market regulator, the SEC and frontline regulator of listed entities, the CSE, for their guidance in view of reforms and constructive regulatory engagements.

I wish to thank all our stakeholders who have been a part of our journey and continue to invest in us as we navigate through this transitional phase of our economy.

(Sgd)

Sachith Perera

Chief Executive Officer

15 August 2023

Tribute to our beloved former Managing Director

Mr. Dinesh Schaffter
(1971-2022)



It was with deep sadness and emotion that First Capital announced the passing of Dinesh Schaffter, our former Managing Director, on 15 December 2022.

An ardent proponent of First Capital's corporate ideology, Dinesh leaves an indelible impression on the Group's business landscape and values-led, performance ethos of all our teams.

Dinesh's affiliation with First Capital was a result of an ambitious acquisition philosophy and bold entrepreneurial vision. In 2006 and 2007, Dinesh led progressive change of control transactions that culminated in the emergence of First Capital Holdings PLC (parent company) as a rebranded, publicly listed entity.

During his tenure both as an Executive Director since 2007 and Managing Director since 2014, First Capital expanded through organic and inorganic growth, diversifying its business model and eliciting positive performance momentum. We gained traction in the market through several industry leading transactions and innovative products strengthened by Dinesh's remarkable market and client insight, and deal-making experience. Dinesh also played a pivotal role in post-acquisition-integration following the acquisition by Janashakthi Limited in 2018.

Dinesh's rare intellect, vibrant presence and drive for perfection inspired and instilled in us a distinct way of work. Dinesh bolstered the capacity of our teams and encouraged us to build a close-knit corporate culture with a sense of deeper purpose to create shared opportunities and value. We continue to build on today, areas of significance and emerging topics that were of interest to Dinesh, related knowledge on which he shared with us so graciously.

Dinesh helped steer the passage of employee equity at First Capital and many of us have benefitted and undergone true personal and professional metamorphosis under his leadership.

Publicly, most would recognise Dinesh's legacy of success in the industry but privately his family-orientation, diverse interests including a passion for sport, and philanthropic work was what gave him sustained joy. His generosity saved lives and supported many. He was a passionate advocate of equality for all and deeply engaged in championing these aspirations with great compassion for the underprivileged and the unjustly-treated.

A true maverick and at times an introvert, Dinesh's most enduring trait was his belief in people. He built enduring relationships with the First Capital family and others, often setting high standards for them and believing in their abilities or simply being an empathic listener.

As a result of his strong leadership over the years, Dinesh leaves a lasting legacy within the Group, which calls us to think boldly and forge new pathways. Dinesh's commitment to service in this elite workplace he helped grow, sets an example that we will continue to honor in the years ahead.

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 Jayawardenapura, 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 the South Asian Federation of Accountants. He is currently serving as the Chair of the Asian-Oceanian Standards Setters Group.

Nishan was a Commission Member of the Securities and Exchange Commission of Sri Lanka and also served on the Accounting and Auditing Standards Monitoring Board and the Governing Boards of the Postgraduate Institute of Management and the National Institute of Business Management. He has been serving on the Sri Lanka Accounting Standards Committee for over 17 years and was its Chair during 2009-2013 when Sri Lanka

fully converged with IFRS. He has also been chairing the SLFRS Implementation and Interpretation Committee of CA Sri Lanka.

Other principal appointments

Managing Director

BDO Consulting (Private) Limited



Manjula Mathews

Non-Independent Non-Executive Director/Deputy Chairperson

Manjula Mathews has over three decades of experience in finance, marketing, and general management, both in Sri Lanka and the United Kingdom. She is a former finance director of Janashakthi Insurance PLC and until 2021 served in the capacity of a non-executive director. Ms. Mathews's former business positions include that of Managing Director and subsequently Chairperson of Dunamis Capital PLC and its several subsidiaries.

In 2022 Manjula was appointed to the Board of Habitat for Humanity International, a leading global non-profit with a presence in more than 70 countries. Manjula has also been a director of Habitat for Humanity Sri Lanka since 2016 and is currently in her second term as Board Chair. She has been serving as a custodian of the Alzheimer's Association of Sri Lanka since 2019.

More recently Manjula has focused her energies on civic-minded endeavours working as a counsellor in private

practice and as a lecturer at the Colombo Theological Seminary. She is a fellow member of the Chartered Institute of Management Accountants in the UK, and holds a Master's degree in Business Administration from the University of Cambridge, UK.

Other principal appointments

Chairperson

Habitat for Humanity Sri Lanka

Director

Janashakthi Limited, Habitat for Humanity International

Custodian

Alzheimer's Association of Sri Lanka



Dilshan Wirasekara

Non-Independent Non-Executive Director

Dilshan Wirasekara, Managing Director/Chief Executive Officer of First Capital Holdings PLC is a financial sector professional with over 27 years of diverse experience in banking, treasury and investment management, capital market strategy and corporate advisory.

Having joined First Capital in 2013, Dilshan steered the Company, a full-service investment and advisory services provider in Government Securities, Corporate Finance and Advisory, Asset Management and Stock brokering complemented by an

industry-leading Research unit, to establish itself as a significant contributor to the local capital market industry.

He spearheaded the execution of key debt structuring deals with internationally based development financial institutions and strategic partnership formation 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 the 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, German Investment Corporation and Proparco, a subsidiary of the Agence Française de Développement.

Dilshan Wirasekara is an Alumnus of INSEAD having successfully completed his Executive Professional Education at INSEAD Business School, Fontainebleau, France. He is also an Alumnus of the Association for Overseas Technical Cooperation and Sustainable Partnerships, Tokyo, Japan.

Other principal appointments

Chairman

Colombo Stock Exchange

Managing Director/CEO

First Capital Holdings PLC



Dinesh Schaffter (Deceased)

Former Managing Director

Dinesh Schaffter served as the Managing Director of First Capital Holdings PLC and its subsidiaries.

Dinesh's 25 year professional history spanned managerial, investment and deal-making areas with transactional expertise in private equity, M&A, public offerings, restructuring and valuation.

Dinesh was an Associate Member of the Chartered Institute of Management Accountants and held a Bachelor's degree in Business Law (LL.B Bus. Law) from UK, and an Executive Master's degree in Business Administration from INSEAD, France. His contribution to the business landscape of the Company has been significant, particularly in its progressive inorganic growth and expansion over the years. Dinesh was formerly the Managing Director of Kelsey Developments PLC and Dunamis Capital PLC.

Dinesh Schaffter's directorship ceased due to his demise on 15 December 2022.

Other principal appointments

Former Director

Janashakthi Limited and Janashakthi Insurance PLC



Ramesh Schaffter

Non-Independent Non-Executive Director

Ramesh Schaffter serves as Managing Director/Group Chief Executive Officer of Janashakthi Group. 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 Branch, and an Associate Member of the Chartered Institute of Marketing.

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.

Ramesh served 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. He presently serves on the Board of Tea Leaf Vision, an organisation that serves young people of the tea plantation areas.

Other principal appointments

Managing Director/Group Chief Executive Officer

Janashakthi Limited

Director

Janashakthi Insurance PLC and Serendib Land PLC and Sarvodaya Development Finance PLC

Board of Directors



Minette Perera

Independent Non-Executive Director

Ms. Minette Perera was the Group Finance Director of the MJF Group from September 2000 till March 2013. The MJF Group comprises a fully vertically integrated tea operation with presence along the entire value chain and includes Companies with the finest tea gardens, factories, printing and packaging facilities and markets “Dilmah Tea” around the world. The Leisure Sector of the MJF Group marketed by Resplendent Ceylon (private) Limited, includes Companies which sets the benchmark for luxury boutique resorts in Sri Lanka.

During the period of her employment with the MJF Group, Ms. Perera was appointed a Director of the MJF Group of Companies, including MJF Holdings Limited. She continues to hold Board positions in several Companies of the MJF Group.

Ms. Perera 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 Finance Professional having worked in leading local and international companies as the CFO and Finance Director.

Other principal appointments

Director

Dilmah Ceylon Tea Company PLC, Kahawatte Plantations PLC, Talawakelle Tea Estates PLC, Orient Finance PLC, and Forbes & Walker (Pvt) Limited.



Chandana de Silva

Independent Non-Executive Director

Chandana de Silva has 40 years of managerial and financial experience acquired in Sri Lanka and the United Kingdom. In Sri Lanka since 2002, he worked at MAS Holdings in a variety of roles before retiring as Chief Executive Officer of the MAS Investments Division in 2011.

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

Chandana currently serves as an Independent Non-Executive board member and a Consultant.

Other principal appointments

Chairman

Janashakthi Limited, Asia Siyaka Commodities

Director

Eureka Technologies (Private) Limited, 24/7 Techies (Private) Limited, Centre for Policy Alternatives

Trustee

Lanka Environment Fund



Nishan de Mel

Independent Non-Executive Director

Nishan de Mel, Ph.D is the Executive Director and Head of Research of Verité Research, a think tank that provides 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.

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 Institute, among others.

Internationally, Nishan has held several governing, teaching, and research positions, including as Lecturer in Economics at the University of Oxford, UK.

His undergraduate degree in Economics is from Harvard University, USA. He earned his postgraduate and doctoral degrees in Economics at the University of Oxford where he was a Chevening scholar.

Other principal appointments

Director

Eureka Technology Partners (Private) Limited

Management Team



Sachith Perera

Chief Executive Officer

ACIFMA Financial Markets Professional Diploma (ACIFMA - The Financial Market Association, Paris)

25+ years of corporate experience, including almost half a year with First Capital



Mangala Jayashantha

Chief Financial Officer

B.Sc. (Special) Degree in Accountancy (University of Sri Jayawardenapura), Fellow Member (CA Sri Lanka)

Over 22 years of experience in financial management, financial reporting, auditing, corporate planning and taxation, including 17 years with First Capital



Wasanthi Stephen

Group Chief Human Resources Officer

Attorney-at-Law, Associate Member (CIPM), Certified Professional Coach in Transformative Coaching

23 years of experience in human resource industry, including over 7 years with the Group



K V Kuganathan

Group Chief Information Officer

MSc. in IT Consultancy, BSc. in Computing and Information Systems, Chartered IT professional (CITP), MBCS

Over 25 years of experience in banking, insurance and capital market sectors as an IT professional, including 6+ years with the company



Harshanee Deshapriya

Group Chief Legal Officer

LL.M. in International Business and Commercial Law (Merit) (University of West London), LLB (Hons) (University of Colombo), Post Attorney Dip. in Corporate Law (Merit) (Sri Lanka Law College), PQHRM (Merit) (IPMSL), Attorney-at-Law.

17+ years of corporate experience, including 8 years with the company.



Priyan Jayakody

Group Chief Internal Auditor

MBA (University of Sri Jayawardenapura), B.Com (Special) (University of Sri Jayawardenapura), Fellow Member (CA Sri Lanka), Fellow Member (CMA Sri Lanka), Diploma in Information Systems Security Controls and Audit

Over 16 years of experience in auditing and accounting including 4+ years with the Group

Management Team



Dimantha Mathew

Chief Research and Strategy Officer

MBA (University of Wales, UK), LL.B (University of London), ACMA (UK), CGMA (UK)

Over 15 years of experience in investment banking, including 9 years with First Capital



Kapila Perera

Chief Risk Officer

MBA (University of Colombo), B. Com (Special Degree (University of Sri Jayawardenapura), Fellow Member - SLICM, Member - CPM, Diploma in Treasury and Risk Management (IBSL)

20 years of experience in risk and compliance, operations and finance, including 16 years with First Capital



Sujani Kumarage

Deputy General Manager – Operations

MBA (University of Suffolk.), Diploma in Treasury and Risk Management (IBSL), Diploma in Computer Studies (IDM)

24 years of experience in business processing related to fixed income securities and treasury operations with First Capital



Anjelo Simmons

Chief Dealer

CIMA (UK), Diploma in Treasury and Risk Management (IBSL)

15+ years of fixed income related experience, including 11 years with First Capital



Randinith Madanayake

Head of Marketing

Bachelor of Science (University of Colombo)

10+ years of experience in brand marketing in consumer durables, FMCG, and alcoholic beverage, including 1+ year with First Capital



Chamara Pussella

Head of Human Resources

MBA (University of Wales), Claritas Investment Certification for Investment Banking Professionals (CFA Institute), Professional Member (Association of HR Professionals)

16+ years of collective experience in both local and multinational companies, including companies such as Amba Research and HSBC with 3+ years with First Capital



Anushka Dissanayake

Assistant General Manager – Treasuries

Associate Member CIMA (UK)

15 years of experience in fixed income securities and equity portfolio management, including 10 years with First Capital



Anushi Ranawaka

Assistant General Manager
- Treasury Sales

AAT (Sri Lanka), Diploma in Treasury Management and Risk Management (IBSL), Diploma in Computer Studies (London Tec International)

25 years of experience mainly related to fixed income securities, including 18 years with First Capital



Dhillip Joseph

Deputy Chief Financial Officer

MBA (University of Sri Jayawardenapura), Fellow Member (CA Sri Lanka)

Over 15 years of experience in accounting, auditing, financial management, corporate planning and taxation, including 11 years with First Capital



Rangajeewa Abeywickrama

Head of Group IT Operations

MBA (University of Bedfordshire, UK), BSc. in Information Technology (IIC University of Technology), CCNA in Computing and Information Systems (Sri Lanka Institute of Information Technology), Member (Computer Society of Sri Lanka), currently reading for Msc. in Cyber Security (University of Gloucestershire, UK)

20+ years of experience in IT field, including 14+ years with the company



Uthpala Pinnaduwaheewa

Head of Digital and CRM

MBA (University of Northampton, UK), Certified Professional Marketer (Asia Marketing Federation), PG Diploma in Marketing (SLIM), Diploma in Business Finance and Bank Management (IBSL), Diploma in Television Journalism (National Institute of Television Training)

16+ years of experience in the Financial Industry and specialised on CRM, marketing, digital channels and banking experience, including 1+ years with First Capital



Nisansala Kothalawala

Senior Manager - Risk and Compliance

MBA (Cardiff Metropolitan University), BSc. Degree (University of Sri Jayawardenapura), Diploma in International Trade (IBSL), Diploma in Business Finance and Bank Management (IBSL), Advance Diploma in Management Accounting (CIMA, UK), Associate member (IBSL)

16+ years of experience in risk and compliance and banking operations, including 5+ years with First Capital

Management Team



Harsha Perera

Senior Manager - Operations

Diploma in Computer Studies (IDM), Level 1 of CISI, successful completion of training in "Securities Settlement and Reconciliation" conducted by the SWIFT Training Centre Mumbai, India

28+ years of fixed income securities and post trade operations experience, including 23+ years with First Capital



Rohana Jayakody

Senior Manager - Branch Sales

B. Com (Special) Degree (University of Sri Jayawardenapura), Diploma in Investment Advisory (SEC)

25 years of experience in fixed income securities, including 23 + years with First Capital



Salinda Samarakone

Senior Manager – Kandy Branch

Diploma in Marketing (CIM)

Over 20 years of corporate experience, including 19 + years with First Capital

Management Discussion and Analysis

Developing economies in the region are expected to grow at 4.8% in CY2023 and at 4.7% in CY2024, as robust domestic demand continues to support regional recovery. Inflation is forecast to moderate from 4.4% in CY2022 to 4.2% in CY2023 and 3.3% in CY2024, gradually decelerating to pre-pandemic levels.

Global economy and outlook

Geopolitical tensions and peaking inflation eclipsed global economic growth in CY2022. While inflation tempered down, the baseline global growth forecast as published by the IMF is now expected to fall from 3.4% in CY2022 to 2.8% in 2023, before settling at 3.0% in CY2024.

Banking strains in the United States and Europe have injected greater uncertainty into an already complex economic landscape. Baseline global headline inflation is set to fall from 8.7% in CY2022 to 7.0% in CY2023 on the back of lower commodity prices although core inflation is expected to decelerate at a slower pace in relative terms.

The Asia-Pacific region remains dynamic despite the subdued global outlook, according to Asian Development Bank forecasts. China's reopening providing fresh momentum and healthy domestic demand in India sustains regional domestic demand despite monetary tightening.

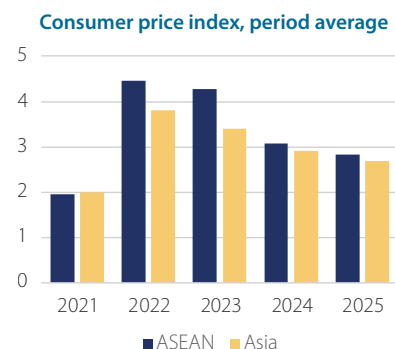
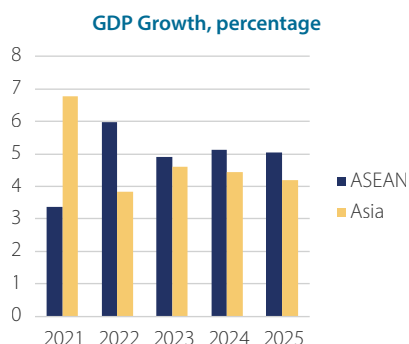
Developing economies in the region are expected to grow at 4.8% in CY2023 and at 4.7% in CY2024, as robust domestic demand continues to support regional recovery. Inflation is forecast to moderate from 4.4% in CY2022 to 4.2% in CY2023 and 3.3% in CY2024, gradually decelerating to pre-pandemic levels. In Developing Asia, East Asian regional growth forecast is maintained at 4.6% in CY2023 and at 4.2% in CY2024 while South Asia is expected to grow at 5.5% in CY2023 and 6.1% in CY2024.

Local economy

The operating landscape and market conditions in Sri Lanka were defined by macroeconomic as well as socio-political impediments and vulnerabilities. During CY2022, the economy contracted by 7.8% in the worst recession experienced post-independence due to multiple factors including acute fuel and power shortages, escalating production costs and significant disruptions in the supply chain compounded by import restrictions on raw materials.

Sectoral GDP of agriculture, industrial and services weakened by 4.6%, 16.0% and 2.0%, respectively. The broad-based impact was felt by the financial and auxiliary financial services sector which contracted by 11.0% in CY2022 relative to a growth of 7.0% in CY2021.

In April 2022, the CBSL adopted aggressive monetary tightening to rein in inflationary and demand-side pressures while taking steps to stabilise the exchange rate amidst depleted levels of forex reserves. The CBSL suspended the servicing of external debt in April 2022, initiating the solicitation of support from the country's creditors to restructure outstanding debt. The pre-emptive default of selected external debt prompted the successive downgrading of the sovereign rating by multiple rating agencies to Restricted Default or equivalent, markedly limiting the State's access to international credit markets.



Source: Asia and Pacific economic outlook by IMF, <https://data.imf.org/>

Management Discussion and Analysis

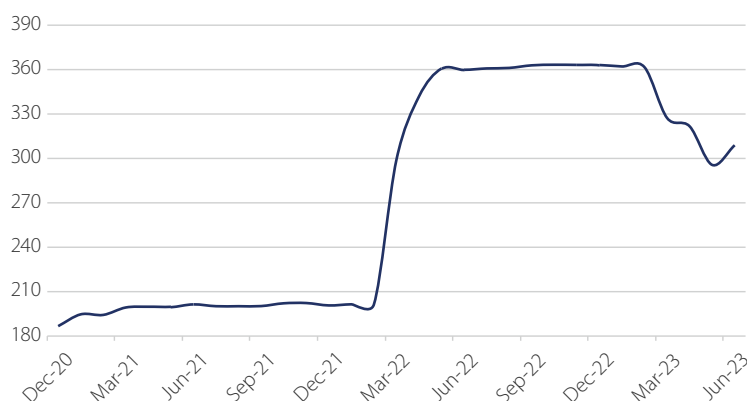
The external sector was defined by a stretched BOP position, very low foreign reserves and the resultant scarcity of foreign exchange liquidity across the banking sector concurrent to sharp depreciation of the exchange rate during the first half of CY2022 before stabilising around the guidance band introduced in May 2022. Reflecting cross currency exchange rate movements, the Sri Lanka Rupee depreciated 41.4% against the Euro, 38.1% against the Pound Sterling and 44.8% against the USD at the end of CY2022.

By end March 2023, the local currency appreciated gradually against the USD by 10.9% from peak levels, correcting the historic depreciation level to an extent, supported by improved sentiment regarding the IMF-EFF programme which was initiated in September 2022 and culminated in Executive Board approval in March 2023.

The external sector was defined by an excessive BOP position, very low foreign reserves and the resultant scarcity of foreign exchange liquidity across the banking sector concurrent to sharp depreciation of the exchange rate during the first half of CY2022 before stabilising around the guidance band introduced in May 2022. Reflecting cross currency exchange rate movements, the Sri Lanka Rupee depreciated 41.4% against the Euro, 38.1% against the Pound Sterling and 44.8% against the USD at the end of CY2022.

By end March 2023, the local currency appreciated gradually against the USD by 10.9%, correcting the historic depreciation level to an extent, supported by improved sentiment regarding the IMF-EFF programme which was initiated in September 2022 and culminated in Executive Board level approval in March 2023.

LKR - Dollar exchange rate movement, Dec 2020 – June 2023



Source: CBSL, First Capital Research

Inflation peaked due to a combination of factors including the depreciation of the currency, supply side disruptions, administrative price adjustments and increasing global commodity prices. Headline inflation as measured by the Colombo Consumer Price Index (CCPI) and the National Consumer Price Index (NCPI) peaked at 69.8% and 73.7%, respectively, in September 2022.

The trend turned subsequently in response to fiscal tightening, an easing of supply chain disruptions, weak demand, and a high base effect, gradually easing to 57.2% by the end of CY2022. Food inflation averaged 64.0% in the whole year and, despite slowing in Q4 CY2022, nonfood inflation remained elevated at 37.2%.

In March 2023 headline inflation as measured by the CCPI and NCPI fell to 50.3% and 49.2%, respectively.

By end March 2023, the local currency appreciated gradually against the USD by 10.9%, correcting the historic depreciation level to an extent, supported by improved sentiment regarding the IMF-EFF programme which was initiated in September 2022 and culminated in Executive Board level approval in March 2023.

Rate environment

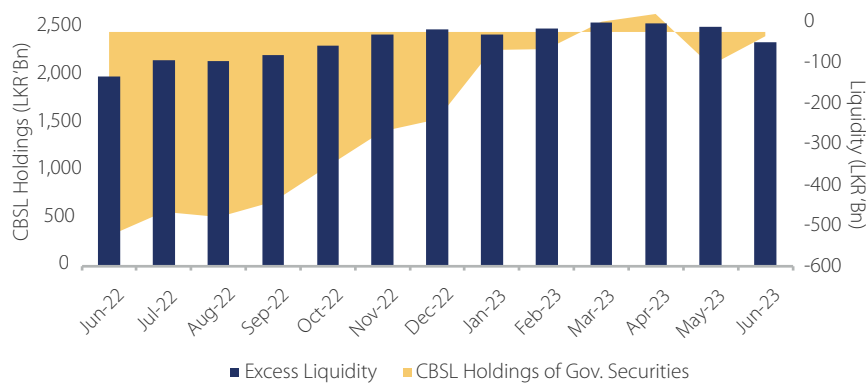
The CBSL utilised monetary tightening over CY2022 to curb inflationary pressures and increased policy rates by 950 bps through intermittent adjustments. A significant adjustment was enacted in April 2022 where the SDFR and SLFR were increased by 700 bps. The SLDR and SLFR ended CY2022 at 14.50% and 15.50% having opened the year at 5.00% and 6.00%, respectively.

A defining feature of the rate dynamic was the irregularity in the interest rate structure (yield curve shape) due to rising risk premia on market yields of government securities relative to policy rates, amidst growing concerns about domestic debt restructuring.

Domestic currency liquidity pressure started to mount in Q3 CY2022 as historically high yields of over 30.00% in the T-Bill market catalysed outflow from bank deposits into securities, forcing banks to curtail credit extension. To allow quicker transmission of higher policy rates, the CBSL revoked interest rate caps previously imposed on banks. As a result, the average weighted prime lending rate trended up from 7.9% in January 2022

to peak at 29.7% in November 2022, dampening private sector credit growth from 13.1% in CY2021 to 6.2% in CY2022, which reduced demand and eased pressure on the exchange rate. To enhance bank liquidity, the CBSL restricted discretionary payments, permitted capital conservation buffers to be drawn down, and extended the deadline to meet enhanced minimum capital requirement to the end of CY2023.

In primary markets, 364-day T-Bills ended the year at 29.27% while the 91-day and 182-day T-Bill yields rose to 32.64% and 32.20%, respectively. Yields edged up 2103 bps on the 364-day maturity and in the 91-day and 184-day maturities by 2448 bps and 2387 bps, respectively, relative to the beginning of the year levels. Due to concerns regarding the potential domestic debt restructuring market appetite increased for the shortest tenor.

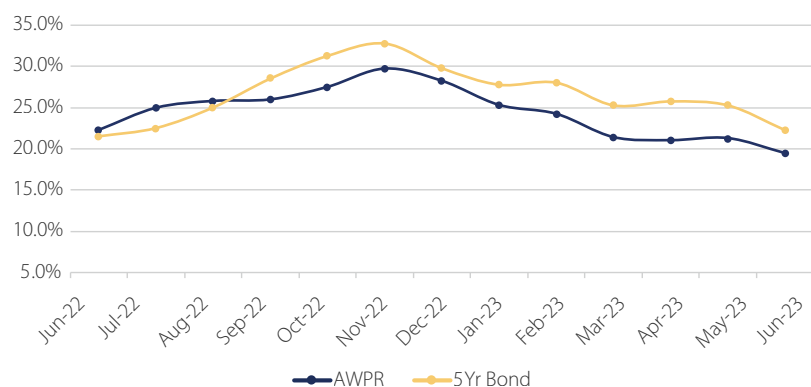


Source: CBSL, First Capital Research

Lending and deposit interest rates reflected the rapid pass-through of the monetary policy regime. The monthly Average Weighted Prime Lending Rate (AWPR) closely followed gilt yields peaking at 28.25% in November 2022 ending the year marginally lower at 28.19%. Average Weighted Deposit Rate (AWDR) ended the year at 14.06%. The AWPR and AWDR reflected sharp increases from their opening levels of 8.33% and 4.94%, respectively.

In Government debt markets, yields of primary and secondary markets, across instruments and tenors rose significantly. The yields on T-Bills in the primary market escalated by around 2230-2500 bps across all tenures during CY2022, as opposed to the 950 bps increase in policy interest rates. Towards the end of CY2022 and Q1 CY2023, yields moderated as investor sentiment improved in anticipation of the

resolution through IMF Board approval of the IMF-EFF arrangement. Deceleration in yields was supported by the CBSL's liquidity enhancing measures such as the restrictions placed on standing facilities and injection of liquidity through long term reverse repo auctions.



Source: CBSL, First Capital Research

Primary market T-Bond rates increased significantly from January to mid-November 2022, moderating subsequently. Market appetite favoured long tenors with a high yield. Across tenors (2-year through 10-year) variance as against the beginning of year rate ranged from 2064 bps to 2385 bps. The 2-year, 5-year and 10-year T-Bond yields ended CY2022 at 33.01%, 31.78% and 30.86%, respectively.

Secondary market yields on government securities also recorded substantial increases in line with primary market yields but eased thereafter mirroring the primary market trend. Secondary market T-Bill rates ended the year at 30.75%, 29.50% and 28.39% for 91-day, 182-day and 364-day maturity, respectively. Secondary market bond rates rose 1447-1961 bps across tenors.

Management Discussion and Analysis

Fiscal policy measures

Influenced by pre-conditions to be met under the IMF-EFF programme, the GoSL initiated multiple reform measures with focal elements being fiscal consolidation and debt sustainability. Several revenue enhancement measures were introduced in CY2022 aiming at fortifying tax revenues and to address structural weaknesses in revenue collection. The widening budget deficit and limited financing avenues led to several expenditure rationalisation measures being introduced. Accordingly, governmental institutions were called to suspend non-essential, non-urgent capital expenditure, restrict recurrent expenditure on overtime payments, loans to employees and other selected costs.

Government recurrent expenditure declined from the equivalent of 15.6% of GDP in CY2021 to 14.6% in CY2022 as current spending did not increase in line with inflation. Capital expenditure fell from 4.4% of GDP in CY2021 to 3.9% in CY2022 as spending was restrained due to resource limitations. The total expenditure declined from 20.0% of GDP in CY2021 to 18.5% in CY2022. Revenue to GDP ratio remained flat at 8.3% of GDP in CY2022 as the full impact of new revenue measures did not materialise due to the acute economic contraction and reductions in imports.

The GoSL relied primarily on domestic financing to fund the budget deficit as access to global markets was constrained by the pre-emptive default of selected external debt. Net domestic financing contributed 82.7% or Rs.2.0 Tn in CY2022 of the total financing requirement. Net domestic financing from expansionary sources remained significant although the relative contribution declined compared to the previous year. Accordingly, the banking sector contribution in domestic financing declined to 50.5% in CY2022 compared to 63.0% in the previous year. Net credit from the central bank to the State more than doubled in CY2022, raising central bank holdings of government securities by 24.1% YoY by end CY2022.

The gross borrowing limit for the year was revised several times and by November 2022 was raised to Rs. 4.5 Tn to meet escalating State funding requirements amidst elevated interest rates. In June 2022, the Parliament approved an increase in the limit of outstanding T-Bills to Rs.4.0 Tn, and raised further in November 2022 to Rs.5.0 Tn, in consideration of the rising borrowing requirement in face value terms due to high market rates.

The total outstanding central government debt rose by 56.1% to Rs.27.5 Tn by end CY2022 in nominal terms. As a proportion of GDP this figure represents 113.8% in comparison to 100.1% in CY2021. Due to exchange rate depreciation, the relative shares of foreign debt to domestic debt were 45% and 55% in CY2022.

The announcement of pre-emptive default of selected foreign debt service payment resulted in successive downgrading of the Sri Lanka's sovereign rating. In May 2022, Fitch Ratings downgraded the long-term foreign currency issuer default rating (IDR) from C to RD or Restricted Default and in December 2022 the long-term local currency IDR was downgraded from CCC to CC in view of a potential 'local currency debt default'.

The IMF and the GoSL entered into a Staff level agreement on the IMF-EFF programme in September 2022 with bilateral creditors including Paris Club member countries, India and China providing financial assurances for the restructuring of debt to a level accepted by the IMF. On 20 March 2023, the Executive Board of the IMF approved SDR 2.29 Bn (approximating to USD 3.0 Bn) under this arrangement, adding thrust to positive sentiment. Debt restructuring negotiations with bilateral and commercial creditors is expected to be completed in CY2023.

Primary Dealer space

As at end CY2022, five licensed commercial banks and five non-bank-affiliated primary dealer companies (PDCs) registered as primary dealers were active in the government securities market.

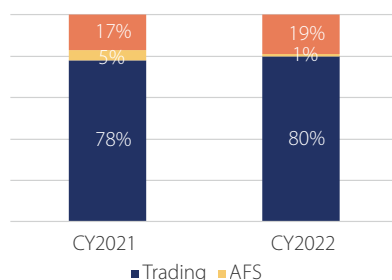
PDCs reported a Profit After Tax of Rs. 1.7 Bn during CY2022 compared to the loss of Rs. 0.4 Bn reported during CY2021. Enhanced profitability was through interest income from investments in government securities and increased revaluation gains recorded in CY2022 compared to CY2021. As a result, ROA and ROE of PDCs as at end CY2022 increased to 3% and 11%, respectively, from (0.7 %) and (2.5%), respectively, recorded as at end CY2021.

Equity of PDCs increased by 68 % mainly due to profit earned during the year and the Risk Weighted Capital Adequacy Ratio (RWCAR) of the PDCs was maintained above the minimum of 10.0 % despite a significant reduction in the RWCAR to 23.2 % as at end CY2022 from 42.8 % reported as at end CY2021. Total assets of PDCs increased by 67.4% to Rs. 131.7 Bn in CY2022.

The total investment portfolio of government securities, consisting of trading, Available for Sale (AFS) and Held to Maturity (HTM) portfolios amounted to Rs. 126.1 Bn as at end 2022, up 79 % YoY. Both trading and HTM portfolios increased to Rs. 100.7 Bn and Rs. 23.8 Bn, reflecting 83% and 98% YoY growth, respectively. The AFS portfolio declined by 53% to Rs. 1.7 Bn against CY2021.

As the proportion of the trading portfolio in the total investment portfolio of PDCs increased marginally to 80% compared to 78% as at end CY2021, the relative market risk exposure of the industry increased in tandem.

Composition of total portfolio of PDCs



The overall liquidity risk exposure of PDCs increased due to the overnight negative mismatch in liquidity increasing significantly by 270 % YoY to Rs. 78 Bn as at end CY2022 from Rs. 20 Bn. The mismatch was due to the escalation of

overnight liabilities by 219.9 % at end CY2022.

The liquidity risk profile of the majority of PDCs remained low throughout the year, due to the ability to use the large volume government securities held as collateral for obtaining funds to bridge unforeseen liquidity gaps.

Financial outcome

Overall, the Company recorded historic highs in income and profitability. The following analysis and narrative should be read in light of foregoing sections of the Management Discussion and Analysis detailing the local operating context and market conditions.

A summary of key financial metrics of the Company for FY2023 and the previous year are shown below:

Selected profitability metrics	FY2023	FY2022
Extract of income statement (Rs. Mn)		
Income	9,970	623
Direct expenses	(6,305)	(1,055)
Net trading income	3,665	(432)
Other income	5	55
Gain/ (Loss) on fair valuation of financial assets recognised through profit or loss measured at fair value	1,078	(74)
Profit/(loss) before taxation	3,753	(890)
Taxation	(867)	237
Profit/(loss) after taxation	2,886	(652)
Other comprehensive income/ (loss), net of income tax	(2)	8
Total comprehensive income/ (loss)	2,884	(645)

Income

Headline income of FY2023 reflected a sharp increase of 1501% YoY, reaching a historic high of Rs. 9,970 Mn.

Broadly, our direct income constitutes interest income, trading income and fee income. Interest income earned on financial investments comprising financial assets recognised through profit or loss measured at fair value (Financial assets-FVTPL) and financial assets at amortised cost together accounted for 99% of income, with the former contributing 96% to the total. Interest income amounted

to Rs. 9,887Mn and recorded a 857% increase YoY.

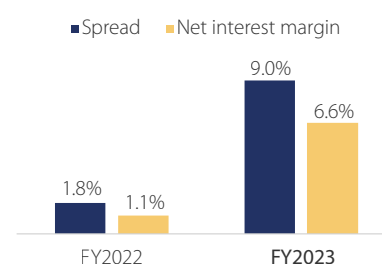
Trading gains on the trading portfolio amounted to Rs. 1,325 Mn in FY2023, increasing 246% in active trading in comparison to FY2022 in which significant trading losses of Rs. 905 Mn were sustained. Trading losses on the sale of our HTM portfolio amounted to Rs. 1,259 Mn. Collective trading income (reflecting net gains made on the trading portfolio offset by losses on the sale of the HTM portfolio) amounted to Rs.67 Mn. Against the previous year's net trading loss, this reflects a 107% YoY increase.

Our financial asset portfolios comprising derivatives, T-Bill and T-Bonds and resale agreements of government securities reached Rs.51,936 Mn as at year end FY2023, expanding by 88% YoY. Net-long duration strategy favouring T-Bonds with longer tenors as we began anticipating rates to moderate further resulted in our trading portfolio composition leaning towards T-Bonds relative to T-Bills by a split 96:4.

Overall, net interest margin on average assets increased sharply from 1.8% in FY2022 to 9.0% in FY2023. The rate spread broadened from 110 bps (1.1%) in FY2022 to 660 bps (6.6%) in FY2023 accelerating income accruals and profitability.

The high-rate environment and tactical trading complemented by the broadened interest rate spread arising from the anomalous rate structure and the expanded portfolio size (in-turn earning higher accruals) were contributing factors to the record financial outcome.

Net interest Margin and Spread



Direct expenses

Direct expenses constitute mainly of interest costs on repurchase agreements (repos) which accounted for 96% of the total. Direct expenses amounted to Rs. 6,305 Mn increasing 498% YoY due to the high interest rate regime, from the previous year's level of Rs. 1,055 Mn.

Efficiency ratio

In FY2023, the cost to income ratio or efficiency ratio improved to 63% as income outpaced direct expense growth, in comparison to the previous year which

Management Discussion and Analysis

recorded 169% due significant trading losses eroding headline income.

Net Trading Income

The Company recorded net trading income of Rs. 3,665 Mn accelerated by 948% YoY. Total operating expenses for FY2023 reached Rs.995 Mn recording an increase of 127% against FY2022. Personnel expenses comprising 45% of operating expenses and grew by threefold to Rs. 443 Mn. The increase was due primarily to variable performance pay made in view of significant positive performance milestones achieved by our team.

Other operating expenses accounted for 54% of the year's operating expenses. Value added tax and nation building tax on financial services accounted for 78% of other operating expenses and escalated by 90% YoY due to increased effective tax rates introduced during the year.

Profitability

The profit before taxation of the Company stood at a historic Rs. 3,753 Mn in FY2023 as against the loss before taxation of Rs. 890 Mn in FY2022, reflecting a 522% growth YoY. The Company reported a historic net profit after tax of Rs. 2,886 Mn up 542 % YoY relative to the prior year's loss after tax of Rs. 652 Mn.

On the back of strong profits ROA improved to 7.1% in FY2023 as against (2.4%) in the previous year. ROE showed marked improvement at 61.8% against (15.5%) in FY2022. Earnings per share improved to Rs.4.68 in FY2023 (FY2022: (Rs.1.06)) while Net asset value per share was Rs.8.88 (FY2022:6.29).

The Company has declared and paid an interim dividend in accordance with the dividend policy. Declared at the rate of Rs. 1.50, the cumulative distribution amounted to Rs. 923.4 Mn translating to a payout ratio of 32.0%.

Performance as primary dealer

As a primary dealer we play a pivotal role in allocating capital in the economy. With the GoSL's increased reliance on domestic financing, we met our performance obligations laudably.

FCT successfully met all its regulatory obligations including effective participation and surpassed minimum thresholds set for primary markets. In FY2023, primary market bid participation rate for T-Bills was 16.6% against the regulatory requirement of 10.0% and the market success rate, 10.2%. For T-Bonds, the primary market bid participation rate was 16.8%. The effective participation was 128.4% against the regulatory requirement of 50.0% of average issuance per primary dealer.

Successful bids totaled Rs. 429.8 Bn in the T-Bill auctions (FY2022: Rs. 148.2 Bn) and Rs. 128.2 Bn in the T-Bond (FY2022: Rs. 33.8 Bn).

On an outright basis the annual turnover ratio of secondary market trading was 11.8 times the average stock in FY2023 for T-Bills.

Risk Management

As a financial services company, risk management forms the core of our various business operations. The Group Risk and Compliance division is committed to framing effective and contemporary risk management policies, addressing market and credit risk. The division develops and maintains models to assess market risks that are constantly updated to capture the dynamic nature of the markets and participates in the evaluation and introduction of new products and business activities.

The Group Investment and Asset Liability Management Committee (ALCO) is, inter alia, responsible for the liquidity risk management, funding and capital planning, profit planning and growth projection and analysis of contingency plans.

The First Capital Group's Human Resources function operates as a shared service and provides HR support by way of policies and procedures, compensation structure, key recruitment and succession, new employee onboarding, employee training and development and other regular engagement activities, interventions and initiatives.

The risk management function of the Company is periodically reviewed by the Group Enterprise Risk Management Committee. The Chief Risk Officer independently briefs the Company's Board Audit Committee on the compliance in respect of the Company's risk framework on a periodic basis.

The Enterprise Risk Management Report from page 34 to 43 carries further details on the financial and non-financial risks that the Company is subject to.

Capital Adequacy

The total CAR as at 31 March 2023 was 20% reflecting a 10% buffer against the minimum of 10% stipulated by the CBSL. In FY2022 we maintained a CAR of 89% reflecting a large capital buffer to help navigate the uncertain market environment by preserving capital.

Credit Rating

The Company has obtained the following credit ratings from Lanka Rating Agency:

	Value	Long-term	Outlook
Issuer rating		A	Stable
Instrument rating: Listed, rated, subordinated, unsecured, redeemable debentures	Rs. 750Mn	A-	Stable

Regulatory Compliance

The Company has complied with the applicable guidelines prescribed by the CBSL for primary dealers, regarding valuation of securities, accounting and capital adequacy inter-alia.

The Company substantially complied with operational rules. We were however subjected to the following penalty during the year by the CBSL:

Description	Penalty imposed (Rs.)	Remedial action taken by the Company
Non-compliance with Sections 5.4 and 8.3 of Direction No.01 of 2019 - Repurchase and Reverse Repurchase Transactions of Dealer Direct Participants in Scripless Treasury Bonds and Treasury Bills Directions No.1 of 2019	773.8	Review control gap and implement enhancements to resolve inefficient internal controls relating to collateral management.

Human Resources

The First Capital Group's Human Resources function operates as a shared service and provides HR support by way of policies and procedures, compensation structure, key recruitment and succession, new employee onboarding, employee training and development and other regular engagement activities, interventions and initiatives.

The Company's staff strength as at 31 March 2023, was 13 employees. During the year, new recruitments strengthened both front-office and back-office teams in order to proliferate and support business growth.

Training and development spend amounted to Rs. 1 Mn in FY2023 (FY2022: Rs. 1.6Mn).

Sachith Perera, the CEO of the Company was externally recruited under the Group succession plan and assumed duties in February 2023 (subject to regulatory approval).

Outlook

The medium-term outlook of the Sri Lankan economy depends on the timely and efficient

fulfilment of pre-requisites envisaged under the IMF-EFF programme, subject however to external and domestic shocks given the fragility of the economy. Improved sentiment following the approval of the IMF-EFF programme in March 2023, and political consensus in proceeding with the debt restructuring effort as at publication of this Annual Report can be considered as critical initial steps in the journey forward.

The real economy is expected to restrain its recessionary trend. Real GDP is forecast to contract to 3.0% in CY2023 recovering to a tepid growth of 1.3% in CY2024. Some downside risks exist in terms of global growth slowdown beyond cautiously optimistic revised forecasts which could impact exchange earnings, political stability and delays in structural and institutional reforms.

The financial sector which has a significant sovereign exposure and faces deteriorating credit quality could pose additional downside risk. The debt restructuring is expected to cover USD 42 Bn in domestic debt and create momentum around external debt renegotiations on USD 36 Bn, including USD 24 Bn held by bondholders and

bilateral creditors. Sovereign exposures of domestic banks and pension funds are disproportionately taking the form of domestic rather than external debt. However, a managed approach where fiscal space will be created by targeting solely the CBSL's T-Bill stock and initiating non-coercive negotiations with major bondholders on the options and constraints available, may restrain sovereign stress contagion to other areas of the economy.

The outlook for bond markets in the next fiscal year will be conditioned by evolving inflation and rate dynamics.

Inflation is projected to average 24.6% in 2023 as fiscal tightening and double-digit interest rates weigh on domestic demand, supply-side disruption eases, and moderating external pressures alleviate food shortages. Adjusting for the high base effect, inflation can be expected to fall sharply by CY2023.

Looser monetary policy with the CBSL reversing the tightening seen last year is more likely to stay on a long pause. Near-term positive impacts of policy action are visible in certain areas, including lower inflationary pressures, neutral liquidity conditions and moderating rates. In a setting where monetary policy will remain focused on price stabilisation over the medium term, yields on gilts and market rates are expected to further moderate in the period ahead.

Building on this record year, we believe we have the tremendous opportunity to integrate with the industry and the economy in this transformative time. There are economic risks ahead, but we intend to leverage the positive momentum created in FY2023 to target strategic growth. We are well prepared to weather diverse conditions with our resilient financial asset portfolios, capital position and capabilities in debt markets to deal with challenges that lie ahead.

Cautionary Statement

Statements in this Management Discussion and Analysis may be 'forward looking' within the meaning of applicable laws and regulations. Actual results may differ, from those expressed or implied, due to various factors. The views expressed above are not to be treated as advisory or recommendatory in nature.

Enterprise Risk Management

Effective risk management underpins the successful delivery of our strategy and the longer-term sustainability of the business. Risk conduct and values are central to our business culture and are embedded in our approach to enterprise risk management.

Risk culture

First Capital Treasuries PLC's risk culture is well established, grounded in the long-held values that underpin corporate philosophy. Our risk profile is consistent with the business model and core business. Our robust financial position is reflected in our credit rating of A (stable outlook) by the Lanka Rating Agency.

The role of the Board is to promote the long-term interests of First Capital Treasuries PLC considering the Company's specific and broader responsibilities to its stakeholders and society. The Board is committed to oversight of the Company's performance, risk management, engagement with regulators, and culture. In line with a long-term strategy, the Board promotes the creation, growth, and protection of value. The Board is ultimately responsible for the framework, including oversight of its operation by Management.

The operation of the enterprise risk management model is overseen as delegated by the Board, through the amalgam of the Enterprise Risk Management Committee, Board Audit Committee, Investment, Asset and Liability Committee, Related Party Transactions Review Committee, Nominations Committee, and the Remuneration Committee.

Risk appetite framework

Our risk appetite represents the nature and amount of risk that First Capital Treasuries PLC is willing to accept in pursuit of strategy. Risk appetite is consistent with our strategic intent and with achieving quality and resilience of our income streams; maintaining our legitimacy and reputation; and being agile in navigating market conditions.

The Board's risk appetite statements straddle strategic, financial, and non-financial risks and may be quantitative or qualitative in nature as applicable to the risk considered. The Board reviews strategic objectives and risk appetite at least annually. Our risk appetite policy is built on rigorous and comprehensive procedures and conservative capital management.

Stress testing and analytics

Stress testing is a key measure of aggregate risk appetite, calibrated to First Capital Treasuries PLC's ability to withstand severe stress. Stress testing is an integral component of our risk management framework and a main input in assessing the impact of interest rate and market risk on company portfolio values, capital adequacy, earnings and net asset positions in addition to its utility in flagging any potential threat to regulatory requirements/limits.

Stress testing scenarios are designed using a set of scenario objectives, which are reviewed annually by the Risk and Compliance division. These metrics provide a basis for analysis and communication of risk, for explicit consideration of the risk profile, raising

awareness of risks and facilitating debate and action in view of potential future risks.

The Risk and Compliance division engages in continuous monitoring and upgrading of techniques used for interest rate risk assessment. Risk mitigation actions are identified and communicated to relevant business units. 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. Middle office is empowered to review internal limits with the change of market conditions and provide analytical reports to the Management.

We are supported by market leading in-house research in analysing the dynamics of the economic, political, and social environment to forecast the scenarios impacting our investments and to mitigate the risks encountered, in a cohesive manner. Research insights enable us to stress test our exposures in order to initiate timely mitigation measures.

'Risk Culture' as a value driver

We create value through disciplined service delivery and the responsible management of our assets.

The Risk Culture value driver encompasses our conduct, culture, frameworks, processes and the overall risk governance mechanism which upholds and facilitates enterprise risk management. We carefully assess and manage material risks that impact us and opportunities embedded in such risks, as levers for value creation.

The Risk and Compliance division provides inputs, suggestions, solutions and remedial actions from a risk conduct and risk management perspective, to enhance the efficiency of the administrative process followed by the executive team in key decision making and corporate strategic planning.

By introducing risk-based-thinking early on, the division enables a smooth transition to execution of strategy by eliminating reactionary responses to risk. Without following the traditional

compliance process which is postmortem in nature, we manage risk and lay down policies and procedures at the inception to effectively mitigate compliance risk while executing strategy.

Strategy and Resource Allocation

Based on the strategy of being proactive in assessing and analysing risk at the ignition level, First Capital Treasuries PLC invested in HR and IT resources that enables a robust risk management framework. The Company has taken actions to improve

the risk management and compliance awareness of all staff members through internal and external workshops. The Risk and Compliance division is resourced by eight knowledgeable professionals with expertise in business operations, products, and risk. The First Capital Treasuries PLC's core application system is strengthened by incorporating necessary modifications that facilitate segregation of duties and compensating controls and enables the monitoring of risk parameters.

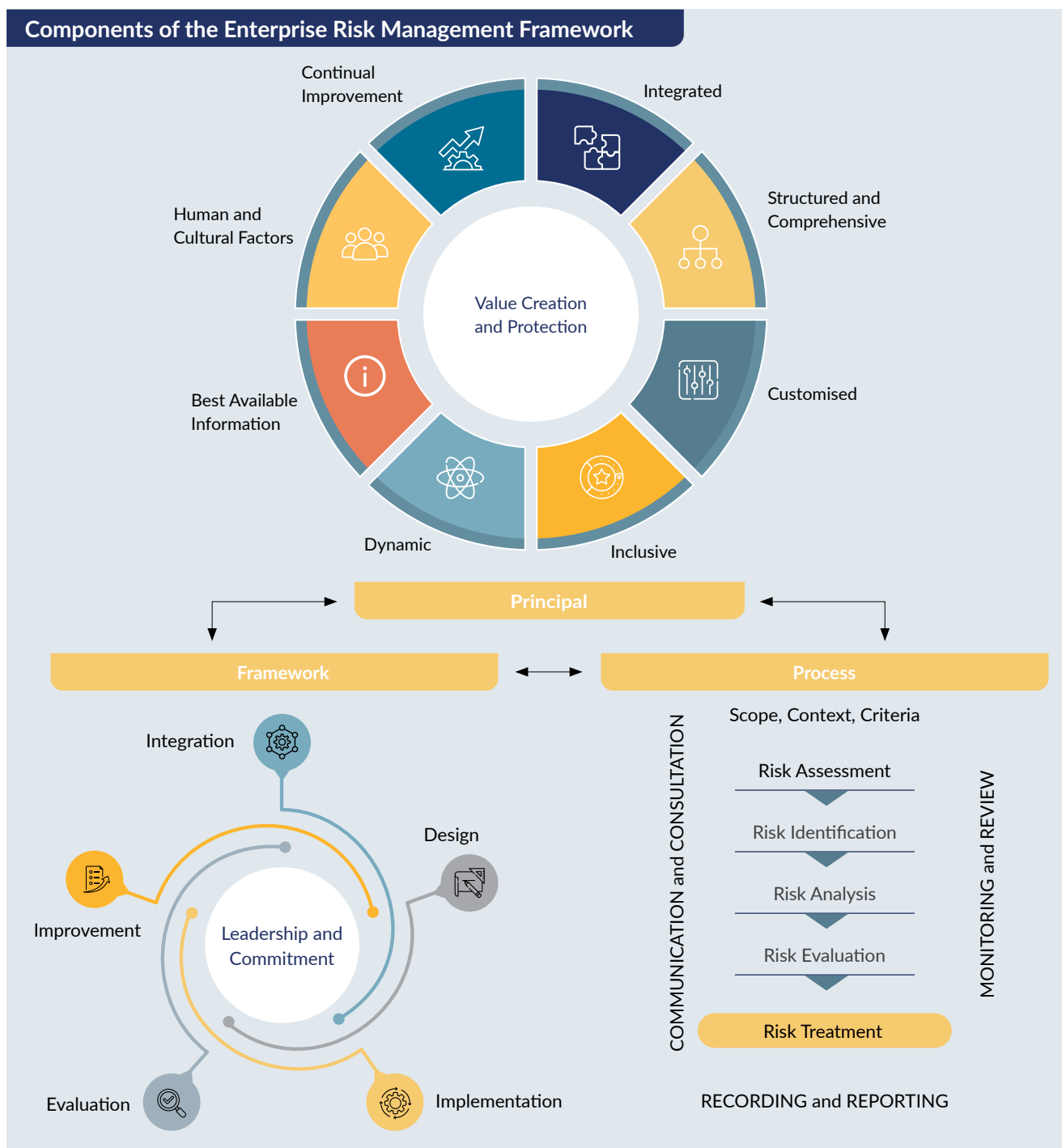


Enterprise Risk Management

Our enterprise risk management framework

First Capital Treasuries PLC's risk management framework is the totality of systems, structures, policies, processes and people within the Company that identify, measure, monitor, report and control or mitigate internal and external sources of material risk. Material risks are those that could have a material impact, financial or non-financial, on the Company.

Our enterprise risk management framework is based on ISO 31000:2018-Risk Management, which provides benchmark guidelines, principles and processes for managing risk. The framework provides the governance structure and approach to the First Capital Treasuries PLC risk management discipline, directing us towards sound risk conduct. No material changes were made to the framework this year and the focus remained on the several key strategic initiatives and the maturity of implementation.



Risk management practices

Through the enterprise risk management framework we continue to elicit higher levels of certainty and visibility about potential risks and clarity regarding how these risks are mitigated. It also ensures that information about risk derived from the risk management process is adequately reported and used as a basis for decision making and accountability at all relevant institutional levels. This requires an integrated approach in all business areas to enable an effective risk management process from identification through to mitigation.

Integrating enterprise risk management into an institution is in itself a dynamic and iterative process, customised to the institution's needs and culture. We will continue to enhance our risk awareness, process and integration with compliance risk requirements business-wide in a dynamic regulatory setting. As we mature, our business continuity plans, strategy and risk management activities we intend to gain an improved resilience to adverse risk events imminent in the current operating context.

Three lines of defence

First Capital Treasuries PLC's approach to risk management adopts the 'three lines of defence' model, which sets risk ownership responsibilities as functionally independent from oversight and assurance:

First line of defence

The primary responsibility for risk management lies with each business unit. The risk owner is the first line of defence. All staff throughout the Company are expected to manage risks in accordance with the risk management framework.

Second line of defence

The second line of defence is made up of the Enterprise Risk Management Committee (ERMC) and the independent Risk and Compliance division which provide independent and objective review and challenge, oversight, monitoring and reporting in relation to First Capital Treasuries PLC's material risk.

The ERMC is a Board sub-committee chaired by an independent non-executive director (The Chairman) that ensures principal and emergent material risks as well as events and outcomes which may significantly impact business continuity, profitability and reputation are identified, assessed and responded to 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 Board Audit Committee on regulatory compliance and risk tolerance.

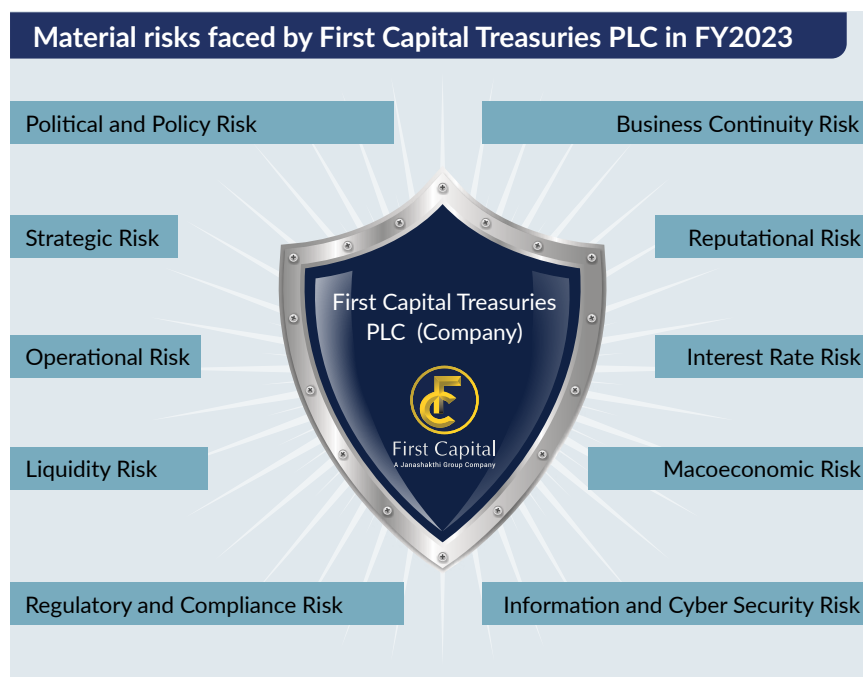
One of the salient features of First Capital Treasuries PLC is its segregated middle office. The division consists of staff members who are competent and experienced in validating all Company transactions based on prevailing market rates/prices, economic conditions and counterparty quality. The middle office

validates transaction risks across the Company for price, limits, and approvals, where any exceptions encountered are escalated for higher approval.

The Investment, Asset and Liability Committee whilst directing investment strategy of the Company takes a consistent approach to investment as well as asset and liability management across the business, determining limits and the controls applicable on predominantly market risks included under its general mandate.

Third line of defence

The Internal and External Auditors, provides independent and objective risk-based assurance on the compliance with, and effectiveness of, First Capital Treasuries PLC's financial and risk management framework. Internal Auditors convey assurance through their review reports to the Board Audit Committee on a semi-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 rule-regime in place.



Enterprise Risk Management

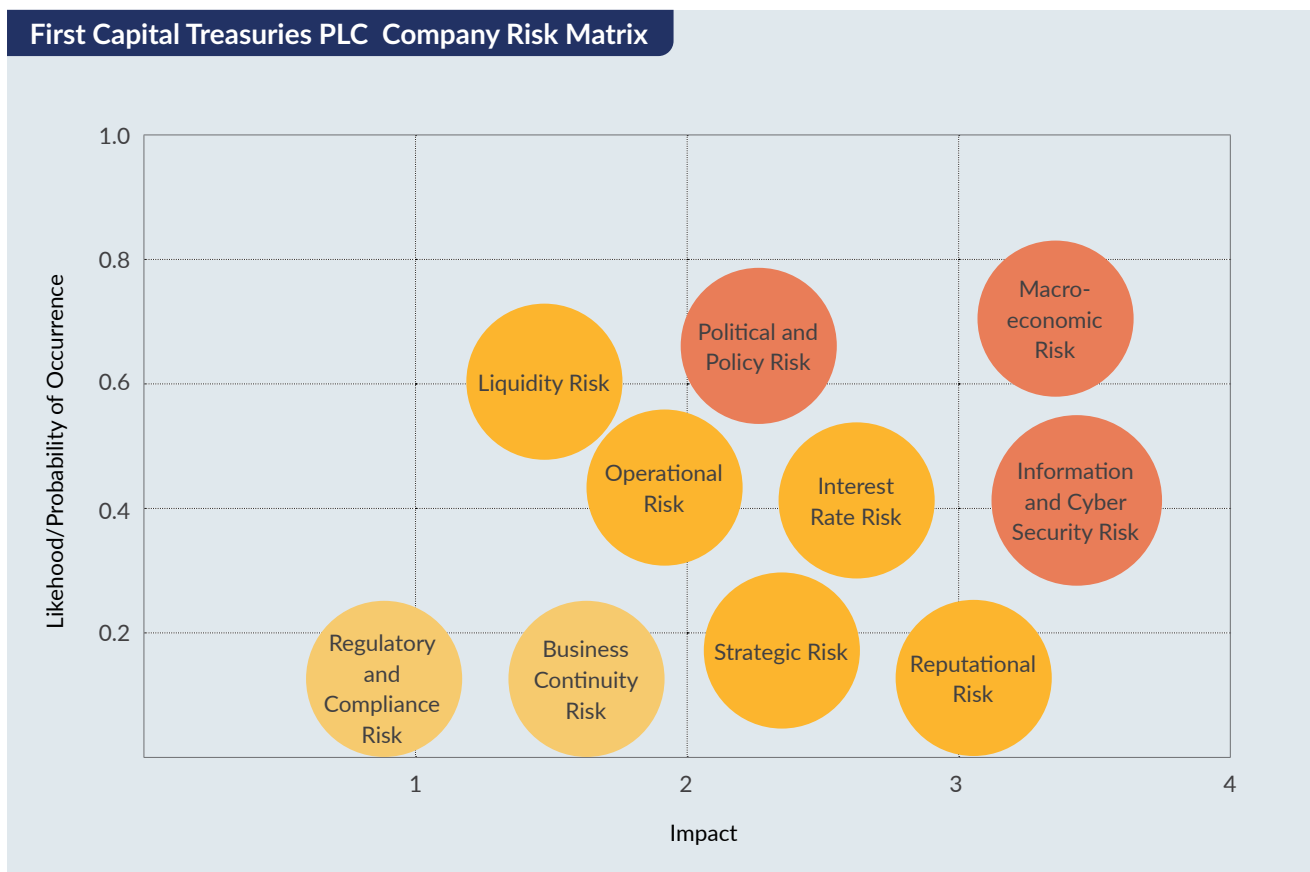
Risk and Opportunity Matrix

Our risk and opportunity matrix provides the impact and likelihood ratings that are utilised for risk assessments. It also provides interpretative guidance on categorisation of impact and likelihood to foster institutional uniformity in classifying, rating and prioritising risks.

Risk ratings are monitored periodically and subject to change based on overall variations in impact to the Company and percentage of likelihood.

Risk rating matrix

Depending on the results obtained, risks will be positioned in the matrix given below;



Risk and opportunity assessment

Risk	Identification	Assessment (including risk grading)	Control measures	Risk Rating	Risk Rating
				FY2023	FY2022
Interest Rate Risk	Portfolio sensitivity as a percentage of net asset value of the portfolio;	Probability Possible	Portfolio composition was adjusted based on the direction of interest rates, internal controls and the risk appetite of the Company which is regularly reviewed by the Investment, Asset and Liability Committee.	Medium	Low
	Stress testing results on impact to capital adequacy.	Impact Medium, based on the sensitivity measurement and stress testing results.	We conducted continuous forecasting and assessed the likelihood of occurrence, taking optimal mitigatory action.		
Liquidity Risk	Interest spread.	Probability Possible	Suitable funding arrangements were selected in order to maintain the spread within the levels stipulated by the Management.	Medium	Low
		Impact Medium, as the Company maintains a satisfactory level of contingency funding.	We monitored liquidity levels according to internal requirements. Contingency funding lines are in place.		
Regulatory and Compliance Risk	Compliance of laws rules and directives issued by the CBSL, the FIU, and other statutory bodies, if not complied, could result in loss of licenses and penalties being imposed, resulting in reputational loss and loss of profits to the Company.	Probability Remote	Comprehensive Board-approved suite of compliance policies are in place and these are reviewed on an annual basis.	Low	Medium
		Impact Low	Adherence to internal controls and regulatory requirements by the business units and monitoring of the same by the Risk and Compliance division. The Compliance function tracked and reviewed compliance with regulatory guidelines.		
Concentration Risk	Exposure to the counterparties in investments and borrowings.	Probability Possible	Internally set counterparty limit structure was followed by the business units and monitored by the Risk and Compliance division.	Low	Medium
		Impact Low	Limit structures are reviewed regularly to adopt timely changes. Unhealthy concentrations were reported to the Board of Directors and Board sub-committees.		

Enterprise Risk Management

Risk	Identification	Assessment (including risk grading)	Control measures	Risk Rating FY2023	Risk Rating FY2022
Operational Risk	Operational effectiveness.	Probability Low Impact High, as operational risk directly impacts the reputation of the Company through its varied sub-components.	Incident and near-miss policy was in place to escalate operational misconduct or control lapses to the Management and the Board of Directors.	Medium	High
Reputation Risk	Non-compliances and low level of service quality.	Probability Low Impact High	<p>Service standards were increased within the company. Company is engaged in improving service quality.</p> <p>Integrated risk management was in place and the Risk and Compliance division reviewed and monitored all processes and regulatory compliances.</p> <p>Indirect reputational risk was carefully analysed and monitored.</p> <p>Staff at various levels engaged stakeholders as requisite, to assuage their legitimate concerns, throughout the year.</p>	Medium	Medium
Macroeconomic Risk	Impact of macro-economic factors on operations.	Probability Medium Impact High	<p>Macroeconomic aspects were continuously monitored, analysed and forecasted in identifying the impact to the Company.</p> <p>Measures were taken to lower or mitigate specific risks that are implicitly impacted.</p>	High	High
Information and Cyber Security Risk	Risk of losing data and threat of passing sensitive information to a third party	Probability Medium Impact High	<p>All IT controls were strengthened including IT infrastructure and systems.</p> <p>Continuous education was provided to staff on cyber security risks.</p> <p>Vulnerability assessments and audits were carried out together with external consultants.</p> <p>Monitored the status of antivirus systems on a continuous basis.</p>	High	Medium

Risk	Identification	Assessment (including risk grading)	Control measures	Risk Rating FY2023	Risk Rating FY2022
Political and Policy Risk	Assessment of political stability and potential or actual change in policies.	Probability Medium Impact High	Forecasting of political and policy risk and escalating to the Board of Directors to effect timely change in business strategy.	High	High
Business Continuity Risk	Threats to conducting business without disruption.	Probability Low Impact Medium	<p>Ensured minimal disruption to the normal course of business during COVID-19 pandemic.</p> <p>Took measures to ensure uninterrupted operations under conditions of fuel shortage in the country by keenly managing the maintenance of fuel reserves.</p> <p>Took measures to evaluate HR risk heightened due to brain drain by adjusting the remuneration packages in line with the inflation and also by continuing the Great Place To Work initiatives that facilitated us in retaining and attracting talents.</p>	Low	High
Strategic Risk	Results being significantly different from the strategy and business plan as a result of changes in the business environment and risks associated with strategic decisions.	Probability Low Impact High	<p>Management Committee meetings are held fortnightly to review business performance.</p> <p>Monthly Board review and quarterly Board meetings are held to review the business performance against budgeted. Also, updates of the initiatives of the Strategic Plan are also being reviewed.</p> <p>Investment, Asset Liability Committee reviews the status of the investment positions of the Company at the meetings held fortnightly.</p>	Medium	Medium

Enterprise Risk Management

Board Audit Committee (BAC)

- Overall monitoring and reviewing effectiveness of ERM Framework
- Identify principal risks and ensure the implementation of appropriate system to manage these risks
- Review the integrity and adequacy of FCT's internal control process

Enterprise Risk Management Committee (ERMC)

- Ensure the risk management process is transparent to stakeholders
- Ensure risk and risk management are incorporated into the strategic planning process, performance measurement systems, and day-to-day operations
- Ensure understanding of risk tolerance and how risk management affects daily decisions are cascaded from the Board of Directors to line managers
- Ensure all significant risks are prudently identified, analysed, evaluated, and treated

Related Party Transaction Review Committee (RPT)

- Overall monitoring of Related party transactions and exposures
- Ensure such transactions are conducted in line with the regulatory guidelines and other standards applicable

Investment, Asset, and Liability Committee (IALCO)

- Overall monitoring of risk exposures related to Investments and liquidity positions
- Ensure such transactions are conducted in line with the Board approved investment policy

Remuneration Committee (REMCO)

- Responsibility for selecting suitable HR resources to manage the business
- Overall responsibility for reviewing and approving remuneration

Nomination Committee (NC)

- Overall responsibility for recruiting candidates to fill senior board positions and approving the organisation's corporate governance policies, procedures, and guidelines

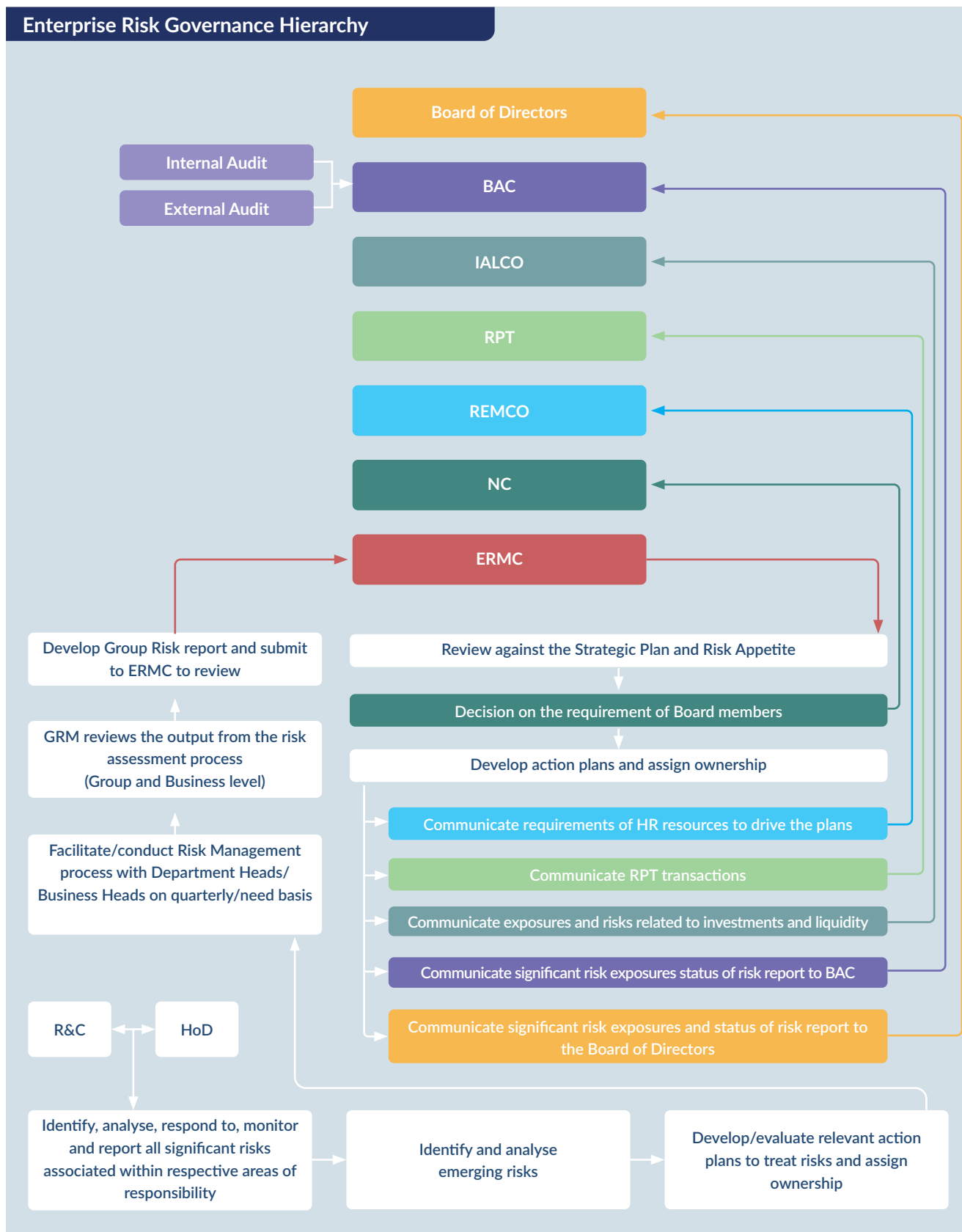
Head of Departments (HoD)

- Identify, analyse, respond to, monitor, and report all significant risks associated with respective areas of responsibility

Group Risk and Compliance Division (R&C)

- Promote cross-functional sharing of risk information
- Monitor compliance with ERM Framework and Regulatory requirements
- Coordinate and promote Risk management culture and implementation
- Providing guidance and tools relevant to subsidiaries - Risk management function
- Review the internal Controls of FCT

Enterprise Risk Governance Hierarchy





Governance Reports

THE APEX OF EMPOWERMENT

At the heart of our success lies a relentless drive to push the
boundaries of what is possible.



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 2023 which were approved by the Directors on 15 August 2023.

Review of Operations

During the year under review, the Company reported total revenue of Rs. 9,970Mn compared to Rs. 623Mn reported in the previous year.

Net Trading Profit before expenses for the year is Rs. 4,748Mn (2021/22- Net Trading Loss before expenses of Rs. 451Mn) and Profit before tax for the year is Rs. 3,753Mn (2021/22- loss before tax of Rs. 890Mn)

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. The ordinary shares of the Company were listed on the Colombo Stock Exchange on 23 December 2021.

Financial Results

The Company's net profit after tax was Rs. 2,886Mn compared with net loss after tax of Rs. 652Mn in year 2021/22.

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

	2023 Rs.'000	2022 Rs.'000
Revenue	9,969,951	622,824
Profit/(loss) before tax	3,752,909	(889,699)
Profit/(loss) after tax	2,886,396	(652,445)
Total comprehensive income/(loss)	2,883,967	(644,663)

The financial statements of the Company are set out in pages 108 to 153 of the Annual Report.

Board of Directors

Directorate

The following were the Directors of the Company as at 31 March 2023.

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

The profiles of the Directors are given in pages 20 to 22 of the Annual Report.

Interest in Shares

Directors/Chief Executive Officer and their shareholdings as at 31 March 2023 were as follows:

	No. of Shares 31.03.2023*	No. of Shares 31.03.2022
Mr. Nishan Fernando	16,000	4,000
Ms. Manjula Mathews	Nil	Nil
Mr. Dinesh Schaffter (deceased on 15 December 2022)	Nil	10
Mr. Dilshan Wirasekara	Nil	Nil
Mr. Ramesh Schaffter	Nil	Nil
Ms. Minette Perera	Nil	Nil
Mr. Chandana de Silva	Nil	Nil
Dr. Nishan de Mel	Nil	Nil
Mr. Sachith Perera (Chief Executive Officer)	Nil	Nil

*A sub-division of shares has been effected (Note 30)

Other Directorship/Significant Positions of Directors

Information of the other Directorships/ significant positions of the present Directors of the Company are given on pages 20 to 22.

Related Party Transactions

Related party transactions have been declared at the meetings of the Directors and are detailed in Note 34 to the financial statements.

The Directors declare that the Company is in compliance with the Section 9 of the Listing Rules of the Colombo Stock Exchange (CSE) pertaining to related party transactions during year 2022/23.

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 34 to the Financial Statements.

Remuneration and Fees

Details of Directors remuneration and fees are set out in Note 11 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 50 - 93 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 Board of Directors of the Company declared an interim dividend of Rs. 1.50 per share amounting to Rs 923.4Mn for the year 2022/23 (2021/22- Nil).

Significant Accounting Policies

The accounting policies adopted in the preparation of the financial statements are given on pages 112 to 126. 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 21 to the financial statements.

Reserves

The movements in reserves during the financial year 2022/23 have been presented in the Statement of Changes in Equity on page 110 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 12 to the financial statements.

Stated Capital

The stated capital of the Company as at 31 March 2023 was Rs. 256.5Mn consisting of 615,600,000 ordinary shares.

Share Information and Substantial Shareholders

As at 31 March 2023, there were 1,547 registered shareholders. Share information and the twenty largest shareholders as at 31 March 2023 are listed in pages 156 to 157 of the Annual Report.

Information relating to market value of a share and information on share trading is stated under Shareholder and Investor information in pages 156 to 157 of the Annual Report.

Debt Securities Issued

The details of debt securities issued by the Company are set out in page 158 of the Annual Report.

Corporate Donations

During the year under review, the Company made charitable donations of Rs. 1.2Mn.

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 38 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 11 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.

Annual Report of the Board of Directors

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 105 to 107 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 8 September 2023. The notice convening the Meeting and the agenda are given on page 165 of the Annual Report.

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

(Sgd)

Janashakthi Corporate Services Limited
Secretaries

(Sgd)

Nishan Fernando
Chairman

(Sgd)

Dilshan Wirasekara
Director

15 August 2023
Colombo

Statement of Directors' Responsibility

The Statement sets out the responsibility of the Board of Directors, in relation to the Financial Statements of First Capital Treasuries PLC.

The Directors of the Company are responsible for ensuring that the Company maintains accurate records 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 2023, the Statement of Profit or Loss and Other Comprehensive Income, Statement of Changes in Equity, Statement of Cash Flows for the year ended and Notes thereto. The Directors are required to prepare these financial statements on a going concern basis unless 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 2023
- and
- The financial performance of the Company for the financial year ended 31 March 2023

Compliance Report

The Board of Directors also wishes to confirm that;

- appropriate accounting policies have been adopted in a consistent basis and appropriate estimates and judgments have been made to reflect the true substance and form of transactions.
- the financial statements of the Company for the year ended 31 March 2023 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.

- they ensure the 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.
- they accept the responsibility for the integrity and objectivity of the financial statements presented.
- 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 and signed by two Directors in accordance with Section 150 and 152 of the Companies Act.
- they review and approve all interim financial statements prior to their release.
- they 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 system.
- 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.
- 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.
- 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 pages 105 to 107 of this Annual Report.

- as required by the Sections 166 (1) and 167 (1) of the Companies Act, they have prepared the Annual Report in time and will ensure that a copy thereof is sent to every shareholder of the Company, who expressed desire to receive a hard copy. A soft copy of the Annual Report will be published/hosted in the Company's website and Colombo Stock Exchange website within the stipulated period of time as required by the Section 7.5 (a) and (b) of the Listing Rules of the Colombo Stock Exchange.

Accordingly, the Board of Directors is of the view that they have discharged their responsibilities as set out in the above statement.

By Order of the Board,

(Sgd)
Janashakthi Corporate Services Limited
Secretaries

15 August 2023
Colombo

Corporate Governance Report

First Capital Treasuries' key governance practices guide our decision-making to meet stakeholder expectations of sound corporate governance, acknowledging specific and broader responsibilities to its shareholders, debt funders, regulators, clients, employees, business partners, other communities as well as the society.

Our approach to corporate governance enables integrated thinking and decision-making that balances strategic priorities and growth aspirations over time and reconciles the interests of the Company and all stakeholders as a whole, in creating sustainable shared value and guarding against value erosion in the short, medium and long term.

First Capital has voluntarily adopted the Code of Best Practice for Corporate Governance 2017 issued by the Institute of CA Sri Lanka (the Code). It can be considered as a cornerstone for our governance approach together with our corporate ideology underpinned by the values that guide the Board, management and our conduct. We encourage a fine balance between opportunity and accountability while operating with integrity within a prudent risk management framework. Our corporate governance practices reflect this balance.

Regulatory governance adopted by the Company

Our approach to corporate governance is holistic and mindful of the application of our internal regime and the external regulatory requirements on corporate governance as detailed below:

- Companies Act No. 7 of 2007 (as amended);
- Listing Rules of the Colombo Stock Exchange;
- Securities and Exchange Commission of Sri Lanka Act No 19 of 2021;
- Local Treasury Bills Ordinance No. 08 of 1923 and subsequent amendments; and Registered Stock and Securities Ordinance No. 07 of 1937 and subsequent amendments related to Primary Dealers and directions and circulars issued for Primary Dealers under these Ordinances.
- Financial Transactions Reporting Act No. 06 of 2006 and subsequent amendments and directions and circulars issued under the Act;
- Inland Revenue Act No.10 of 2021 and 45 of 2022 and amendments thereto;
- Value Added Tax Act No. 14 of 2002 and amendments thereto;
- Shop and Office Employees Act No. 19 of 1954 and subsequent amendments and laws;
- Laws, Rules, Regulations, Directives and Circulars issued by CBSL/SEC/CSE/CDS and
- All other laws and regulations applicable to the diurnal operations of the Company.

The Board confirms that the Company complied with the provisions of the above requirements and is operating in conformity with the requirements of the Articles of Association.

Statement on corporate governance

The Board of Directors of First Capital Treasuries PLC promotes a culture of strong governance across the business. The Board recognises that corporate governance practices must be appropriate and ensure the highest standards of accountability to all stakeholders.

The Board understands and values long-term and ethical client relationships and has well-established governance processes for ensuring a balance between achieving business growth and meeting the reasonable expectations of stakeholders.

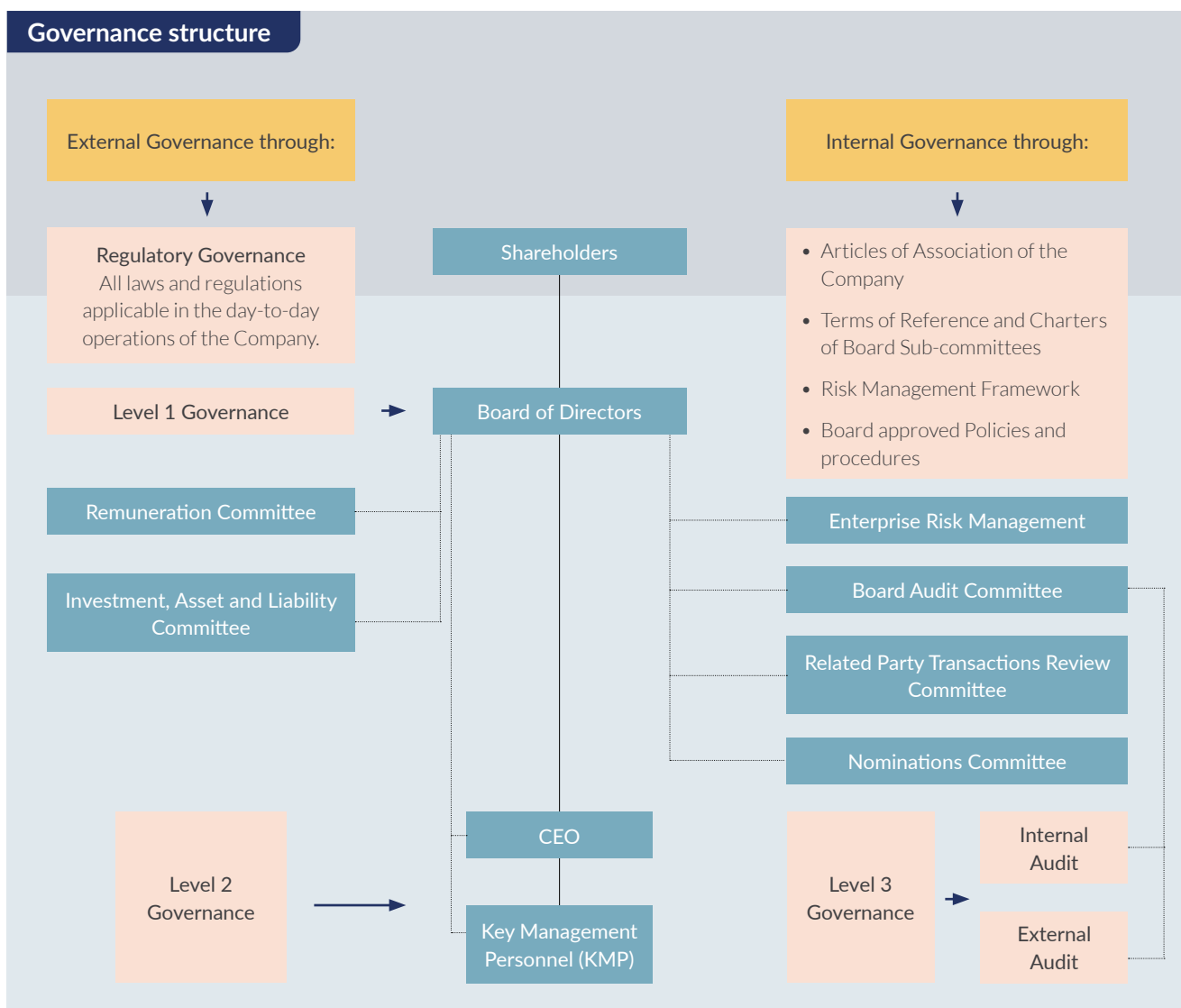
The Board's overall corporate governance objective is supported by the implementation of effective policies, processes and procedures related to corporate governance, internal controls and risk management.

The assessments conducted and overseen by designated Board sub-committees during the year confirmed that these processes have successfully achieved the above objective.

On behalf of the Board of Directors of First Capital Treasuries PLC, I wish to affirm that all the members of the Board and all employees have exercised their duties and the Company has conducted its business in accordance with the policies, procedures, and standards stipulated by the regulators and according to the best practices issued by the Institute of Chartered Accountants of Sri Lanka.

(Sgd.)
Nishan Fernando
Chairman

15 August 2023



The Role of the Board (PRINCIPLE A.1)

The Role of the Board is to lead the Company in promoting the long-term strategy of the Company, and providing oversight of the Management as they generate inclusive value for stakeholders within the Board approved strategic framework.

The Board has established the Company's vision, mission, values and strategy and satisfies itself that these and its culture are aligned.

All Directors are required to act with integrity, lead by example, and promote the Company's culture and values.

The framework of controls established by the Board to enable risk to be assessed and managed is described in the Enterprise Risk Management Report on pages 34 through 43.

Board Composition and Independence (PRINCIPLES A.5.1, A.5.2, A.5.3, A.5.4, A.5.5)

The Board comprises four Non-Executive Independent Directors, three Non-Executive Non-Independent Directors.

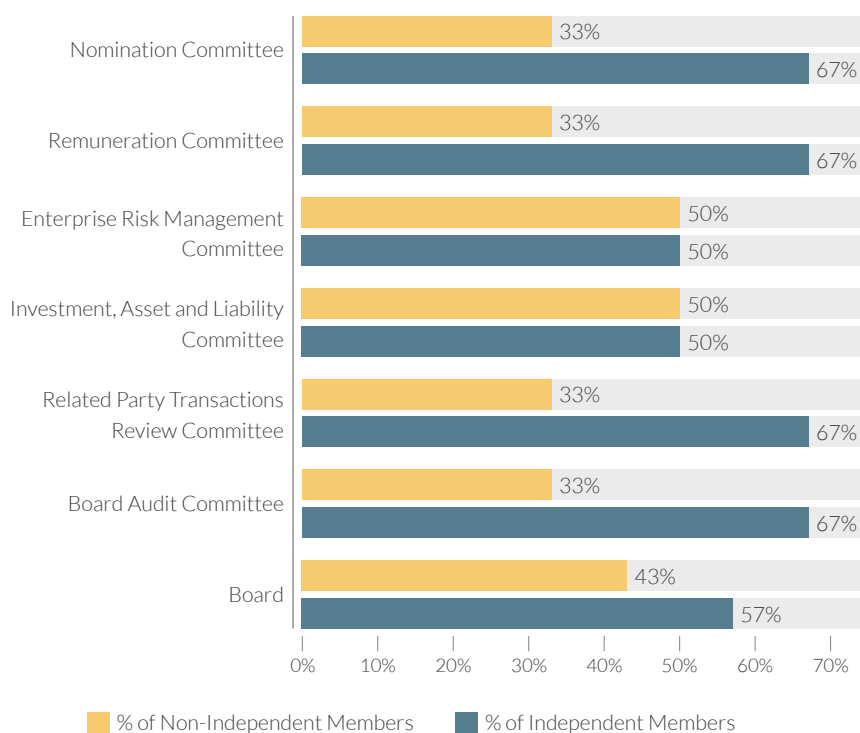
The Directors' independence is assessed as per the Listing Rules of the Colombo Stock Exchange and the Independent Non-Executive Directors declare their independence accordingly. We also ensure a high level of independence in the composition of our Board Committees.

Corporate Governance Report

Name	Directorship status	Date of appointment	Tenure on the Board (years - approximately)	Age (years - approximately)
Nishan Fernando	Non-Executive - Independent	18 April 2012	11	56
Manjula Mathews	Non-Executive – Non-Independent	27 December 2022	0.25	55
Dilshan Wirasekara	Non-Executive – Non-Independent	1 May 2017	6	48
Dinesh Schaffter *	Executive	1 January 2008	15	52
Ramesh Schaffter	Non-Executive- Non-Independent	21 December 2018	4	53
Minette Perera	Non-Executive - Independent	7 December 2011	11	66
Chandana de Silva	Non-Executive - Independent	2 October 2014	8	64
Nishan de Mel	Non-Executive - Independent	13 October 2017	5	52

*Demise on 15 December 2022

Board Balance



Age Analysis



Tenure on Board



Board Gender Diversity



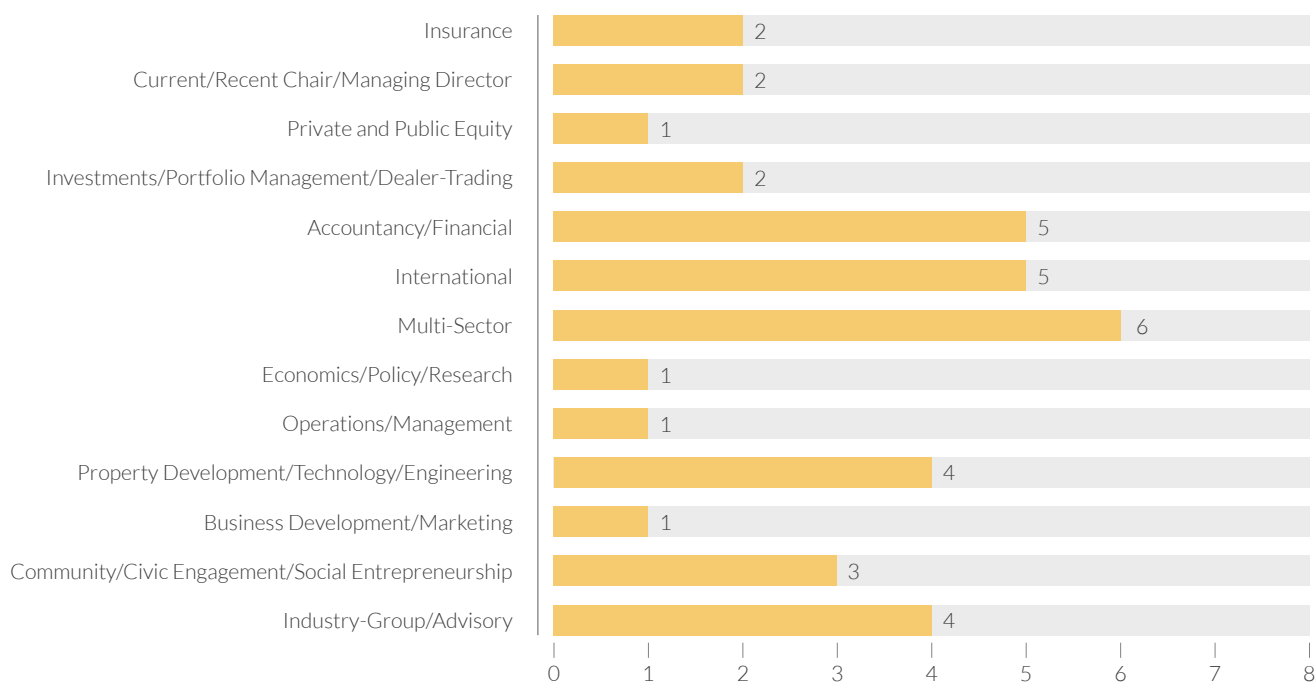
5 Directors



2 Directors

Diversity of experience

The Board brings key insights, diverse perspectives, skills and knowledge to our governance framework.



Board Meetings (PRINCIPLES A.1.1, A.6.1, A.6.2)

The Board meets frequently in order to ensure the effective discharge of its duties. Virtual board meetings were held four times during the year and performance review meetings were held monthly. Attendance of the Directors for the Board meetings is presented below. Proper

time durations are being allocated by timely tabling of reports and analysis. The Company uses paperless meeting solutions (BoardPac software) to facilitate review, inquiries and discussion of these reports prior to and after the agenda set for the meeting. Papers are tabled a week prior to the meeting and minutes are circulated within two weeks after the meeting.

Board Responsibilities (PRINCIPLES A.1.2, A.1.3, A.1.5, A.1.8)

The Directors are responsible for the formulation of the Company's business strategy and in ensuring the existence of an adequate risk management framework. The Non- Executive Directors bring independent judgment to bear on issues of strategy and performance. The Board constructively considers 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 oversees compliance with key policies that are intended to instil a culture espousing lawful, ethical, and responsible conduct.

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 institution. The Deputy General Manager - Risk and Compliance

Name of Director	Attendance in FY2023 (Attended/Eligible to Attend)
Nishan Fernando	4/5
Manjula Mathews **	2/5
Dilshan Wirasekara	5/5
Dinesh Schaffter *	3/5
Ramesh Schaffter	5/5
Minette Perera	5/5
Chandana de Silva	5/5
Nishan de Mel	4/5

* Demise on 15 December 2022

**Appointed to the Board on 27 December 2022

Corporate Governance Report

functions as the Compliance Officer and ensures compliance with all regulatory and statutory requirements and proper reporting of all compliance matters to the Board. The Board of Directors exercises oversight over 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 continue to generate value and drive the company towards high standards of achievement.

Chairman and Chief Executive Officer (PRINCIPLES A.1.6, A.3.1, A.11)

There is a clear division of responsibilities between the Chairman and the Chief Executive Officer to ensure the balance of power and authority.

Role of Chairperson	Role of CEO
Providing leadership to the Board	Developing, recommending, and implementing the Company's policies and strategies that reflect the long-term objectives and priorities approved by the Board
Promoting good governance and the highest standard of integrity	Representing the Company and managing the Company's day-to-day business
Ensuring that the Board receives all necessary information related to the decision-making at the right time	Monitoring operational and financial results and closely following plans and budgets
Ensuring the effective participation of Board members in Board meetings	Assuming full accountability to the Board

The performance of the Chief Executive Officer is evaluated by the Board at the end of each fiscal year to ascertain whether the targets set by the Board have been achieved and if not, whether the failure to meet such targets were reasonable in the circumstances.

Board Balance (PRINCIPLE A.5)

Executive and Non-Executive Directors on the Board who are professionals/ academics/business leaders and hold senior positions in their respective fields, ensure a right balance between executive expediency and independent judgment as no individual Director or small company 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 (PRINCIPLES A.5.6, A.8)

The Company's Articles of Association call for one third of the Non-Executive Directors to 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 compliance on the said aspects annually.

Conflict of Interest (PRINCIPLE A.10.1)

A Board Member is required (a) to disclose conflict (or a potential conflict) and (b) abstain from voting on any matter in which they have a personal conflict.

The Related Party Transactions Review Committee ensures that transactions or dealings made by the Directors are in the best interests of the Company. Related party transactions are reviewed periodically, and arm's length pricing is ascertained.

While holding alternate appointments, the Board of Directors allocates sufficient time and attention to Company matters and ensures the protection of confidentiality and integrity. Please refer the profiles of the Directors on page 20 to 22 for other Board appointments.

Board Committees (STATUTORY) (PRINCIPAL A.10)

To assist the Board in discharging its duties, various Board sub-committees have been established. The scope, purpose and structure of these are clearly defined in respective Terms of Reference and Charters.

Board members have access to all sub-committee meeting papers and reports. Subsequent to each sub-committee meeting, the minutes are included in the Board papers and presented to the Board by the respective committee-Chair.

Audit Committee (Page 94) Principal D.3

Purpose:

Oversight of financial reporting, internal controls, internal and external audits and compliance with legal and regulatory requirements

Composition of the Committee:

Minette Perera

Independent Non-Executive Director
(Chairperson)

Nishan Fernando

Independent Non-Executive Director

Ramesh Schaffter

Non-Independent Non-Executive
Director

Meeting Frequency:

Quarterly

Remuneration Committee (Page 96) Principle B.1, B.2 & B.3

Purpose:

Evaluation and recommendation of the Company's remuneration structure in alignment with performance parameters.

Composition of the Committee:

Chandana de Silva

Independent Non-Executive Director
(Chairman)

Ramesh Schaffter

Non-Independent Non-Executive
Director

Nishan De Mel

Independent- non-Executive Director

Meeting Frequency:

Semi-annually

Investment, Asset and Liability Committee (Page 101)

Purpose:

Reviewing investment related analysis, liquidity positions and risks and approving investment decisions of the Company in the best interest of shareholders.

Composition of the Committee:

Nishan de Mel

Independent Non-Executive Director
(Chairman)

Nishan Fernando

Independent Non-Executive Director

Dilshan Wirasekara

Non- Executive Non-Independent
Director

Manjula Mathews

Non-Independent Non-Executive
Director

Meeting Frequency:

Bi-weekly

Related Party Transactions Review Committee (Page 99) Principle D.4

Purpose:

Ensuring that the Company takes the interest of shareholders as a whole into consideration in a manner that avoids conflict of interest.

Composition of the Committee:

Minette Perera

Independent Non-Executive Director
(Chairperson)

Nishan Fernando

Independent Non-Executive Director

Ramesh Schaffter

Non-Independent Non-Executive
Director

Meeting Frequency:

Quarterly

Enterprise Risk Management Committee (Page 97)

Purpose:

Establishing and maintaining a comprehensive enterpriserisk management system.

Composition of the Committee:

Nishan Fernando

Independent Non-Executive Director
(Chairperson)

Dilshan Wirasekara

Executive Non-Independent
Managing Director/ CEO

Meeting Frequency:

Monthly

Nomination Committee (Page 100)

Purpose:

Reviewing the composition of the Board to ensure that the Board is properly constituted and balanced in terms of skills, experience and diversity.

Composition of the Committee:

Nishan Fernando

Independent Non-Executive Director
(Chairman)

Nishan de Mel

Independent Non-Executive Director

Manjula Mathews

Non-Independent Non-Executive
Director

Meeting Frequency:

As and when required

Corporate Governance Report

Performance Evaluation of the Board (PRINCIPLE A.9)

The competencies and the performance of the Board of Directors are evaluated and the compliance status to the Code's requirements are set out under section B.2.5 and section A.9.1 in the corporate governance compliance report in page 72 and 68.

Shareholders Relations (PRINCIPLE C.1,C.2)

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

All shareholders are invited and encouraged to participate in 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 judgment on the Company.

Internal Audit and Control (PRINCIPLE D.2)

The Board is responsible for the Company's internal controls 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 reports along with Management comments are discussed with the Audit Committee and the Board. Further, at each meeting, follow up issues from previous meetings are also discussed in order to ascertain implementation of appropriate policies and procedures as part of the overall 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 provides certain non-audit services as well. However, external auditors do not engage in any services which may compromise the independence of the auditor. All non-audit 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 Audit 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. 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.

Whistle Blower Protection

The Company places great importance on fostering a culture that encourages its people to speak up about issues and conduct that cause them concern. The Whistleblower Policy is designed to enable employees of the Company to report any action that is illegal, fraudulent or in violation of any policy. An assurance is given that the whistle-blowers will be protected from retaliation or victimisation. This is an internal reporting mechanism for seeking advice on unethical and unlawful behaviour and matters of integrity.

First Capital Treasuries is a registered entity of Financial Ombudsman of Sri Lanka, where clients have the right to make any complaint about the financial misconduct or any other matter relating to ethics and lawfulness of the entity, which can be considered as an external mechanism for reporting such matters.

With respect to the matters on ethics of employees, there is an internal mechanism - Skip level Meetings, held periodically, which provides the employees opportunity to disclose any matter relating to ethics or misconduct to the personnel who is senior to his/her direct reported in the organisational hierarchy.

Company Secretaries (PRINCIPLE A.1.4)

Janashakthi Corporate Services Limited (formerly known as 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 and rules and 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.

Management Performance Evaluation

The Board evaluates the management approach of each division separately considering the functionality of each division. The evaluation is conducted at the time of performance evaluations and management meetings. Performance evaluations are conducted biannually, and the management committee meetings are conducted biweekly. The board oversees the evaluation of management approaches at the review meetings held monthly and suggests any changes required.

Corporate Governance Report

Corporate Governance Compliance Report

This report shows the status of compliance of the Company in accordance with the Code of Best Practice in Corporate Governance published by CA Sri Lanka (2017).

Section	Regulator Requirement	Compliance Status by the Company	Remarks
Section A			
A. Directors	Every public company should be headed by an effective Board, which should direct, lead and control the Company.	Complied	Please refer the list of Director and related details.
The Board Frequency of Board meetings	<p>The Board should meet regularly. Board meetings should be held at least once in every quarter of a financial year, in order to effectively execute board's responsibilities, while providing information to the board on a structured and regular basis (ideally monthly). The regularity of the Board meetings and the structure and process of submitting information should be agreed to and documented by the Board.</p> <p>Information to be provided on a regular basis.</p> <p>A board pack containing all relevant information is submitted to the Board of Directors</p> <p>Financial and operational results on pre-agreed with Key Performance Indicators</p> <ul style="list-style-type: none">Presented at quarterly meetings. <p>Financial performance compared to previous periods, budgets and targets.</p> <ul style="list-style-type: none">Presented at quarterly meetings. <p>Impact of risk factors on financial and operating results and actions to mitigate such risks.</p> <ul style="list-style-type: none">Presented at quarterly meetings. <p>Forecast for the next period.</p> <ul style="list-style-type: none">A Budget is set at the beginning of the year and a Rolling Forecast with scenario analysis is provided on request. <p>Compliance with laws and regulations and any non-compliances</p> <ul style="list-style-type: none">Presented at quarterly meetings.Independent Internal Audits are carried out periodically and reports are presented to the board audit committee. <p>Internal control breaches or frauds during the period and related actions taken.</p> <ul style="list-style-type: none">Internal Control breaches are reported to the monthly review meetings and quarterly meetings.Independent Internal Audits are carried out periodically and exceptions are reported to the Board. <p>Financial and operational decisions taken by the CEO within his delegated authority.</p> <ul style="list-style-type: none">Discussed on ad hoc basis and through the board pack and board meetings. <p>Share trading of the Company and related party transactions by Key Management Personnel</p> <ul style="list-style-type: none">The Company Secretary informs the Board of any related party share transactions by Directors.	Complied	<p>Board meetings are held on quarterly basis.</p> <p>Last Board meeting was held on 13 February 2023 (FY 2022/23).</p> <p>Board Review Meetings are held on monthly basis.</p>

Section	Regulator Requirement	Compliance Status by the Company	Remarks
A.1.2 Responsibilities of the Board	The Board's role is to provide entrepreneurial leadership of the Company within a framework of prudent and effective controls which enables risk to be assessed and managed. In performing its role, the Board should be responsible for matters including:	Complied	
	Ensuring the formulation and implementation of a sound business strategy;	Complied	The Board implements Strategic Planning process and the status of the same is reviewed on monthly basis. Strategies formulated are implemented through the Chief Executive Officer and Senior Management Team.
	Appointing the chair and the senior independent director, if relevant;	Complied	Chairman of the Board is an Independent Director.
	Ensuring that the Chief Executive Officer (CEO) and management team possess the skills, experience and knowledge to implement the strategy;	Complied	Fitness and proprietary criteria are met and the same is evaluated on annual basis. The Company is steered by a team of multidisciplinary professionals (Profiles of Senior Management Team provided on pages 23 to 26), led by a CEO with diversified qualifications and experience reporting to the Chairman/ Board of Directors, an industry prominent figure with diversified qualifications and experience.
	Ensuring the adoption of an effective CEO and Key Management Personnel succession strategy;	Complied	A strong succession planning process in place for identify and groom staff for key positions within the company in order to ensure the continuity of its operations.
A.1.2 Responsibilities of the Board	Approving budgets and major capital expenditure	Complied	Budgets and capital expenditures which requires consent of the Board are being approved.
	Determining the matters expressly reserved to the Board and those delegated to the Management including the limits of authority and financial delegation	Complied	A formal Delegated Authority Manual is being maintained, it overlooks the delegated operational functions and determine the matters delegated to the management.

Corporate Governance Report

Section	Regulator Requirement	Compliance Status by the Company	Remarks
	Ensuring effective systems to secure integrity of information, internal controls, business continuity and risk management.	Complied	These aspects are being managed through establishing a sound internal audit process and the Risk Management Framework including IT controls. Such systems are continuously monitored by the Management, Internal and External Auditors. The Board Audit Committee periodically reviews these and the findings are reported to the Board for their decisions. A Business Continuity Plan is developed and being tested periodically to ensure sustainability of operations.
	Ensuring compliance with laws, regulations and ethical standards.	Complied	The responsibility is delegated to the Board Audit Committee. Status of the same is being reported to the Board for review. All new regulations pertaining to compliance with laws and regulations are discussed at the Board Meetings thus ensuring the commitment of the highest governing body.
	Ensuring all stakeholder interests are considered in corporate decisions.	Complied	The Company has established a strong set of values, and adhering to these values and principles are encouraged at all times. The Board evaluates the impact on all the key stakeholders of the Company before arriving at any key business decision.
	Recognising sustainable business development in corporate strategy, decisions and activities and consider the need for adopting "integrated reporting"	Complied	The Board recognises the importance of including principles of sustainability in Corporate strategy, decisions and activities. Principles of Integrated Reporting framework are being followed when finalising Annual Reports.

Section	Regulator Requirement	Compliance Status by the Company	Remarks
A.1.2 Responsibilities of the Board	Ensuring that the Company's values and standards are set with emphasis on adopting appropriate accounting policies and fostering compliance with financial regulations;	Complied	Responsibility of the same is being reviewed by the Board Audit Committee. The accounting policies are reviewed on a frequent basis to ensure they are in line with the changing business specifics and best practices in the industry. The Independent Auditor's Report appears from pages 105 to 107 in the Annual Report and affirms that the Company's financial statements are in line with Sri Lanka Accounting Standards
	Establish a process of monitoring and evaluation of progress on strategy implementation, budgets, plans and related risks	Complied	This function is being conducted through the monthly Board Review Committee meetings and continuously reviewed and monitored the progress of the business.
	Ensuring that a process is established for corporate reporting on annual and quarterly basis or more regularly as relevant to the company	Complied	Corporate reporting process (including financial and non-financial disclosures) follows a review process through the Board Audit Committee and the final reports are being approved by the Board. The Company issues and uploads quarterly and annual financial statements together with the relevant disclosures, on the CSE and company websites.
	Fulfilling such other Board functions as are vital, given the scale, nature and complexity of the business concerned.	Complied	During the year, the Board committed to fulfil their stewardship obligations on behalf of all stakeholders in line with laws, regulations and governance practices of the Company.

Corporate Governance Report

Section	Regulator Requirement	Compliance Status by the Company	Remarks
A.1.3 Compliance with Laws and independent professional advice	The Board collectively, and Directors individually, must act in accordance with the laws of the Country, as applicable to the business enterprise. There should be a procedure agreed to by the Board of Directors, wherein a Director can require the company to obtain independent professional advice where necessary, at the Company's expense.	Complied	Provisions are available through the recommend, approve, consult, inform (RACI) framework for the Board of Directors to obtain such independent professional advise.
A.1.4 Company Secretary	All Directors should have access to the advice and services of the Company Secretary, who is responsible to the Board in ensuring that Board procedures are followed and that applicable rules and regulations are complied with. Any question of the removal of the Company Secretary should be a matter for the Board as a whole.	Complied	Janashakthi Corporate Services Limited serves as the Company Secretary for First Capital Treasuries PLC and the Board members have direct access to the advice and services of the Company Secretary. The appointment and removal of the Company Secretary remains with the Board through the RACI framework.
A.1.4 Company Secretary	The company should obtain appropriate insurance cover as recommended by the nominations committee to the Board of Directors and key management personal (KMP).	Partially complied	Appropriate insurance covers are available for the KMPs
A.1.5 Independent Judgment	All Directors should bring independent judgment to bear in discharging their duties and responsibilities on matters relating to the Board including strategy, performance, resource allocation, risk management, compliance and standards of business conduct.	Complied	Relevant provisions and powers are provided to the Board members to bring their independent judgements, avoiding matters of potential or actual conflicts of interests and use their vote for the matters accordingly.

Section	Regulator Requirement	Compliance Status by the Company	Remarks
A.1.6. Dedication of adequate time and effort by the Board	Every Director should dedicate adequate time and effort to matters of the Board and the Company, to ensure that the duties and responsibilities owed to the Company are satisfactorily discharged. It must be recognised that Directors have to dedicate sufficient time before a meeting to review Board papers and call for additional information and clarification, and after a meeting to follow up on issues consequent to the meeting. This should be supplemented by a time allocation for familiarisation with business changes, operations, risks and controls.	Complied	<p>Proper time durations are allocated by timely tabling of reports and analysis. Paperless board meeting solutions (BoardPac software) have been arranged to facilitate review, questioning and discussion of these reports prior and after the meeting. Directors' time was spent on strategy evaluation, performance review and directing corrective measures for fine tuning areas where it was deemed required. In addition to the board meetings, Directors attended to Sub-committee meetings and also contributed to the decision making</p> <p>Board Sub-Committees include</p> <ul style="list-style-type: none"> • Audit Committee • Related Party Transactions Review Committee • Remuneration Committee • Nomination Committee • Investment, Asset and liabilities Committee • Enterprise Risk Management Committee
A.1.7 Calling for resolutions for the best interest to the Company	One third of Directors can call for a resolution to be presented to the Board where they feel it is in best interest to the company to do so.	Complied	Any single Director may call for a resolution to be presented to the Board where he feels it is in the interest of the Company. As per Articles of Association, resolutions can be passed with majority voting.

Corporate Governance Report

Section	Regulator Requirement	Compliance Status by the Company	Remarks
A.1.8 Training for new and existing Directors	Every Director should receive appropriate training when first appointed to the Board of a company, and subsequently as necessary. Training curricula should encompass both general aspects of directorship and matters specific to the particular industry/company concerned. A Director must recognise that there is a need for continuous training and an expansion of the knowledge and skills required to effectively perform his 3 duties as a Director. The Board should regularly review and agree the training and development needs of the Directors.	Complied	Directors are encouraged to participate in continuous professional and self-development activities as necessary. The Board consists of professionals and industry experts who have adequate knowledge and experience to conduct their functions (please refer the Director profiles, Pages 20 to 22). Relevant training is being provided/ arranged if such requirements are identified at Board or Sub-committee levels.
A.2 Chairman and Chief Executive Officer (CEO)	There are two key tasks at the top of every public company; (i) Conducting of the business of the Board (ii) Facilitating executive responsibilities for management of the company's business. There should be a clear division of response at the head of the company, which will ensure a balance of power and authority, such that no individual has unfettered powers of decisions.	Complied	To ensure delegation of authority, the Board has set up a number of sub-committees to reinforce practices of self-governance.
A.2.1 Separation of Roles - Chairman and CEO	A decision to combine the posts of Chairman and CEO in one person should be justified and highlighted in the Annual Report.	Not applicable	Chairman and company CEO are two separate posts held by two different competent personnel.
A.3 Chairman's Role A.3.1	The Chairman's role in preserving good Corporate Governance is crucial. As the person responsible for running the Board, the Chairman should preserve order and facilitate the effective discharge of Board functions. The Chairman should conduct Board proceedings in a proper manner and ensure, inter-alia, that: The agenda for board meetings is developed in consultation with the CEO, Directors and the company secretary taking into considerations matters relating to strategy, performance, recourse allocation, risk management and compliance.	Complied	The agenda of the meeting is decided based on the regular discussions, sub-committee reports (including risk management requirements) and the points the CEO required to present and highlight.
	Sufficiently detailed information of matters included in the agenda should be provided to Directors in timely manner.	Complied	Reports and analysis related to matters are being tabled in timely manner to provide Directors adequate time to review and discuss.

Section	Regulator Requirement	Compliance Status by the Company	Remarks
	All Directors are made aware of their duties and responsibilities and the board and committee structures through which it will operate in discharging its responsibilities.	Complied	Relevant Board sub-committees are in place and the responsibilities of the same are specified through the 'Terms and References' (TOR) of such sub-committee.
	The effective participation of both Executive and Non-executive Directors is secured; all Directors are encouraged to make an effective contribution, within their respective capabilities for the benefit of the company.	Complied	The Board includes Directors with diverse knowledge and expertise and their contribution on the subject matters are being obtained.
	All Directors are encouraged to seek information considered necessary to discuss matters on the agenda of meetings and to request inclusion of matters of corporate concern on the agenda.	Complied	IT infrastructure being provided to facilitate this requirement.
A.3 Chairman's Role A.3.1	A balance of power between Executive and Non-executive Directors is maintained.	Complied	Please refer the Director list and details Pages 20 to 22.
A.3 Chairman's Role A.3.1	The views of Directors on issues under consideration are ascertained and a record of such deliberations reflected in the minutes.	Complied	Matters discuss at the meetings are being properly minute.
	The Board is in complete control of the Company's affairs and alert to its obligations to all shareholders and other stakeholders.	Complied	Through the sub-committee reports and Risk Management Framework, information related to the Company affairs are being obtained and analysed at the Board level.
A.4 Financial acumen and knowledge	The Board should ensure the availability within it of those with sufficient financial acumen and knowledge to offer guidance on matters of finance.	Complied	The Board consists of Finance professionals and collectively possess a strong capability to assess the integrity of the Company's financial reporting systems and controls, continually review, critique these systems and make changes to them as necessary and to guide the matters related to Finance. Such professionals are being allocated to the Board Audit Committee as well. Refer Director profiles in pages 20 to 22.
A.5 Board Balance	It is preferable for the Board to have a balance of Executive and Non-Executive Directors such that no individual or small company of individuals can dominate the Board's decision-taking.		
A.5.1.Board Balance	The Board should include Non-Executive Directors of sufficient calibre and number for their views to carry significant weight in the Board's decisions.	Complied	All Board members are Non-Executive Directors.

Corporate Governance Report

Section	Regulator Requirement	Compliance Status by the Company	Remarks
	The Board should include at least three Non-Executive Directors or such number of Non-Executive Directors equivalent to one third of total number of Directors, whichever is higher.	Complied	The Board comprised seven Non- Executive Directors. Please refer Director list and details.
	In the event the Chairman and CEO is the same person or if the Chairman is not an independent director, Non- Executive Directors should comprise a majority of the Board.	Not Applicable	
	The total number of Directors is to be calculated based on the number as at the conclusion of the immediately preceding Annual General Meeting.	Complied	The Board comprised total of seven (7) directors.
	Further, any change occurring to this ratio should be rectified within 90 days from the date of the change.	Not applicable	
A.5.2/A.5.3/ A.5.4/A.5.5/A.5.6 Independent Directors	A.5.2 Where the constitution of the Board of Directors includes only three Non-Executive Directors, all three Non-Executive Directors should be 'independent'. In other instances, three or two third of Non-Executive Directors appointed to the Board of Directors whichever is higher should be 'independent'.	Complied	The Board comprised four Independent Directors out of total seven Directors. Please refer Director list and details Pages 20 to 22.
A.5.2/A.5.3/ A.5.4/A.5.5/A.5.6 Independent Directors	A.5.3 For a Director to be deemed 'independent' such Director should be independent of management and free of any business or other relationship that could materially interfere with or could reasonably be perceived to materially interfere with the exercise of their unfettered and independent judgment.	Complied	The Board considers Non-Executive Directors independence on an annual basis. The independence of Non- Executive Directors is determined in line with the Listing Rules of Colombo Stock Exchange (CSE).
	A.5.4 Each Non-Executive Director should submit a signed and dated declaration annually of his/her independence or non-independence against the specified criteria.	Complied	Non-Executive Directors have submitted the declaration to determine their independence or non-independence.
	A.5.5 The Board should make a determination annually as to the independence or non-independence of each Non-Executive Director based on such a declaration made of decided criteria and other information available to the Board. The Board should determine whether the Director is independent in character and judgement and whether there are relationships or circumstances which are likely to affect, or could appear to affect, the Director's judgement. The Board should specify the criteria not met and the basis for its determination in the annual report, if it determines that a Director is independent notwithstanding the existence of relationships or circumstances which indicate the contrary and should set out in the Annual Report the names of Directors determined to be 'independent'.	Complied	Independency of the Board of Directors is being periodically evaluated.
	A.5.6 If an alternate Director is appointed by a Non- Executive Director such alternate director should not be an executive of the Company.	Complied	
	If an alternate Director is appointed by an independent Director, the person who is appointed also should meet the criteria of independence and the provision on minimum number of independent Directors also should be satisfied.	Not applicable	

Section	Regulator Requirement	Compliance Status by the Company	Remarks
A.5.7/A.5.8 Senior Independent Director (SID)	A.5.7 In the event the Chairman and CEO is the same person or the Chairman is not an independent director or the Chairman is the immediately preceding CEO, the Board should appoint one of the independent Non- Executive Directors to be the SID and disclose this appointment in the Annual Report.	Not applicable	Chairman and the CEO are two separate personnel, and the Chairman is an Independent Non- Executive Director.
A.5.7/A.5.8 Senior Independent Director (SID)	The Senior Independent Director should meet at least twice each year with the non-executive directors and at least once a year with the executive directors, to enable discussion and communication of governance related matters. The outcome of these discussions should be informed to the Chairman.	Not applicable	
	A.5.8 The Senior Independent Director should make himself available for confidential discussions with other Directors who may have concerns which they believe have not been properly considered by the Board as a whole and which pertain to significant issues that are detrimental to the Company.	Not applicable	
	The Senior Independent Director should participate in all meetings with majority, significant, and minority shareholders and be made aware of their concerns by the Company Secretary.	Not applicable	
A.5.9 Meetings with Non Executive Directors	The Chairman should hold meetings with the Non- Executive Directors only, without the Executive Directors being present, as necessary and at least once each year.	Not practiced	Chairman and the Directors maintain a solid rapport and work together professionally. As such, formal meetings were not conducted during the year. If any issue is arisen, it's discussed and resolved amicably in any event. Further, there was only one (1) Executive Director during FY2023.
A.5.10 Recording of concern in Board Minutes	Where Directors have concerns about the matters of the Company which cannot be unanimously resolved, they should ensure their concerns are recorded in the Board Minutes.	Complied	All matters discussed at the Board meeting are being properly minuted.
A.6 Supply of information	The Board should be provided with timely information in a form and of a quality appropriate to enable it to discharge its duties.		
A.6.1 Obligation of the Management	Management has an obligation to provide the Board with appropriate and timely information, but information volunteered by management may not be enough in all circumstances and Directors should make further inquiries where necessary. The Chairman should ensure all Directors are properly briefed on issues arising at Board meetings.	Complied	Proper time durations are being allocated by timely tabling of reports and analysis. Paperless board meeting solutions (BoardPac software) have been arranged to facilitate review, inquiries and discussion of these reports prior and after the meeting.

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Section	Regulator Requirement	Compliance Status by the Company	Remarks
A.6.2 Management has obligation to provide appropriate and timely information	The agenda and papers required for a Board Meeting should ordinarily be provided to Directors at least seven (7) days before the meeting, to facilitate its effective conduct. The minutes of the meeting should ordinarily be provided to Directors at least two weeks after the meeting date.	Complied	Agenda and the papers are being tabled at least a week prior to the meeting and minutes are being circulated within two weeks after the meeting.
A.7 Appointment to the Board	There should be a formal and transparent procedure for the appointment of new Directors to the Board.		
A.7.1 Nomination Committee	A Nomination Committee should be established to make recommendations to the Board on all new Board appointments. The Chairman and members of the Nomination Committee should be identified in the Annual Report. A separate section of the annual report should describe the work of the Nomination Committee including the process it has used in relation to Board appointments.	Complied	Providing recommendations to the Board appointments is the primary responsibility of the Nomination Committee appointed by the Board of Directors.
A.7.2 Assessing Board Composition	The Nomination Committee should annually assess Board-composition against pre-defined criteria of skill and knowledge requirements to ascertain whether the combined knowledge and experience of the Board matches the strategic demands facing the Company. The findings of such assessment should be taken into account when new Board appointments are considered and when incumbent Directors come up for re-election, including a process to determine that such proposed Board appointees are fit and proper.	Complied	The assessment takes place annually prior to the AGM.
A.7.3 Appointment of new Directors to the Board	Upon the appointment of a new Director to the Board, the Company should forthwith disclose to shareholders: <ul style="list-style-type: none"> • a brief resume of the Director; • the nature of his expertise in relevant functional areas; • the names of companies in which the Director holds directorships or memberships in Board committees; and • whether such Director can be considered 'independent'. 	Complied	Changes in Directorships are published in on the CSE website immediately after such events along with the required set of information. An immediate disclosure to the CSE is made upon the appointment of new Directors.
A.8 Re-election	All Directors should be required to submit themselves for re-election at regular intervals and at least once in every three years.		
A.8.1 Appointment of Non-Executive Directors	Non-Executive Directors should be appointed for specified terms subject to re-election and to the provisions in the Companies Act relating to the removal of a Director, and their re-appointment should not be automatic.	Complied	This process is evaluated annually and re-elections are being taking place at the AGM. Reappointment of the Non-Executive directors has been done according to the provision of the Companies Act.
A.8.2 Electing of Directors and Re-election	All Directors including the Chairman of the Board, should be subject to election by shareholders at the first opportunity after their appointment and to re-election thereafter at intervals of no more than three years. The names of Directors submitted for election or re-election should be accompanied by a resume minimally as set out in paragraph A.7.3 above, to enable shareholders to make an informed decision on their election.	Complied	This procedure is in place.

Section	Regulator Requirement	Compliance Status by the Company	Remarks
A.8.3 Resignation	In the event of a resignation of a Director prior to completion of his appointed term, the Director should provide a written communication to the Board of his reasons for resignation.	Complied	
A.9 Appraisal of Board performance	Boards should periodically appraise their own performance in order to ensure that Board responsibilities are satisfactorily discharged.		
A.9.1	The board should have in place a formal and rigorous process for annually reviewing the performance of the board and its committees and should address any matters that may arise from such review, in the discharge of its key responsibilities.	Substantially complied	Board conducts this process, however a formal process for the same is not in place.
A.9.2	The Board should also undertake an annual self-evaluation of its own performance and that of its committees. The evaluation should be done by each Director and the outcome should be compiled and made available to the Nomination Committee, which should make recommendations to the Board about the initiatives and actions required to improve the balance of skills, experience, independence, industry and company knowledge, training of Directors, governance process, strategy review and other factors relevant to its effectiveness.	Substantially complied	Board conducts this process, however a formal process for the same is not in place.
A.9.3	The Board should have a process to review the participation, contribution and engagement of each Director at the time of re-election.	Substantially complied	Board conducts this process, however a formal process for the same is not in place.
A.9.4	The Board should state how such performance evaluations have been conducted, in the annual report.	Complied	
A 10 Disclosure of information in respect of Directors	Shareholders should be kept advised of relevant details in respect of Directors.	Complied	Please refer Director List and Details on Pages 20 to 22.

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Section	Regulator Requirement	Compliance Status by the Company	Remarks
A.10.1	<p>The annual report should set out following information in relation to each Director:</p> <ul style="list-style-type: none"> • name, qualifications and brief profile; • the nature of his/her expertise in relevant functional areas; • immediate family and/or material business relationships with other Directors of the Company; • whether Executive, Non-Executive and/or independent Director; • names of listed companies in Sri Lanka in which the Director concerned serves as a Director; • names of other companies in which the Director concerned serves as a Director, provided that where he/she holds directorships in companies within a company of which the Company is a part, their names need not be disclosed; it is sufficient to state that he/she holds other directorships in such companies; • number/percentage of Board meetings of the Company attended during the year; • the total number of Board seats held by each Director indicating listed and unlisted Companies and whether in an executive or non-executive capacity; • names of Board Committees in which the Director serves as Chairman or a member; and • number/percentage of committee meetings attended during the year. 	Substantially complied	Please refer Director list and details Pages 20 to 22.
A.11 Appraisal of CEO	The Board should be required, at least annually, to assess the performance of the CEO.	Complied	The Board have setup a Remuneration Committee for this requirement.
A.11.1 Target/ Goals for the CEO	At the commencement of every fiscal year, the Board in consultation with the CEO, should set, in line with the short, medium and long-term objectives of the Company, reasonable financial and non-financial targets that should be met by the CEO during the year.	Complied	The Board ensures that a business performance plan is completed and approved by the Board for each year of operation. This plan is developed to tie up with the corporate plan of the Company and Key Performance Indicators (KPIs) are drawn up to monitor the success of operations. The overall KPIs are used to evaluate the performance of the CEO against results achieved by the Company.
A.11.2 Evaluation of the performance of the CEO	The performance of the CEO should be evaluated by the Board at the end of each fiscal year to ascertain whether the targets set by the Board have been achieved and if not, whether the failure to meet such targets were reasonable in the circumstances.	Complied	The Remuneration Committee of the Board carries out this evaluation and submits their briefing to the Board for any further discussion required.

Section	Regulator Requirement	Compliance Status by the Company	Remarks
Section B - Directors' remuneration			
B.1 Remuneration procedure	Companies should establish a formal and transparent procedure for developing policy on executive remuneration and for fixing the remuneration packages of individual Directors. No Director should be involved in deciding his/her own remuneration.	Complied	The Board has implemented a formal and transparent procedure for developing policies on remuneration by setting up a Remuneration Committee.
B.1.1 Remuneration Committee	To avoid potential conflicts of interest, the Board of Directors should set up a Remuneration Committee to make recommendations to the Board, within agreed terms of reference, on the Company's framework of remunerating executive directors. (These also include Post-Employment Benefits as well as Terminal Benefits).	Complied	The purpose of the Committee is to assist the Board in matters of compensation of the Company's Executive Directors, Corporate Management Team and other employees as determined by the committee.
B.1.2 Composition	Remuneration Committees should consist exclusively of Non-executive Directors with a minimum of three Non-executive Directors of whom the majority should be independent. The Chairman should be an independent Non-executive Director and should be appointed by the Board.	Complied	The Remuneration Committee consists of three Non-Executive Directors namely, Ramesh Schaffter, Nishan De Mel and Chandana de Silva. Chandana de Silva who is an independent Non-executive Director, functions as the Chairman of the committee.
B.1.3	The Chairman and members of the Remuneration Committee should be listed in the Annual Report each year.	Complied	Refer remuneration committee report - Page 96.
B.1.4 Remuneration of Non-executive Directors	The Board as a whole, or where required by the Articles of Association the shareholders, should determine the remuneration of Non-Executive Directors, including members of the Remuneration Committee, within the limits set in the Articles of Association. Where permitted by the Articles, the Board may delegate this responsibility to a sub-committee of the Board, which might include the CEO.	Complied	Board decides the remuneration of the non-Executive directors.
B.1.5 Consultation of the chairman and access to professional advice	The Remuneration Committee should consult the Chairman and/or CEO about its proposals relating to the remuneration of other Executive Directors and have access to professional advice from within and outside the Company, in discharging their responsibilities.	Complied	The Remuneration Committee decides the remuneration of the Executive directors. The Committee has provisions to obtain professional advises if required.
B.2 The level and make up of remuneration	The level of remuneration of both Executive and Non- Executive Directors should be sufficient to attract and retain the Directors needed to run the Company successfully. A proportion of Executive Directors' remuneration should be structured to link rewards to the corporate and individual performance.	Complied	

Corporate Governance Report

Section	Regulator Requirement	Compliance Status by the Company	Remarks
B.2.1 The level and make up of remuneration	The Remuneration Committee should provide the packages needed to attract, retain and motivate Executive Directors of the quality required but should avoid paying more than is necessary for this purpose.	Complied	The Remuneration Committee decides the remuneration of the Executive directors. The Committee has provisions to obtain professional advises if required.
B.2.2. Design the remuneration for long term success	Executive Director's remuneration should be designed to promote the long-term success of the company.	Complied	The remuneration levels are designed to attract and retain the best talent to ensure the long-term success and sustainability of business.
B.2.3 Design the remuneration of the executive directors to promote long-term success of the company	The Remuneration Committee should judge where to position levels of remuneration of the Company, relative to other companies. It should be aware what comparable companies are paying and should take account of relative performance, but should use such comparisons with caution, mindful of the risk that they can result in an increase of remuneration levels with no corresponding improvement in performance.	Complied	Relevant remuneration surveys are being conducted by the Remuneration Committee to analyse the adequacy of the remuneration packages provided.
B.2.4 Comparison of remuneration within the company	The Remuneration Committee should be sensitive to remuneration and employment conditions elsewhere in the Company or company of which it is a part, especially when determining annual salary increases.	Complied	Salary standards are being maintained and the Committee conducts a centralised function to the entire company of Companies.
B.2.5 Performance based remuneration	The performance-related elements of remuneration of Executive Directors should be designed and tailored to align their interests with those of the Company and main stakeholders and to give these Directors appropriate incentives to perform at the highest levels. The performance related elements should be transparent, stretching and rigorously applied.	Complied	A proper performance evaluation is being conducted by the Remuneration Committee. A standard and transparent evaluation methodology is being followed for all Executive Directors.
B.2.6 Executive share optional	Executive share options should not be offered at a discount (i.e. less than market price prevailing at the time the exercise price is determined), save as permitted by the Listing Rules of the Stock Exchange. Shares granted under share option schemes should not be exercisable in less than three years and the remuneration committee should consider requiring Directors to hold a minimum number of shares and to hold shares for a further period after vesting or exercise.	Complied	No Executive share options offered under discounted prices.
B.2.7 Designing the remuneration	In designing schemes of performance-related remuneration, Remuneration Committees should follow the provisions set out in the rules. The schemes should include provisions that would enable the company to recover sums paid or withhold a portion of such performance related remuneration and specify the circumstances in which a company may not be entitled to do so.	Complied	

Section	Regulator Requirement	Compliance Status by the Company	Remarks
B.2.8 Early termination of directors	Remuneration Committees should consider what compensation commitments (including pension contributions) their Directors' contracts of service, if any, entail in the event of early termination. Remuneration Committees should in particular, consider the advantages of providing explicitly for such compensation commitments to apply other than in the case of removal for misconduct, in initial contracts.	Complied	Remuneration Committee consider such information in decision making on remuneration of the directors.
B.2.9 Early termination of directors	Where the initial contract does not explicitly provide for compensation commitments, Remuneration Committees should, within legal constraints, tailor their approach in early termination cases to the relevant circumstances. The broad aim should be, to avoid rewarding poor performance while dealing fairly with cases where departure is not due to poor performance.	Complied	A proper performance evaluation is being conducted by the Remuneration Committee.
B.2.10 Remuneration for Non-executive directors	Levels of remuneration for Non-Executive Directors should reflect the time commitment and responsibilities of their role, taking into consideration market practices. Remuneration for Non-Executive Directors should not normally include share options. If exceptionally options are granted, shareholder approval should be sought in advance and any shares acquired by exercise of the options should be held until at least one year after the Non-Executive Director leaves the Board. Holding share options could be relevant to the determination of a Non-Executive Director's independence. (as set out in provision A.5.5)	Complied	Fee of Non-Executive Directors is determined by the time, commitment and responsibilities of their role.
B.3 Disclosure of Remuneration	The Company's Annual Report should contain a statement of Remuneration Policy and details of Remuneration of the Board as a whole.	Complied	
B.3.1 Disclosure of Remuneration	The Annual Report should set out the names of Directors (or persons in the parent company's committee in the case of a company company) comprising the remuneration committee, contain a statement of remuneration policy and set out the aggregate remuneration paid to Executive and Non-Executive Directors.	Complied	Aggregate remuneration paid to Directors is mentioned in Note 11 to the financial statements. Please refer Director list and details (Pages 20 to 22)
Section C - Relations with shareholders			
C.1 Constructive use of the AGM and conduct of General Meetings	Boards should use the AGM to communicate with shareholders and should encourage their participation.	Complied	
C.1.1 Adequate notice of the AGM	Companies should arrange for the notice of the AGM and related papers to be sent to the shareholders as determined by the statute, before the meeting.	Complied	A copy of the Annual Report including Financial Statements along with the notice of Meeting is sent to shareholders 15 working days prior to the date of the AGM.

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Section	Regulator Requirement	Compliance Status by the Company	Remarks
C.1.2 Separate resolution for all separate issues at the AGM	Companies should propose a separate resolution at the AGM on each substantially separate issue and should in particular propose a resolution at the AGM relating to the adoption of the report and accounts. For each resolution, proxy appointment forms should provide shareholders with the option to direct their proxy to vote either for or against the resolution or to withhold their vote. The proxy form and any announcement of the results of a vote should make it clear that a "vote withheld" is not a vote in law and will not be counted in the calculation of the proportion of the votes for and against the resolution.	Complied	Relevant proxy appointment forms are being provided for each resolution.
C.1.3 recording and counting proxy appointment	<p>The company should ensure that all the valid proxy appointments received for general meetings are properly recorded and counted. For each resolution, where a</p> <p>vote has been taken on a show of hands, the company should ensure that the following information is given at the meeting and made available as soon as reasonably practicable on a website which is maintained by or on behalf of the company:</p> <ul style="list-style-type: none"> • the number of shares in respect of which proxy appointments have been validly made • the number of votes for the resolution • the number of votes against the resolution • the number of shares in respect of which the vote was directed to be withheld. • when, in the opinion of the Board, a significant <p>proportion of votes have been cast against a resolution at any general meeting, the Board should take steps to understand the reasons behind the vote results and determine any actions are required.</p>	Complied	Relevant procedures are being followed at the AGM.
C.1.4 Availability of board sub-committee chairpersons	The Chairman of the Board should arrange for the Chairmen of the Audit, Remuneration, Nomination and Related Party Transactions Review Committees and the Senior Independent Director where such appointment has been made, to be available to answer questions at the AGM if so requested by the Chairman.	Complied	All respective chairmen of the sub- committees attend the AGM and available for any questions.
C.1.5 Procedure for voting	Companies should circulate, along with every notice of general meeting, a summary of the procedures governing voting at General Meetings.	Complied	Disseminations are made through Colombo Stock Exchange (CSE).
C.2 Communication with the shareholders	The Board should implement effective communication with shareholders	Complied	All information with regard to the Annual Report is disseminated through Chief Financial Officer and all other changes are communicated through the Company Secretary, Janashakthi Corporate Services Limited.

Section	Regulator Requirement	Compliance Status by the Company	Remarks
C.2.1 Effective Communication with shareholders	There should be a channel to reach all shareholders of the Company in order to disseminate timely information.	Complied	Disseminations are made through Colombo Stock Exchange (CSE).
C.2.2 policy and methodology for communication with shareholders	The Company should disclose the policy and methodology for communication with shareholders.	Complied	Please refer shareholder communication section.
C.2.3 Implementation of the policy and the methodology	The Company should disclose how the above policy and methodology is implemented.	Complied	Please refer shareholder communication section.
C.2.4 Contact person in relation to shareholder communications	The Company should disclose the contact person for such communication.	Complied	Please refer shareholder communication section.
C.2.5 Process to make all directors aware of major issues and concern of shareholders and responding them	There should be a process to make all Directors aware of major issues and concerns of shareholders, and this process has to be disclosed by the Company.	Complied	Shareholder inquiries and concerns are being communicated to the Directors through the Company Secretary. The Company Secretary maintains a record of all correspondence received and will deliver such correspondence to the Board or individual Director as applicable.
C.2.6 Person to contact in relation to shareholders and responding them	The Company should decide the person to contact in relation to shareholders' matters. The relevant person with statutory responsibilities to contact in relation to shareholders' matters is the Company Secretary or in his/her absence should be a member of the Board of Directors.	Complied	Shareholder inquiries and concerns are being communicated to the Directors through the Company Secretary.
C.2.7 Responding to shareholder matters	The process for responding to shareholder matters should be formulated by the Board and disclosed.	Complied	Please refer shareholder communication section.
C.3 Major and material transactions	Further to complying with the requirements under the Companies Act, Securities and Exchange Commission law and Colombo Stock Exchange regulations; as applicable, Directors should disclose to shareholders all proposed material transactions, which if entered into, would materially alter/vary the Company's net assets base or in the case of a Company with subsidiaries, the consolidated company net asset base.	Complied	

Corporate Governance Report

Section	Regulator Requirement	Compliance Status by the Company	Remarks
C.3.1 Major transactions	Prior to a Company engaging in or committing to a 'Major related party transaction' with a related party transaction' with a related party, involving the acquisition, sale or disposition of greater than one third of the value of the Company's assets or that of a subsidiary which has a material bearing on the Company and/or consolidated net assets of the Company, or a transaction which has or has or is likely to have the effect of the Company acquiring obligations and liabilities, of greater than one third of the value of the Company's assets, the Directors should disclose to shareholders the purpose and all material facts of such transaction and obtain shareholders' approval by ordinary resolution at an extraordinary general meeting. It also applies to transactions or series of related transactions which have the purpose or effect of substantially altering the nature of the business carried on by the Company.	Complied	
C.3.2	Public Listed companies should in addition comply with the disclosure requirements and shareholder approval by special resolution as required by the rules and regulations of the Securities and the Exchange Commission and by the Colombo Stock Exchange.	Complied	The Company Secretary ensures the disclosure requirements and shareholder approval by special resolution.
D. Accountability and Audit			
D.1 Financial and Business Reporting (The Annual Report)			
D.1.1	Board should present an annual report including financial statements that is true and fair, balanced and understandable and prepared in accordance with the relevant laws and regulations and any deviation being clearly explained.	Complied	Annual report is audited by the M/s KPMG and the same is being reviewed by the Board Audit Committee prior to obtain approval from the Board. Above mentioned process ensures the compliance with relevant laws, regulations and standards.
D.1.2	The Board's responsibility to present a balanced and understandable assessment extends to interim and other price-sensitive public reports and reports to regulators, as well as to information required to be presented by statutory requirements.	Complied	The review process of interim and other price sensitive public reports follows the same review and monitoring processes prior to publication.
D.1.3	The Board should before it approves the company's financial statements for a financial period, obtain from the CEO and CFO a declaration that, in their opinion, the financial records of the entity have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the company and that the system of risk management and internal control was operating effectively.	Complied	The declaration is obtained by the Board Audit Committee at the point of recommending financial statements for the approval of the Board.

Section	Regulator Requirement	Compliance Status by the Company	Remarks
D.1.4 Directors report	The Directors' Report, which forms part of the Annual Report, should contain declarations by the Directors to the effect that:	Complied	Please refer the Director declaration.
	• the Company has not engaged in any activity, which contravenes laws and regulations;	Complied	
	• the Directors have declared all material interests in contracts involving the Company and refrained from voting on matters in which they were materially interested;	Complied	
	• the Company has made all endeavours to ensure the equitable treatment of shareholders;	Complied	
	• the Directors have complied with best practices of corporate governance	Complied	
	Property, plant and equipment is reflected at fair value, where it is different from fair value adequate disclosures are made	Complied	
D.1.4 Directors report	they have conducted a review of the internal controls, covering financial, operational and compliance controls and risk management and have obtained reasonable assurance of their effectiveness and successful adherence therewith,	Complied	
	The business is a going concern, with supporting assumption or qualifications as necessary (The matters to which the Board should give due consideration when adopting the going concern assumption are set out in Schedule H to this Code).	Complied	
D.1.5 Statement of directors and auditors responsibility for the financial statement	The Annual Report should contain a statement setting out the responsibilities of the Board for the preparation and presentation of financial statements, together with a statement by the Auditors about their reporting responsibilities. Further, the Annual Report should contain a Report/Statement on Internal Control.	Complied	The Statement of Directors' responsibility in preparation of the Financial Statements is given on page 49 while the Independent Auditor's report on pages 105 to 107 states the Auditor's responsibility for the Financial Statements.
D.1.6 Management discussion Analysis	The Annual Report should contain a "Management Discussion & Analysis", discussing, among other issues: <ul style="list-style-type: none"> • Business model • Industry structure and developments; • Opportunities and threats; • Risks management; • Internal control systems and their adequacy; • Governance • Stakeholder relationships • Social and environmental protection activities carried out by the Company; • Financial performance; • Investment in physical and intellectual capital • Human resource/industrial relations activities carried out by the Company • Prospects for the future. 	Complied	Please refer the Management Discussion and Analysis section Pages 27 to 33.

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Section	Regulator Requirement	Compliance Status by the Company	Remarks
D.1.7 Summoning an extra ordinary general meeting (EGM) to notify serious loss of capital	In the event the net assets of the Company fall below 50% of the value of the Company's shareholders' funds, the Directors shall forthwith summon an Extraordinary General Meeting of the Company to notify shareholders of the position and of remedial action being taken. The directors should report periodically to the shareholders progress on these remedial action.	Not applicable	
D.1.8 Related party transactions	<p>The Board should adequately and accurately disclose the related party transactions in its Annual Report:</p> <ul style="list-style-type: none"> Each related party should submit signed and dated declaration quarterly mentioning whether they have related party transactions with the Company as defined in this Code; It should be the responsibility of the Company Secretary to keep a record on related party transactions and make necessary disclosures accordingly; There should be a process to capture related parties and related party transactions. This process needs to be operationalised and related party transactions should be properly documented. A record/register either in hard or soft form on related party and related party transaction should be maintained by the Company; This record should ensure that the Company captures information to comply with the respective related party disclosure requirements imposed by SEC/Accounting Standards/Auditing Standards and similar regulations. 	Complied	The Company have system capability to identify Related Party transactions. Such reports can be generated through the system.
D.2 Risk management and internal control	The Board is responsible for determining the nature and extent of the principal risks, which are anticipated to be undertaken in achieving its strategic objectives. The Board should have a process of risk management and a sound system of internal control to safeguard shareholders' investments and the Company's assets. Broadly, risk management and internal control is a process, effected by an Entity's Board of Directors and management, designed to provide reasonable assurance regarding the achievement of Company's objectives.	Complied	The Board monitor the effectiveness of Risk Management processes and internal controls through the Risk Management Framework and reporting processes. Board Audit Committee and Enterprise Risk Management Committee are delegated to conduct this function and status of the same is being reported.
D.2.1 Monitor the computer's risk management and control internal control system	The Board should monitor the Company's risk management and internal control systems and, at least annually, carry out review of their effectiveness, and report on that review in the annual report. The monitoring and review should cover all material controls, including financial, operational and compliance controls.	Complied	
D.2.2 Review the need for internal audit function	The Directors should confirm in the annual report that they have carried out a robust assessment of the principal risks facing the company, including those that would threaten its business model, future performance, solvency or liquidity. The directors should describe those risks and explain how they are being managed or mitigated.	Complied	Please refer the Risk Management section Pages 34 to 43.

Section	Regulator Requirement	Compliance Status by the Company	Remarks
D.2.3 Internal Audit function	Companies should have an internal audit function.	Complied	Internal Audit services of First Capital Treasuries PLC is outsourced to M/s Ernst and Young
D.2.4 Review of the process and effectiveness of risk management and internal controls	The Board should require the Audit Committee to carry out reviews of the process and effectiveness of risk management and internal controls, and to document to the Board and Board takes the responsibility for the disclosures on internal controls.	Complied	Responsibility has been assigned through the TOR of Board Audit Committee.
D.3. Audit Committee	The Board should establish formal and transparent arrangements for considering how they should; select and apply accounting policies for financial reporting, determine the structure and content of corporate reporting, implement internal control and risk management principles and for maintaining an appropriate relationship with the Company's Auditors.	Complied	
D.3.1 Composition of the audit committee	The Board should establish an audit committee exclusively of non-executive directors with a minimum of three non-executive directors of whom at least two should be independent. If there are more non-executive directors, the majority should be independent. The Committee should be chaired by an independent non- executive director. The board should satisfy itself that at least one member of the audit committee has recent and relevant experience in financial reporting and control.	Complied	The Audit Committee consists of Minette Perera – Chairperson – Independent Non-Executive Director Nishan Fernando – Independent Non-Executive Director Ramesh Schaffter – Non-Independent Non-Executive Director
D.3.2 TOR of the Audit committee	The Audit Committee should have a written TOR, dealing clearly with its authority and duties. The Audit Committee's written Terms of Reference must address: <ul style="list-style-type: none"> • The Committee's purpose • The duties and responsibilities of the Audit Committee 	Complied	TOR of Board Audit Committee complies with all the requirements mentioned.
D.3.3 Disclosures	A separate section of the annual report should describe the work of the committee in discharging its responsibilities The Annual Report should contain a report by the Audit Committee, setting out the manner of compliance by the Company, in relation to the above, during the period to which the Annual Report relates.	Complied	Please refer the Audit Committee report Pages 94 to 95.
D.4. Related Party Transactions Review Committee	The Board should establish a procedure to ensure that the Company does not engage in transactions with "related parties" in a manner that would grant such parties "more favourable treatment" than that accorded to third parties in the normal course of business.	Complied	
D.4.1 Disclosures of related party transaction review committee	A related party and related party transactions will be as defined in LKAS 24.	Complied	

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Section	Regulator Requirement	Compliance Status by the Company	Remarks
D.4.2	The Board should establish a Related Party Transactions (RPT) Review Committee consisting exclusively of Non- Executive Directors with a minimum of three Non- Executive Directors of whom the majority should be independent. Executive Directors may attend by invitation. The Chairman should be an Independent Non- Executive Director appointed by the Board.	Complied	The RPT Review Committee comprises of <ul style="list-style-type: none"> • Minette Perera- Independent Non- Executive Director (Chairperson) • Nishan Fernando- Independent Non-Executive Director • Ramesh Schaffter-Non Independent – Non- Executive Director
D.4.3	RPT Review Committee should have written terms of reference dealing clearly with its authority and duties which should be approved by the Board of Directors. The RPT Review Committee's written terms of reference must address: <ul style="list-style-type: none"> • A procedure for documenting related parties in accordance with the definitions in LKAS 24 and the CSE Listing Rules. • A procedure to obtain a statement of related party interest from each such related party at least once in each quarter, when there's a change in the status and in any event prior to entering into any transaction between such related parties and the Company, its parent or any of subsidiaries, sub-subsidiaries, fellow subsidiaries, associates, joint ventures and any other entities which are considered related parties as defined in LKAS 24 unless they are exempted related party transactions as defined in CSE Listing Rules. • Key Management Personnel of the company responsible for contracting, procurement, payments, and any other channel through which an inflow or outflow of resources can result, should have a list of all related parties and have a process in place to capture and report any related party transaction within their area of responsibility. • A procedure to inform all related parties of what constitutes exempted related party transactions. • A procedure to identify and for directors to report recurrent and non-recurrent related party transactions and to obtain Board or shareholder approval by special or ordinary resolution as required by the CSE Listing Rules. 	Complied	The TOR of the Committee addresses the relevant requirements.

Section	Regulator Requirement	Compliance Status by the Company	Remarks
D.4.3	<ul style="list-style-type: none"> • A procedure and guideline to delegate to Key Management Personnel to deal with recurrent related party transactions as defined in the CSE Listing Rules. • A procedure for the RPT Review Committee to review and recommend to the board matters relating to such transactions. • Any interested directors should not participate at the meeting at which the transaction relating to him/her is discussed unless invited to seek clarification/information. • A procedure and definition of disclosures required to be made by the company on an annual basis, those requiring immediate disclosure and those requiring shareholder approval. • A procedure to identify related party transactions which require immediate disclosure as per the CSE listing rules and to ensure that required disclosures are made by the Company to the Colombo Stock Exchange in accordance with the CSE Listing Rules. • A procedure to identify related party transactions which require shareholder approval by special resolution at an extra-ordinary general meeting. • The company secretary should maintain a permanent record in manual or electronic form of such statements, submissions, approvals and minutes. • Review and recommend to the Board the related party disclosures to be made in the Annual Report of the Company. 	Complied	The TOR of the Committee addresses the relevant requirements.
D.5. Code of Business Conduct & Ethics	Companies must adopt a Code of Business Conduct & Ethics for Directors, Key Management Personnel and all other employees' including but not limited to: dealing with shares of the company; compliance with listing rules; bribery and corruption; confidentiality; encouraging that any illegal, fraudulent and unethical behaviour be promptly reported to those charged with governance. The company must disclose waivers of the Code for Directors, if any.	Complied	Please refer Directors' disclosures.

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Section	Regulator Requirement	Compliance Status by the Company	Remarks
D.5.1 Code of Business Conduct and ethics	<p>All Companies must disclose whether they have a Code of Business Conduct & Ethics for Directors and Key Management Personnel and if they have such a Code, make an affirmative declaration in the Annual Report that all Directors and Key Management Personnel have declared compliance with such Code, and if unable to make that declaration, state why they are unable to do so. Each Company may determine its own policies in the formulation of such a Code, but all Companies should address the following important topics in their respective Codes:</p> <ul style="list-style-type: none"> • conflict of interest; • bribery and corruption; • entertainment and gifts; • accurate accounting and record-keeping; • fair and transparent procurement practices; • corporate opportunities; • confidentiality; • fair dealing; • protection and proper use of company assets including information assets; • compliance with laws, rules and regulations (including insider trading laws); and • encouraging the reporting of any illegal, fraudulent or unethical behavior. 	Complied	<p>The Company adopted the Code of Business Conduct and Ethics stipulated by the regulators.</p> <p>We have a Group level Whistleblowing policy in place. It is designed to enable employees of the Company to report any action that is illegal, fraudulent or in violation of any policy. An assurance is given that the whistleblowers will be protected from retaliation or victimisation.</p>
D.5.2 Process in placed to ensure that material and price sensitive information	The Company should have a process in placed to ensure that material and price sensitive information is promptly identified and reported in accordance with the relevant regulations.	Complied	The Company has formulated a policy.
D.5.3 Policy, process for monitoring, and disclosure of shares purchased	The Company should establish a policy, process for monitoring, and disclosure of shares purchased by any director, Key Management Personnel or any other employee involved in financial reporting.	Substantially complied	<p>Statement of corporate governance in accordance with the Listing Rules is made in annual report.</p> <p>Share transactions are being monitored and disclosed by the Company Secretary.</p>

Section	Regulator Requirement	Compliance Status by the Company	Remarks
D.5.4 Affirmation by the chairman for no violation	The Chairman must affirm in the Company's Annual Report that a code of conduct and ethics has been introduced companywide and the procedure for disseminating, monitoring and compliance with that code. He must also disclose that he is not aware of any violation of any of the provisions of the Code of Business Conduct & Ethics.	Complied	Please refer Chairman's report. Concerns on potential or actual violations are being channeled to the immediate supervisor of the employee or directly, in writing, to the Audit Committee Chair.
D.6. Corporate Governance Disclosures	Directors should be required to disclose the extent to which the company adheres to establish principles and practices of good Corporate Governance	Complied	Please refer the Corporate Governance report Pages 50 to 93.
D.6.1 Corporate Governance Report in Annual Report	The Directors should include in the Company's Annual Report, a Corporate Governance Report setting out the manner and extent to which the Company has complied with the principles and provisions of this Code.	Complied	Please refer the Corporate Governance report Pages 50 to 93.
Section E - Shareholders			
Section E - Institutional Investors			
E.1 Shareholder Voting	Institutional shareholders have a responsibility to make considered use of their votes and should be encouraged to ensure their voting intentions are translated into practice.	Complied	The shareholders are given sufficient opportunity at the AGM to discuss any matters with the Directors.
E.1.1 Views of shareholders	A listed company should conduct a regular and structured dialogue with shareholders based on a mutual understanding of objectives. Arising from such dialogue, the Chairman should ensure the views of shareholders are communicated to the Board as a whole.	Complied	The Company Secretary corresponds with the shareholders as and when the need arises.
E.2.Evaluation of Governance Disclosures (Principle)	When evaluating Companies' governance arrangements, particularly those relating to Board structure and composition, institutional investors should be encouraged to give due weight to all relevant factors drawn to their attention.	Complied	The Management and Board maintain regular dialogue with institutional shareholders with regard to key business transactions.
Section F - Other Investors			
F.1.Investing/ Divesting Decision (Principle)	Individual shareholders, investing directly in shares of companies should be encouraged to carry out adequate analysis or seek independent advice in investing or divesting decisions.	Complied	Required financial and non-financial information are being disseminated through Colombo Stock Exchange to facilitate this requirement.
F.2. Shareholder Voting (Principle)	Individual shareholders should be encouraged to participate in General Meetings of companies and exercise their voting rights.	Complied	Invitations are being circulated to all shareholders to participate to General meetings of the company.

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Section	Regulator Requirement	Compliance Status by the Company	Remarks
Section G - Internet of Things and Cybersecurity			
G.1. (Principle)	The Board should have a process to identify how in the organisation's business model, IT devices within and outside the organisation can connect to the organisation's network to send and receive information and the consequent cybersecurity risks that may affect the business. Internal and external parties could have computing devices embedded in everyday objects which may enable them to interconnect with the company's network to send and receive data. Such access could be authorised or unauthorised	Complied	Based on the IT Policy Manual approved by the Board, Information and cyber security audits are being conducted and reports of the same are being reviewed by the Board Audit Committee and discussed at the Board meetings.
G.2 (Principle)	The Board should appoint a Chief Information Security Officer (CISO) with sufficient expertise, authority and budgetary allocation to introduce and implement a cybersecurity risk management policy which should be approved by the Board. The policy should include a robust cybersecurity risk management process, incident response system, vendor management system, disaster recovery plan and a governance structure to monitor effective implementation, reporting and the need for cybersecurity insurance.	Substantially complied	There is a dedicated team ensuring the IT Governance aspect under Head of IT even though there is no designated Chief Information Security Officer. As per the IT Policy of the company, periodic IT and cyber security audits are being conducted and it gives assurance to the same.
G.3 (Principle)	The Board should allocate regular and adequate time on the board meeting agenda for discussions about cyber- risk management. The matters taken up for the discussion on the board meeting agenda may include; <ul style="list-style-type: none"> • Potential cybersecurity risks in the company's business model • CISO's security strategy and status of the current projects • Compliance with the cybersecurity risk management process and incident reports • Findings and recommendations from independent reviewers 	Complied	Risk register items related to Information security and cyber- security are being discussed at the Enterprise Risk Management Committee and at the Board meetings.
G.4 (Principle)	The Board should ensure the effectiveness of the cybersecurity risk management through independent periodic review and assurance. The scope and the frequency of the independent periodic reviews could be determined based on the industry vulnerability, company's business model and incident findings.	Complied	Based on the IT Policy approved by the Board, Information and cyber security audits are being conducted and reports of the same are being reviewed by the Board Audit Committee and discussed at the Board meetings.
G.5 (Principle)	The Board should disclose in the annual report, the process to identify and manage cyber security risks.	Complied	Please refer the Risk Management section.

Section	Regulator Requirement	Compliance Status by the Company	Remarks
H.1 ESG Reporting	<p>The Company's annual report should contain sufficient information to enable investors and other stakeholders to assess how ESG risks and opportunities are recognised, managed, measured and reported. Environmental, social and governance considerations can affect a company's ability to execute its business strategy and create value. While many ESG factors are 'non-financial', their management and likely impact have financial consequences. Hence, they are important factors to be built into a company's business model, strategy, governance and risk management framework. ESG factors relevant to the company could impact the following:</p> <ul style="list-style-type: none"> • Access to financial capital • Cost savings and productivity • Brand value and reputation • Employee recruitment • Employee retention • Access to markets • License to operate • Market capitalisation <p>Integrating ESG policies and practices into a company's strategy, business model, governance and risk management, and reporting its likely impact and implications are increasingly seen by investors as material to their investment decisions. Further, investors want to understand how well companies are managing the risks associated with ESG issues, as this is seen as a key test of the long term sustainability of the company. They are also increasingly interested in the opportunities presented by the low carbon economy, and are allocating capital to companies that are well equipped to benefit from this.</p>	Substantially complied	
H.1.1	<p>The companies should provide information in relation to:</p> <ul style="list-style-type: none"> • The relevance of environmental, social and governance factors to their business models and strategy. • How ESG issues may affect their business, e.g. through legislation, reputational damage, employee turnover, license to operate, legal action or stakeholder relationships, and how these impacts may affect business strategy and financial and operational performance. • How risks and opportunities pertaining to ESG are recognised, managed, measured and reported. 	Substantially complied	

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Section	Regulator Requirement	Compliance Status by the Company	Remarks
H.1.2 Environmental factors H.1.2.1 Environmental governance	<p>Environmental governance of an organisation should adopt an integrated approach that takes into consideration the direct and indirect economic, social, health and environmental implications of their decisions and activities, including;</p> <ul style="list-style-type: none"> • pollution prevention, • sustainable resource use (eg: water, energy), • climate change, • protection of environment, • bio diversity, • restoration of natural resources. 	Partially complied	
Social Factors Social governance	<p>Social governance of an organisation should include its relationship with the community, customers, employees, suppliers, outsourced providers and any other party that can influence or be influenced by the organisation's business model.</p> <p>The organisation should adopt an integrated approach to building a relationship with the community and striving for sustainable development including responsible community engagement, fair competition, thereby demonstrating corporate social responsibility.</p>	Partially complied	

Section	Regulator Requirement	Compliance Status by the Company	Remarks
Social Factors Social governance	The organisation should adopt an integrated approach to building a relationship with customers. This includes establishing a process for customer engagement, product responsibility and product recall and other matters relevant to the organisation's business model.	complied	
	The labour practice related governance of an organisation should encompass all policies and practices in relation to work performed by or on behalf of the organisation in accordance with its business model, and should also include policies and practices such as equal opportunity, career development and training, reward and recognition, conditions of work, work-life balance and industrial relations.	complied	HR Policy Manual includes policies and procedures related to these aspects.
	The organisation should have policies and procedures to ensure that suppliers and outsourced providers comply with social governance norms of the company	Partially complied	As a Financial services provider with a large stakeholder base, we understand our responsibility towards the society and communities that we operate in. Ingrained within the organisation is a long history of good social governance as a responsible corporate citizen.
H.1.4. Governance H.1.4.1. Governance structure	The companies should establish a governance structure to support its ability to create value and manage risks in the short, medium and long term, recognising managing and reporting on all pertinent aspects of ESG.	Substantially complied	The governance structure of the Company substantially supports the said aspects.
	The company should recognise the key resources/capitals deployed in its business and establish financial and non-financial measures for resource/capital management and related outputs and outcomes.	Substantially complied	The Company sets financial and non-financial goals through the strategic planning process and resources are allocated with the annual budgets.

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Section	Regulator Requirement	Compliance Status by the Company	Remarks
H.1.4. Governance H.1.4.1. Governance structure	The company should have a process to ascertain, assess and manage risks which have an impact on the sustainability of the company.	Substantially complied	The company follows the 'Balance score card' method, which measures performance of financial and non financial objectives, in evaluating performance against objectives.
	The company should have a process to recognise material matters relating to significant stakeholders and a method of engagement relevant to their level of interest and influence.	complied	Please refer the Section related to Management Discussion and Assessment.
	The disclosures should deal with how the company has complied with the mandatory and voluntary codes of corporate governance and how its leadership structure, organisational culture, code of conduct and business model supports sustainability of the company in the short, medium and long term.	complied	
Board's Role on ESG Factors Board's responsibility on ESG reporting	ESG reporting is a Board's responsibility and it is designed to add value by providing a credible account of the Company's economic, social and environmental impact.	complied	
	ESG reporting and disclosure should be formalised as part of the Company's reporting process and take place on a regular basis.	complied	The Company adopted ESG reporting and related sections are incorporated to the financial statements from FY 2021/22.
	ESG reporting should link sustainable issues more closely with strategy.	complied	ESG Reporting and Strategic Plan are linked and reported accordingly.

REPORT ON COMPLIANCE WITH THE RULES ON THE CONTENT OF THE ANNUAL REPORT ACCORDING TO SECTION 7.6 OF THE LISTING RULES OF THE COLOMBO STOCK EXCHANGE (LISTING RULES)

Listing Rules of the Colombo Stock Exchange (CSE) aim to boost the confidence of investors of the companies by requiring the companies to publish accurate information on a timely basis to evaluate companies and assist investors to make wise decisions on investments. These rules also depict governance rules which should be adhered to by all listed companies. Level of compliance by First Capital Treasuries PLC with such rules is presented in the following table:

Listing Rule Reference	Listing Rule - Disclosure Requirement	Status of Compliance	Details/Reference
7.6 (i)	Name of persons who held the positions of Directors during the financial year	Complied	Refer the Pages 20 to 22
7.6 (ii)	Principal activities of the Entity and its Subsidiaries during the year and any changes therein	Complied	Refer Annual Report of the Board of Directors on Page 46
7.6 (iii)	The names and the number of shares held by the 20 largest holders of voting and non-voting shares and the percentages of such shares held	Complied	Refer Investors' Information on Page 157
7.6 (iv)	The public holding percentage	Complied	Refer Investors' Information on Page 156
7.6 (v)	A statement of each Director's and Chief Executive Officer's shareholding and the percentage of such shares held	Complied	Refer Annual Report of the Board of Directors on Page 46
7.6 (vi)	Information pertaining to material foreseeable risk factors of the Entity	Complied	Refer Risk Management on Page 34 to 43
7.6 (vii)	Details of material issues pertaining to employees and industrial relations of the Entity	Not applicable	Not applicable
7.6 (viii)	Extent, locations, valuations, and the number of buildings of the Entity's land holdings and investment properties	Not applicable	Not applicable
7.6 (ix)	Number of shares representing the Entity's stated capital	Complied	Refer Note 30 to the Financial Statements
7.6 (x)	A distribution schedule of the number of holders in each class of equity securities and the percentage of their total holdings	Complied	Refer Investors' Information on Page 156
7.6 (xi)	Ratios and market price information: Equity Debt Any changes in credit rating	Complied	Refer Investors' Information on Page 156 to 157, Information on Listed Debentures on Page 159 and Financial Highlights on Page 8
7.6 (xii)	Significant changes in the Entity's or its subsidiaries' fixed assets and the market value of land, if the value differs substantially from the book value	Not applicable	Not applicable
7.6 (xiii)	Details of funds raised through Public Issues, Rights and Private Placements during the year	Complied	No funds raised during the period
7.6 (xiv)	Information in respect of Employee Share Option Schemes and Employee Share Purchase Schemes	Not applicable	Not applicable
7.6 (xv)	Disclosure pertaining to Corporate Governance Practices in terms of Rules 7.10.3, 7.10.5 c and 7.10.6 c of Section 7 of the Rules	Complied	Refer Profiles to Directors on Pages 20 to 22, Fees paid to Directors on Note 11 to the Financial Statements. Board Sub Committee reports from Page 94 to 101.
7.6(xvi)	Related Party transactions exceeding 10% of the Equity or 5% of the total assets of the Entity as per Audited Financial Statements, whichever is lower. Details of investments in a Related Party and/or amounts due from a Related Party to be set out separately. The details shall include, as a minimum: i. The date of the transaction; ii. The name of the Related Party; iii. The relationship between the Entity and the Related Party; iv. The amount of the transaction and terms of the transaction; v. The rationale for entering into the transaction.	Not applicable	There were no non-recurrent Related Party Transactions exceeded 10% of the Equity or 5% of the Total Assets (2022/23)

Corporate Governance Report

COMPLIANCE REQUIREMENTS ON CORPORATE GOVERNANCE RULE 7.10 OF THE LISTING RULES

The Continuing Listing Rule Section 7.10 of the Colombo Stock Exchange mandates companies listed on the Colombo Stock Exchange to publish a table in the Annual Report, confirming compliance with the Corporate Governance rules as at the date of the Annual Report. The Rule addresses the following aspects:

1. Non-Executive Directors
2. Independent Directors
3. Disclosures relating to Directors
4. Remuneration Committee
5. Audit Committee

Listing Rule Reference	Listing Rule (Description)	Status of Compliance	Details/Reference
7.10.1 Non - Executive Directors			
7.10.1(a)	Two or one third of the Directors, whichever is higher, should be Non-Executive Directors	Complied	Refer the Pages 20 to 22
7.10.2 Independent Directors			
7.10.2(a)	Two or one third of Non-Executive Directors, whichever is higher, should be independent	Complied	Refer the Pages 20 to 22
7.10.2(b)	Each Non-Executive Director should submit a declaration of independence/ non independence in the prescribed format	Complied	The Independent Directors have submitted written declarations of their independence
7.10.3 (a)	Names of Independent Directors should be disclosed in the Annual Report	Complied	Refer the Pages 20 to 22
7.10.3 (b)	In the event a Director does not qualify as independent as per the rules on corporate governance but if the Board is of the opinion that the Director is nevertheless independent, it shall specify the basis of the determination in the Annual Report	Not applicable	Not applicable
7.10.3 (c)	A brief resume of each Director should be published in the Annual Report including the areas of expertise	Complied	Refer the Pages 20 to 22
7.10.3 (d)	A brief resume of any new Director appointed to the Board should be provided to the Exchange for dissemination to the public	Complied	
7.10.4 Criteria for Defining Independence			
7.10.4 (a-h)	Requirements for meeting the criteria to be an Independent Director	Complied	Independence of the Directors has been determined based on listing rules 7.10.4 (a-h)

Listing Rule Reference	Listing Rule (Description)	Status of Compliance	Details/Reference
7.10.5 Remuneration Committee			
7.10.5 (a)	The Remuneration Committee shall comprise a minimum of two Independent Non-Executive Directors or a majority of Independent Non-Executive Directors, whichever is higher	Complied	Refer the Page 96
7.10.5 (c)	The Annual Report shall set out:		
	(i) The names of the Directors that comprise the Remuneration Committee	Complied	Refer the Page 96
	(ii) A statement of Remuneration Policy	Complied	Refer the Page 96
	(iii) Aggregate remuneration paid to Executive and Non- Executive Directors	Complied	Refer the note 11 to Financial Statements
7.10.6 Audit Committee			
7.10.6 (a)	(i) The Audit Committee shall comprise a minimum of two Independent Non-Executive Directors, or a majority of Independent Non-Executive Directors, whichever is higher	Complied	Refer the Pages 94 to 95
	(ii) The Chief Executive Officer and Chief Financial Officer shall attend Audit Committee meetings	Complied	Refer the Pages 94 to 95
	(iii) The Chairman or one member of the Committee should be a member of a recognised professional accounting body	Complied	Refer the Page 22
7.10.6 (b)	The functions of the Audit Committee;		
	Overseeing of the preparation, presentation and adequacy of disclosures in the financial statements in accordance with SLFRS/LKAS	Complied	Refer the Page 94
	Overseeing the compliance with financial reporting requirements, information requirements as per laws and regulations	Complied	
	Ensuring the internal and risk management controls, are adequate, to meet the requirements of the SLFRS/LKAS	Complied	
	Assessment of the independence and performance of the Entity's External Auditors	Complied	
	Make recommendations to the Board pertaining to External Auditors	Complied	
7.10.6 (c)	The Annual Report shall set out;		
	(i) The names of the Directors who comprise the Audit Committee	Complied	Refer the Pages 94 to 95
	(ii) The Audit Committee shall make a determination of the independence of the Auditors and disclose the basis for such determination	Complied	Refer the Pages 94 to 95
	(iii) A report by the Audit Committee setting out the manner of compliance of the functions set out in Section 7.10 of the Listing Rules	Complied	Refer the Pages 94 to 95

Corporate Governance Report

REPORT ON COMPLIANCE WITH THE RULES ON THE CONTENT OF THE ANNUAL REPORT AS PER SECTION 9.3.2 OF THE LISTING RULES (RELATED PARTY TRANSACTIONS)

The Related Party Transactions Review Committee (RPTR) has been appointed by the Board of Directors of the Company to ensure compliance with the rules and regulations governing related party transactions.

Listing Rule Reference	Listing Rule (Description)	Status of Compliance	Details/Reference
9.2	Related Party Transactions Review Committee		
9.2.1	Review of Related Party Transaction (RPT)	Complied	Refer the Page 99
9.2.2	The Committee should comprise a combination of Non- Executive Directors and Independent Non-Executive Directors, One Independent Non-Executive Director shall be appointed as Chairman	Complied	Refer the Page 99
9.3.2	Disclosures in the Annual Report		
	In the case of Non-recurrent Related Party Transactions, if aggregate value of the non-recurrent Related Party Transactions exceeds 10% of the Equity or 5% of the Total Assets, whichever is lower, of the Listed Entity as per the latest Audited Financial Statements the required information in the rule must be presented in the Annual Report	Not applicable	There were no Non-recurrent Related Party Transactions exceeded 10% of the Equity or 5% of the Total Assets (2022/23)
	In the case of Recurrent Related Party Transactions, if the aggregate value of the recurrent Related Party Transactions exceeds 10% of the gross revenue/income (or equivalent term in the Income Statement and in the case of group entity consolidated revenue) as per the latest Audited Financial Statements, the Listed Entity must disclose the aggregate value of recurrent Related Party Transactions entered into during the financial year in its Annual Report. The name of the Related Party and the corresponding aggregate value of the Related Party Transactions entered into with the same Related Party must be presented with the required information	Complied	Refer the Note 34 to the Financial Statements.
	Annual Report shall contain a report compiled by the Related Party Transaction Review Committee including followings: <ul style="list-style-type: none"> Names of the Directors who are in the committee Statement with regard to Related party transactions reviewed during the financial year Number of times the committee has met during the financial year Policies and procedures adopted by the RPT Committee 	Complied	Refer the Page 99
	A declaration by the Board of Directors in the Annual Report as an affirmative statement of the compliance with these Rules pertaining to Related Party Transactions or a negative statement in the event the Entity has not entered into any Related Party Transaction/s.	Complied	Annual Report of the Board of Directors on Pages 46 to 48.

REPORT ON THE STATUS OF COMPLIANCE WITH SECTION 168 OF THE COMPANIES ACT NO. 07 OF 2007 IS PRESENTED BELOW

Reference to the Companies Act	Information Required to be Disclosed as per the Companies Act	Status of Compliance	Details/Reference
Section 168 (1) (a)	The nature of the business of the Company together with any change thereof during the accounting period	Complied	Refer the page 46.
Section 168 (1) (b)	Signed Financial Statements of the Company for the accounting period completed in accordance with Section 151 and 152	Complied	Financial Statements of the Company for the year ended 31 March 2023 have been prepared in accordance with the requirements of the Sri Lanka Accounting Standards and comply with the requirements of the Companies Act No. 07 of 2007 which were duly certified by the Chief Financial Officer (the person responsible for the preparation of the Financial Statements) and were approved by two members of the Board as appearing on pages from 108 to 153 form an integral part of this Report.
Section 168 (1) (c)	Auditors' Report on the Financial Statements of the Company	Complied	Refer pages 105 to 107 for the "Independent Auditors' Report"
Section 168 (1) (d)	Accounting policies of the Company and any change therein	Complied	Note to the Financial Statements: Significant Accounting Policies adopted in the preparation of the Financial Statements of the Company are given on pages from 112 to 126. There were no changes to the Accounting Policies adopted.
Section 168 (1) (e)	Particulars of the entries made in the Interests Register of the Company during the accounting period.	Complied	The Company maintains the Interest Registers. All Directors have made declarations as required by Sections 192 (1) and (2) of the Companies Act aforesaid and all related entries were made in the Interest Registers during the year under review. The Interest Registers are available for inspection by shareholders or their authorised representatives as required by Section 119 (1) (d) of the Companies Act No. 07 of 2007.
Section 168 (1) (f)	Remuneration and other benefits paid to Directors of the Company during the accounting period	Complied	Refer Note 11 to the Financial Statements on page 128. Further, refer the Remuneration Committee Report on page 96.
Section 168 (1) (g)	Total amount of donations made by the Company during the accounting period	Complied	Refer Note 11 to the Financial Statements on page 128.
Section 168 (1) (h)	Information on Directorate of the Company during and at the end of the accounting period	Complied	Refer the Page 20.
Section 168 (1) (i)	Separate disclosure on amounts payable to the Auditors as Audit Fees and Fees for other services rendered during the accounting period by the Company	Complied	Refer Note 11 to the Financial Statements on Page 128.
Section 168 (1) (j)	Auditors' relationship or any interest with the Company	Complied	Refer the Page 105 to 107 for Auditors' Report.
Section 168 (1) (k)	Acknowledgement of the contents of this Report/Signatures on behalf of the Board	Complied	Refer the Page from 46 to 48.

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.

Charter of the Committee

The Group Board Audit Committee (BAC) assists the Board in the discharge of its responsibilities by overseeing financial reporting, internal/external audits and internal control practices. The BAC Charter clearly defines the Terms of Reference (TOR) of the Committee and regulates the composition, functions and responsibilities of the BAC. The Committee shall have the power to conduct or authorise investigations into any matters within the Committee's scope of responsibilities. The Committee shall have unrestricted access to members of management and other employees of the Company, as well as all information relevant to the carrying out of its responsibilities.

Composition

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

The members of the Board appointed 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

Secretary to the Group Audit Committee

Kapila Perera

Chief Risk Officer

Brief profiles of the members of the Board appointed Group Audit Committee are given on Pages 20 to 22 of the Annual Report.

Meetings

Four audit committee meetings were held during the year under review. 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 year 2022/23 is as follows.

Membership Status	Name	Attendance in 2022/23 (Attended/Eligible to Attend)
Chairperson	Ms. Minette Perera	4/4
Members	Mr. Nishan Fernando	3/4
	Mr. Ramesh Schaffter	3/4
Secretary	Mr. Kapila Perera	4/4

Regular Attendees by Invitation

Mr. Dilshan Wirasekara - Director	4/4
Mr. Mangala Jayashantha - Chief Financial Officer	4/4
Ms. Harshanee Deshapriya - Head of Legal	4/4
Ms. Nisansala Kothalawala Senior Manager - Risk and Compliance	4/4

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;
- Providing an avenue of communication among the external auditors, internal auditors, management and the Board; and
- Review the integrity and adequacy of Company's internal control process

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/Consultancy Service

The Internal Audit/Consultancy function of the Group, except First Capital Treasuries PLC and First Capital Asset Management Limited has been outsourced to M/s. PricewaterhouseCoopers. M/s. Ernst & Young Consulting Services (Pvt) Ltd has been assigned as the consultant to the Board Audit Committee and to conduct benchmark review of internal controls covering the operations of First Capital Treasuries PLC and First Capital Asset Management Limited and reporting there on. Control weaknesses/gaps highlighted in the audit reports were examined by the Committee and follow up action taken by the management on the audit recommendations/leading practices were also reviewed. The committee reviewed the effectiveness of the internal audit/consultancy function and the scope and procedures 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 2022/23 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 and objectivity.

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

Having determined the independence of the auditor and 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 2024, subject to the approval of the shareholders at the Annual General Meeting.

Risk Management and Internal Controls

The Committee reviewed major financial risk exposures and the guidelines and policies which management has put in place to govern the process of monitoring, controlling and reporting such exposures. The Committee also reviewed the pending legal matters relating to the Company and its impact to the Company emphasising on the risks embedded. The Group has a separate policy on Incident and Near miss reporting procedure and whistleblowing procedures to avoid the financial and reputation risk involved and the Committee is briefed on the significant incidents raised.

(Sgd)

Minette Perera (Ms.)

Chairperson- Group Audit Committee

15 August 2023

Colombo

Remuneration Committee Report

The Remuneration Committee of First Capital Holdings PLC (Immediate Listed Parent Company of First Capital Treasuries PLC) functions as the Remuneration Committee of First Capital Treasuries PLC which has complied with the policies and procedures set out by the Group Remuneration Committee.

Composition of the Committee

The Group Remuneration Committee was appointed by the Board of Directors of First Capital Holdings PLC. As at 31 March 2023, the committee comprised the following directors.

Mr. Chandana de Silva

Independent Non-Executive Director
(Chairman of the committee)

Mr. Ramesh Schaffter

Non Independent Non-Executive Director
(Member)

Dr. Nishan De Mel

Independent- non-Executive Director
(Member)

Brief profiles of the members of the Board appointed Group Remuneration Committee are given on Pages 20 to 22 of the Annual Report.

Scope of the Remuneration Committee

The scope of the Group Remuneration committee covers the Group's remuneration and benefits, competency development of employees, especially the key drivers of the business, and succession planning.

Key Responsibilities of the Remuneration Committee

- Review and recommend a remuneration and incentive scheme, including any proposed equity incentive awards including terminal benefits/pension rights for the Chief Executive Officer and KMPs.
- Review proposed increments and market adjustments to compensation to ensure appropriate rates in relation to market/industry and the compensation philosophy.
- Approve annual increments, bonuses, incentives and any other compensation changes for the Chief Executive Officer and the Senior Management team including KMPs, based on corporate and individual performance against set targets and goals.
- Ensure the remuneration and benefits are set on a fair and equitable basis.
- Ensure a proper mechanism is in place for management development and succession planning and periodic reviews of the same.
- Review market data on compensation and benefits and approve periodic recommendations made by the management.
- Communication with shareholders on the remuneration policy and the committee's work (on behalf of the Board) through a Remuneration committee report.
- Participate in the recruitment and selection process of the KMPs based on the recommendations made by the Chief Executive Officer.

- Recommend appropriate service contracts for Executive Directors.
- Approve the terms of any compensation package in the event of early termination of the contract of an Executive Director.
- Provide direction on disciplinary matters that involves an employee that could create a significant impact to the company.

Committee meetings

The Group Remuneration committee convened four times during the period under review.

Other matters

The Group Remuneration committee is authorised by the Board to seek appropriate professional advice inside and outside the company as and when it considers this necessary.

(Sgd)

Chandana de Silva

Chairman – Group Remuneration Committee

15 August 2023
Colombo

Enterprise Risk Management Committee Report

The Enterprise Risk Management Committee of First Capital Holdings PLC (Immediate Listed Parent Company of First Capital Treasuries PLC) functions as the Enterprise Risk Management Committee of First Capital Treasuries PLC which has complied with the policies and procedures set out by the Group Enterprise Risk Management Committee.

The Group Enterprise Risk Management Committee (ERMC) is responsible for establishing and maintaining a comprehensive Enterprise-wide Risk Management System for identifying, assessing and managing risk to assist the Group's Corporate Management Team in managing risk with reasonable assurance in a dynamic business environment.

The Group Enterprise Risk Management Committee was formed in May, 2012. The Committee was formed by the Board of Directors based on the requirement mentioned in "Code of Best Practice on Corporate Governance" to conduct a review of the risks facing the Group and the effectiveness of the system of internal controls. Although the responsibility was mentioned under the Group Audit Committee, Group ERMC was formed independently considering the gravity of attention required in monitoring and assessing risk regularly for the Group. The charter of the Group ERMC was approved by the Board of Directors and is reviewed periodically. As part of the annual review process, the Committee last reviewed the charter in August 2022.

- Ensure that risk management is integrated into all organisational activities and should demonstrate leadership and commitment.
- Ensure that the risk management framework remains appropriate to the context of the organisation.
- Review and recommend the charter of the ERMC for approval of the Board.
- Review periodic reports on the ERMC's discharge of their responsibilities listed in its charter.
- Work with business units on monitoring and reporting to ensure compliance with the regulatory standards and reporting of the risks identified and prioritised by the Committee, as well as those risks which are not included in the scope of the ERMC.
- Work with business units regarding their internal control aspect and ensuring that a dynamic monitoring, reporting and remedial process is in place.
- Report to the Audit Committee and the Board of Directors regarding
 - o the progression of enterprise risk management and its implementation.
 - o Identifying significant and material risk exposures across Company.
 - o Consolidated enterprise risk management plan encompassing analysis and recommendations.
- Request budget allocation for consulting, training, software, or other expenses determined necessary.
- Submit a risk assessment report/risk register on quarterly basis to the Board of Directors
- Take prompt corrective action to mitigate the effects of specific risks in the case such risks are at levels beyond the prudent levels decided by the Committee/Board on the basis of the company's policies and regulatory and supervisory requirements.

Charter of the Committee

Composition of the Committee

Name of the Board Subcommittee Member	Designation	Membership Status
Mr. Nishan Fernando	Independent Non-Executive Director	Chairman
Mr. Dilshan Wirasekara	Non Independent Non-Executive Director	Member
Mr. Mangala Jayashantha	Chief Financial Officer	Member
Mrs. Sujani Sellaheewa	Deputy General Manager – Operations	Member
Mr. Kapila Perera	Chief Risk Officer	Secretary to the Committee

Key Responsibilities and Scope of Work of the Committee

- Overall responsibility for the Enterprise Risk Management process, including developing and implementing the processes and procedures to identify, assess, respond to and report on the extreme/high/significant risks identified in the risk assessment process.
- Monitor the risk management process which involves the systematic application of policies, procedures and practices to the activities of communicating and consulting, establishing the context and assessing, treating, monitoring, reviewing, recording and reporting risk.
- Ensure proper risk management by recommending to the board ownership, roles, responsibilities, and accountabilities related to risk management.
- Promote the Enterprise Risk Management model to the Corporate Management Team and educate them on the enterprise risk management process.

Enterprise Risk Management Committee Report

- Ensured staffs are trained adequately on compliance related laws, regulations, policies and procedures as a tool in mitigating the Company's compliance risk by educating employees and maintaining their ongoing awareness. The programmes include both formal training courses and ongoing communications.

- Review and approve periodic Compliance Reports to the regulators (CBSL, CSE etc.) which require approval of the Board of Directors.

Committee Meetings

The Group ERM Committee held 11 meetings during the year under review. The proceedings of the Committee meetings have been reported to the Board Audit Committee and the Board Meetings.

Attendance

Chairman	Mr Nishan Fernando (Chairman)	10/11
Members	Mr Dilshan Wirasekara (Director)	11/11
	Mr Mangala Jayashantha (Chief Financial Officer)	11/11
	Ms Sujani Sellahewa (DGM – Operations)	11/11
Secretary	Mr Kapila Perera (Chief Risk Officer)	11/11
Regular Attendees by Invitation		
	Mr Anjelo Simmons (Chief Dealer)	11/11
	Ms Nisansala Kothalawala (Senior Manager – Risk & Compliance)	11/11

Other Responsibilities of the Committee

ERMC also supports the Board of Directors in fulfilling its oversight responsibilities relating to compliance matters. In this capacity, the Committee reviews the implementation of compliance programs, policies and procedures that are designed to respond to the various compliance and regulatory risks of the Group. The Committee is also responsible to review and refer for action to any subcommittee of Board matters that are either specifically referred to the attention of the Committee or that comes to the attention of the Committee from Board filings that impact systemic risks to the Group, with a clear objective of eliminating repeat findings or managing forward risks.

(Sgd)

Nishan Fernando (Ms.)

Chairperson – Group Enterprise Risk Management Committee

15 August 2023
Colombo

Related Party Transactions Review Committee Report

The Related Party Transactions Review Committee of First Capital Holdings PLC (Immediate Listed Parent Company of First Capital Treasuries PLC) functions as the Related Party Transactions Review Committee of First Capital Treasuries PLC which has complied with the policies and procedures set out by the Group Related Party Transactions Review Committee. The Group Related Party Transactions Review Committee consists of three (3) members with a combination of two Independent Non- Executive Directors and a Non-Independent Non-Executive Director. The members of the Group Related Party Transactions Review Committee are as follows:

Composition of the Committee

Ms. Minette Perera

Independent Non-Executive Director (Chairperson)

Mr. Nishan Fernando

Independent Non-Executive Director

Mr. Ramesh Schaffter

Non- Independent Non-Executive Director

Brief profiles of the members of the Group Related Party Transactions Review Committee are given on pages 20 to 22 of the Annual Report.

The Company Secretary functions as the Secretary to the Group Related Party Transactions Review Committee.

Scope

The Group Related Party Transactions Review Committee assists the Board in reviewing the Related Party Transactions (RPT) carried out by the Company.

The mandate of the Group Related Party Transactions Review Committee includes inter-alia the assurance of the following:

1. Developing and recommending for adoption by the Board of Directors, a Group RPT Policy which is consistent with the listing rules of the Colombo Stock Exchange (CSE).

2. Making immediate market disclosures on applicable RPT, as required by Section 9 of the Continuing Listing Requirements of the CSE.
3. Making appropriate disclosures on RPT in the Annual Report, as required by Section 9 of the Continuing Listing Requirements of the CSE.

Policies And Procedures

The Company has adopted the Group Related Party Transactions (RPTs) Policy in view of structuring the Company's policies and procedures to uphold good governance and in the best interests of the Company.

The policies and procedures are adopted for (a) reviewing the Related Party Transactions at each quarterly meeting, (b) identifying and reporting on recurrent and non-recurrent transactions to be in line with the applicable CSE Rules.

The Group Related Party Transactions Review Committee ensures that all transactions with related parties are in the best interests of all stakeholders, adequate transparency is maintained and are in compliance with the Listing Rules.

The Group Related Party Transactions Review Committee reviewed related party transactions during the year and communicated its observations to the Board.

Meetings

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

The attendance at the Group Related Party Transactions Review Committee meeting to discuss the matters related to the Company during the year 2022/23 is as follows.

Membership Status	Name of Director	Attendance in 2022/23 (Attended/ Eligible to Attend)
Chairperson	Ms. Minette Perera	4/4
Member	Mr. Nishan Fernando	3/4
Member	Mr. Dinesh Schaffter	2/2
Member	Mr. Ramesh Schaffter*	1/2

*Mr. Ramesh Schaffter was appointed to the Committee in place of Mr. Dinesh Schaffter w.e.f. 15 September 2022

During the Period Under Review

There were no non-recurrent related party transactions that exceeded the thresholds that required the immediate market disclosure, shareholder approval or disclosure in the Annual Report, as required under Section 9 of the Continuing Listing Requirements of the CSE.

There were no recurrent related party transactions that exceeded the thresholds that required the immediate market disclosure or shareholder approval as required under Section 9 of the Continuing Listing Requirements of the CSE. Recurrent related party transactions that require disclosure in the Annual Report are given in Note 34 of the Financial Statements.

Declaration by the Board of Directors

A declaration by the Board of Directors relating to compliance under the listing rules is given on page 46 of the Annual Report.

(Sgd)

Minette Perera (Ms.)

Chairperson-Group Related Party Transactions Review Committee

15 August 2023
Colombo

Nomination Committee Report

The Nomination Committee of First Capital Holdings PLC (Immediate Listed Parent Company of First Capital Treasuries PLC) functions as the Nomination Committee of First Capital Treasuries PLC.

The principal role of the Board Nomination Committee is to proactively manage the composition of the Board which is under the delegated authority of the Board of Directors of the company. The committee is also charged with oversight of succession plans for the Chief Executive Officer and other key positions of the organisation.

Charter of the Committee

The Committee has been empowered to discuss the issues under its purview and report back to the Board of Directors with recommendations, enabling the Board to take relevant decisions, define and establish the nomination process for Non-Executive Directors (NEDs), lead the process of Board appointments and make recommendations to the Board on the appointment of Non-Executive Directors.

In addition, the committee focuses on the following objectives in discharging its responsibilities:

- Review the composition of the Board and ensure that there is an appropriate

balance between Executive, Non-Executive and Independent Directors.

- Assess the skills and knowledge required in the Board for the Board to discharge its duties effectively and strategically.
- Periodically assess the extent to which the required skills are represented at the Board.
- Prepare a clear description of the role and capabilities required for appointments.
- Identify and recommend suitable candidates for appointments to the Board.
- Ensure, on appointment to the Board, Non-Executive Directors receive a formal letter of appointment specifying clearly the expectations in terms of time commitment, involvement outside of the formal Board meetings, participation in committees, amongst others.
- Ensure that every appointee undergoes an induction to the Group.
- Ensure that the appointment of the Chairperson and the Executive Directors is a collective decision by the Board.
- Self-assessment of the Nomination Committee and its members.

Composition of the Committee

During the year under review, the Board Nomination Committee comprised of the following members. The Committee met two times during the year 2022/23.

Name of the Board Subcommittee Member	Membership Status	Attendance in 2022/23 (Attended/ Eligible to Attend)
Mr. Nishan Fernando	Chairman (Independent Non-Executive Director)	2/2
Dr. Nishan de Mel	Member (Independent Non-Executive Director)	2/2
Ms. Manjula Mathews	Member (Non-Independent Non-Executive Director)	2/2

Committee Structure Diversity

Type of Directorship	Composition (%)
Non-Executive	100%
Executive	0%
Total	100%

Secretary to the Nomination Committee

Janashakthi Corporate Services Limited serves as the Secretary to the Nomination Committee.

Professional Advice

The Committee has the authority to seek external professional advice on matters within its purview whenever required.

The year ahead

The Committee will continue to review the skills and knowledge required by the Board, minimise key individual dependency risk and identify and groom suitable candidates to key positions of the organisation. The committee will also ensure that the Company is in compliance with its stipulated framework and is in compliance with the regulations issued by the Colombo Stock Exchange (CSE) on Board composition.

Conclusion

The Committee continues to work closely with the Board of Directors in relation to the structure, size and composition of the Board ensuring diversity and balance of skills, knowledge and experience. The Committee is satisfied that the representation of skills, knowledge and experience on the Board is appropriate for the Company's current needs at Board level.

(Sgd)

Nishan Fernando

Chairman - Board Nomination Committee

15 August 2023

Investment, Asset and Liability Committee Report

The Investment Asset and Liability Committee of First Capital Holdings PLC (Immediate Listed Parent Company of First Capital Treasuries PLC) functions as the Investment Asset and Liability Committee of First Capital Treasuries PLC.

The Investment Asset and Liability Committee (IALCO) has the delegated authority of the Board of Directors to make strategic and operational investment decisions and is primarily responsible for

the investment strategy and the asset and liability management of the Group companies. Investment decisions on debt, equity, and other related investment proposals are being evaluated by the Committee for the best interest of the Group. The Committee also evaluates the liquidity positions of the Group regulatory compliances related to Investment decisions while enhancing the shareholder value.

Methodology Adopted by the Committee

The committee evaluates the business environment and captures the changes in micro and macro factors in making decisions that will be best suited to the business unit prevailing under the given conditions. The committee would also instruct executive officers from time to time on investment paradigms for enhancing shareholder returns.

The committee meets bi-weekly to evaluate the strategy and risks associated with the future and past investment decisions. Also, the committee evaluated the progress of the investment decisions made by the committee in past and measured the performance of the portfolios carried out by each business unit in the Group. The performance report of each business unit with key performance indicators is presented to the Investment Committee to make better decisions and to the evaluation of past decisions.

Composition of the Committee

Name of the Board Subcommittee Member	Designation	Membership Status
Dr. Nishan de Mel	Non-Executive Independent Director	Chairman
Mr. Nishan Fernando	Non-Executive Independent Director	Member
Mr. Dilshan Wirasekara	Non-Independent Non-Executive Independent Director	Member
Ms. Manjula Mathews	Non-Executive Non-Independent Director	Member

Key Responsibilities and Scope of Work of the Committee

- Developing the investment strategy of the group based on the strategic plan
- Review, Evaluate and approve Investment decisions relating to the investment strategy
- Ensure adherence to the regulatory and

Internal compliance levels and policies in making investment and borrowing decisions

- Reviews the performance of the existing portfolios
- Advise and recommend investment decisions for the best interests of the stakeholders

(Sgd)

Dr. Nishan de Mel

Chairman - Investment Asset and Liability Committee

15 August 2023

Committee Meetings

Investment Committee held 24 meetings during the year under review. The proceedings of the Committee meetings have been escalated to the Board Meetings.

Attendance

Name of the Board Subcommittee Member	Membership Status	Attendance in 2022/23 (Attended/ Eligible to Attend)
Mr. Dinesh Schaffter	Former Chairman	15/17
Dr. Nishan de Mel	Chairman	22/24
Mr. Nishan Fernando	Member	23/24
Mr. Dilshan Wirasekara	Member	24/24
Ms. Manjula Mathews	Member	06/07



Financial Statements

THE APOGEE OF SUCCESS

These strong financials provide us with the necessary
resources to fuel our future endeavours and continue our
quest for innovation.



Financial Calender 2022/23

Interim Financial Reports in terms of Rule 7.4 of the Colombo Stock Exchange (CSE) were issued as follows.

Reports	Date of Release
1 st Quarter 2022/23 Interim Financial Report (Unaudited)	16 August 2022
2 nd Quarter 2022/23 Interim Financial Report (Unaudited)	15 November 2022
3 rd Quarter 2022/23 Interim Financial Report (Unaudited)	15 February 2023
4 th Quarter 2022/23 Interim Financial Report (Unaudited)	30 May 2023

Independent Auditor's Report



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TO THE SHAREHOLDERS OF FIRST CAPITAL TREASURIES PLC

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of First Capital Treasuries PLC ("the Company"), which comprise the statement of financial position as at 31 March 2023, the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information set out on pages 108 to 153.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 March 2023, 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 (SLAuS). 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 these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

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

1. Carrying Amount of Financial Assets

Refer to the significant accounting policy in note 4.2 and explanatory notes 16 and 17 to the financial statements.

Risk Description

As at 31 March 2023, the Company's financial assets portfolio consists with treasury bills and treasury bonds measured at fair value and amortised cost. Further, these financial assets make up 99% of total assets by value and is considered to be a key driver of the Company's capital and revenue performance.

As the Company's business operations are sensitive to market conditions, the carrying amounts of these financial assets

are considered to be an area of risk for the current financial year considering the uncertainties and volatilities in the macro-economic environment existed during the year that are still prevailing. Due to frequent changes in the macro-economic environment, the composition of the investment portfolio of the Company and the observability of the market data were affected making the investment decisions and measurement more challenging and significant.

Accordingly, due to their materiality in the context of the financial statements as a whole and the prevailing uncertain and volatile macro-economic environment, the carrying amount of financial assets are considered to be an area which had a great 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 internal controls over identification, measurement and management of measurement risk as well as evaluating the methodologies and input parameters used by the Company in determining carrying amounts including fair values.

KPMG, a Sri Lankan partnership and a member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee

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Principals: S. R. I. Perera FCPA (UK), LLB, Attorney-at-Law, H. S. Goonewardene ACA, Ms. F. R. Ziyad FCPA (UK), FTII

Independent Auditor's Report



- Comparing observable inputs against independent sources and externally available market data and re-performing independent valuations.
- Making inquiries of the management on the market conditions and reviewing the minutes of the enterprise risk management committee meetings.
- Testing mathematical accuracy and verifying the appropriateness and completeness of the data used.
- Obtaining and agreeing with the third-party confirmations 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 of financial assets

Refer to the significant accounting policy in note 4.15 and 4.14 and explanatory note 6 to the financial statements.

Risk Description

As described in note 6, the Company has recognised a total income of Rs. 9,970 Mn during the year comprising of gains/ losses on sales and interest income on financial assets. Based on the Company's business model, this arise 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. Further, during the year, business operations of the Company was significantly affected due to the prevailing uncertain and volatile macro-economic environment and policy decisions throughout the year. This has resulted a significant increase in total income which was mainly due to the significant increase in interest income. These factors could create situations 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 which elevated with the prevailing uncertain macro-economic environment which may result in non-recurring and unusual impact on revenue and also it being 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 internal 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.
- Making inquiries of the management on the market conditions and reviewing the minutes of the enterprise risk management committee meetings.
- 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 in comparison with the macro-economic environment.
- Performing test of details over gains/ losses on sales and interest income by inspecting a sample of transactions, recomputation of gains/ losses and interest income 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 fair and true view in accordance with Sri Lanka Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable,



matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' 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 auditors' 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 relevant ethical requirements regarding independence, and 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

16 August 2023

Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 March,		2023	2022
	Note	Rs.'000	Rs.'000
Income	6	9,969,951	622,824
Direct expenses	7	(6,305,233)	(1,054,939)
Net trading income/(loss)		3,664,718	(432,115)
Other income	8	5,202	55,002
Net gain/(loss) on fair valuation of financial assets recognised through profit or loss measured at fair value	9	1,077,830	(73,849)
		4,747,750	(450,962)
Operating expenses			
Personnel expenses	10.1	(443,479)	(110,893)
Premises, equipment and establishment expenses	10.2	(14,158)	(30,601)
Other operating expenses	10.3	(537,204)	(297,243)
		(994,841)	(438,737)
Profit/(loss) before tax	11	3,752,909	(889,699)
Income tax (expenses)/reversal	12	(866,513)	237,254
Profit/(loss) for the year		2,886,396	(652,445)
Other comprehensive income			
<i>Items that will never be reclassified to profit or loss</i>			
Actuarial gain/(loss) on retirement benefit obligation	29	(3,470)	9,049
Tax effect on other comprehensive income	12	1,041	(1,267)
<i>Item that are or may be reclassified to profit or loss</i>		-	-
Other comprehensive income/(loss)		(2,429)	7,782
Total comprehensive income/(loss) for the year		2,883,967	(644,663)
Basic earnings/(loss) per share (Rs.)	13	4.68	(1.06)

Figures in brackets indicate deductions.

The notes disclosed on pages 112 to 153 form an integral part of these Financial Statements.

Statement of Financial Position

As at 31 March,	Note	2023 Rs.'000	2022 Rs.'000
Assets			
Cash at banks and in hand	14	24,023	348,585
Derivative financial instruments	15	51,194	5,190
Financial assets recognised through profit or loss - measured at fair value	16	50,753,172	24,509,930
Financial assets - at amortised cost	17	1,131,851	3,109,800
Receivable from related companies	18	3,744	2,060
Deferred tax asset	19	4,964	94,318
Other assets	20	338,354	338,345
Property, plant and equipment and right of use assets	21	16,112	7,782
Intangible assets	22	494	573
Total assets		52,323,908	28,416,583
Liabilities			
Derivative financial instruments	23	153,586	2,622
Securities sold under repurchase agreements	24	43,830,826	23,397,838
Creditors and other payables	25	1,453,226	363,897
Payable to related companies	26	11,755	6,528
Taxes payable	27	629,708	-
Borrowing on listed debentures	28	762,076	760,577
Retirement benefit obligations	29	18,718	11,561
Total liabilities		46,859,895	24,543,023
Equity			
Stated capital	30	256,500	256,500
Risk reserve	31	1,675,433	1,386,793
Retained earnings		3,534,080	2,232,267
Fair valuation reserve	32	(2,000)	(2,000)
Total equity		5,464,013	3,873,560
Total equity and liabilities		52,323,908	28,416,583
Net assets per share (Rs.)		8.88	6.29

The notes disclosed on pages 112 to 153 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



Nishan Fernando
Chairman

15 August 2023
Colombo

Statement of Changes in Equity

For the year ended 31 March,		Stated Capital	Risk Reserve	Retained Earnings	Fair Valuation Reserve	Total Equity
	Note	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Balance as at 1 April 2021 (Audited)		256,500	1,386,793	2,876,930	(2,000)	4,518,223
Total comprehensive income for the year						
Loss for the year		-	-	(652,445)	-	(652,445)
Other comprehensive income for the year		-	-	7,782	-	7,782
Total comprehensive loss for the year		-	-	(644,663)	-	(644,663)
Transactions with equity holders						
Distribution to equity holders						
Total distribution to equity holders		-	-	-	-	-
Total transactions with equity holders		-	-	-	-	-
Transfers to risk reserve		-	-	-	-	-
Balance as at 31 March 2022 (Audited)		256,500	1,386,793	2,232,267	(2,000)	3,873,560
Balance as at 1 April 2022 (Audited)		256,500	1,386,793	2,232,267	(2,000)	3,873,560
Impact of surcharge tax liability	12.3	-	-	(370,114)	-	(370,114)
Adjusted balance as at 1 April 2022		256,500	1,386,793	1,862,153	(2,000)	3,503,446
Total comprehensive income for the year						
Profit for the year		-	-	2,886,396	-	2,886,396
Other comprehensive loss for the year		-	-	(2,429)	-	(2,429)
Total comprehensive income for the year		-	-	2,883,967	-	2,883,967
Transactions with equity holders						
Distribution to equity holders						
Dividend declared - 2022/23	33	-	-	(923,400)	-	(923,400)
Total distribution to equity holders		-	-	(923,400)	-	(923,400)
Total transactions with equity holders		-	-	(923,400)	-	(923,400)
Transfers to risk reserve	31	-	288,640	(288,640)		-
Balance as at 31 March 2023		256,500	1,675,433	3,534,080	(2,000)	5,464,013

Figures in brackets indicate deductions.

The notes disclosed on pages 112 to 153 form an integral part of these Financial Statements.

Statement of Cash Flows

For the year ended 31 March,		2023	2022
	Note	Rs.'000	Rs.'000
Cash flows from operating activities			
Interest receipts and gains realised		9,967,457	621,253
Interest payments and other direct cost		(6,199,981)	(974,173)
Other receipts		5,136	55,002
Cash payments to employees and suppliers		(480,172)	(434,861)
Operating profit/(loss) before changes in operating assets and liabilities		3,292,440	(732,779)
Increase in financial assets- fair value through profit or loss- measured at fair value		(25,060,452)	(1,499,443)
(Increase)/decrease in financial assets at amortised cost		1,980,444	(950,184)
Increase in other assets		(9)	(21,939)
(Increase)/Decrease in receivable from related companies		(1,684)	(1,895)
(Decrease)/Increase in creditors and accrued charges		(521,240)	27,531
(Decrease)/Increase in payable to related companies		5,227	(11,987)
(Decrease)/Increase in securities sold under repurchase agreements		20,329,236	3,987,922
Cash generated from operations		23,962	797,226
Income tax paid	27	(335,588)	(594,559)
Gratuity paid	29	-	-
Net cash flows generated from/(used in) operating activities		(311,626)	202,667
Cash flows from investing activities			
Acquisition of property, plant and equipment	21	(12,843)	(642)
Acquisition of intangible assets	22	(160)	(200)
Proceeds from sale of property, plant and equipment		67	146
Net cash flows used in investing activities		(12,936)	(696)
Cash flows from financing activities			
Dividend paid	33	-	-
Net cash flows used in financing activities		-	-
Net increase in cash and cash equivalents		(324,562)	201,971
Cash and cash equivalents at the beginning of the year		348,585	146,614
Cash and cash equivalents at the end of the year	14	24,023	348,585

Figures in brackets indicate deductions.

The notes disclosed on pages 112 to 153 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 2023 is 13 (2022 – 10).

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 and the separate Financial Statements of the Company as at 31 March 2023 comprises of –

- The Statement of Profit or Loss and Statement of Comprehensive Income providing information on the performance for the year under review (Refer page 108).

- Statement of Financial Position providing the information on the financial position of the Company as at the year end (Refer page 109).
- Statement of Changes in Equity providing the movement in the shareholders' funds during the year under review for the Company (Refer page 110).
- Notes to the Financial Statements, which comprise of Accounting Policies and other explanatory notes and information (Refer pages 112 to 153).

Financial Statements 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 following the accrual basis of accounting. The Company did not adopt any inappropriate accounting treatment, which are not in compliance with the requirements of the SLFRSs and LKASs and regulations governing the preparation and presentation of the Financial Statements.

Further, the tax liability arising from the Surcharge Tax Act No: 14 of 2022 has been accounted as recommended by the Statement of Alternative Treatment (SoAT) issued by the Institute of Chartered Accountants of Sri Lanka as disclosed under the note 12.3.

2.2 Presentation of Financial Statements

The assets and liabilities of the Statement of Financial Position are Companied 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 2023 were authorised for issue by the Board of Directors on 15 August 2023.

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	Page Number
Derivative financial assets/liabilities	Fair value	Note 4.2.3	117
Financial assets measured at fair value though profit or loss	Fair value	Note 4.2.4.1	117
Financial assets measured at fair value though other comprehensive income	Fair value	Note 4.2.4.3	117
Financial assets at amortised cost	Amortised cost	Note 4.2.4.2	117
Right of use of assets	Discounted future lease rental payments	Note 4.7	121
Retirement benefit obligations	Projected unit credit method	Note 4.13	124

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.

Critical Accounting Estimate/Judgment	Disclosure Note	Page Number
Going concern	Note 3	115
Classification of financial assets and liabilities	Note 4.2.2	115
Non-current assets held for sale	Note 4.6	121
Fair value of financial instruments	Note 2.6.6	114
Useful lives of intangible assets	Note 4.3	120
Useful lives of property, plant and equipment	Note 2.6.3	114
Retirement benefit obligation	Note 4.13	124
Deferred tax	Note 4.8.2	122
Impairment losses on financial assets	Note 4.2.7	118
Impairment of non-financial assets	Note 4.5	121
Provisions for liabilities, commitments and contingencies	Note 4.22	125

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.

2.6.1 Determination of Fair Values

'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. Several of the Company's and the Company's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities.

2.6.2 Fair Value of Non-Financial Assets

The fair value used by the Company in the measurement of non-financial assets is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the

Notes to the Financial Statements

absence of a principal market, in the most advantageous market that is accessible by the Company for the asset or liability. The fair value of an asset or a liability is measured using the assumptions that market participants would act in their economic best interest when pricing the asset or liability.

A fair value measurement of a non-financial asset takes into account a market participants ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use. The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

2.6.3 Useful Lives of Depreciable Assets

Management reviews its estimation of the useful lives of depreciable assets at each reporting date based on the expected utility of the assets. Uncertainties in these estimates relate to technical obsolescence that may change the useful life of certain property, plant and equipment.

2.6.4 Business Combination

Management applies its judgment to determine whether the control indicators set out in the SLFRS 3 "Business Combination". Management uses valuation techniques in determining the fair values of the various elements of a business combination. The fair value of contingent consideration is dependent on the outcome of many variables that affect future profitability.

2.6.5 Defined Benefit Obligation

The cost of the defined benefit plans are determined using an actuarial valuation. Management's estimate of the defined benefit obligation is based on a number of critical underlying assumptions such as mortality rates, discount rate and anticipation of future salary increases.

Variation in these assumptions may significantly impact the defined benefit obligation amount and the annual defined benefit expense.

2.6.6 Fair Value of Financial Instruments

Management applies valuation techniques to determine the fair value of financial instruments where active market quotes are not available. This requires management to develop estimates and assumptions based on market inputs, using observable data that market participants would use in pricing the instrument. Where such data is not observable, management uses its best estimate. Estimated fair values of financial instruments may vary from the actual prices that would be achieved in an arm's length transaction at the reporting date.

2.6.7 Recognition of Deferred Tax Assets

Management applies significant judgment to the extent the deferred tax assets can be recognised based on an assessment of the probability of the Company's future taxable income against which the deferred tax assets can be utilised. In addition, significant judgment is required in assessing the impact of any legal or economic limits or uncertainties in various future tax jurisdictions.

2.6.8 Provisions for Liabilities, Commitments and Contingencies

The Company receives legal claims in the normal course of business. Management has made judgements as to the likelihood of any claim succeeding in making provisions the time of concluding legal claims is uncertain, as is the amount of possible outflow of economic benefits. Timing and cost ultimately depends on the due processes in respective legal jurisdictions.

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 thousands, except where otherwise

indicated as permitted by the Sri Lanka Accounting Standard LKAS 1 on 'Presentation of Financial Statements'.

2.11 Events after Reporting Date

Events after the reporting date are those events, favourable and unfavourable, 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 38).

3. GOING CONCERN

The Board of Directors of the Company has made an assessment of its ability to continue as a going concern and is satisfied that it has the resources to continue in business for the foreseeable future. Furthermore, the Board of Directors is not aware of any material uncertainties that may cast significant doubt upon the ability of the Company to continue as a going concern.

The Company is fully conscious and have evaluated the impacts of the deteriorated economic environment, followed with a sovereign default by the country and the volatility in interest rates and the exchange rates during the year 2022/23 and beyond and have assessed the impacts on capital, profitability and liquidity. The Company has adequate level of financial and other resources to face the uncertainties via economic unrest and therefore the impact on the business operations is expected to be minimal. The prevailing economic uncertainties do not have a significant impact on the liquidity, valuation of assets and solvency of the Company.

Therefore, the Financial Statements of the Company continue to be prepared on a going concern basis.

4. 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.

4.1 Foreign Currency

4.1.1 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.

Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the middle rate of exchange prevailing at the reporting 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.

4.2 Financial Instruments

4.2.1 Initial Recognition, Classification and Subsequent Measurement

4.2.1.1 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.

4.2.1.2 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.

4.2.2 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

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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.

4.2.2.1 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 par amount, a feature that permits or requires prepayment at an amount that substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable additional compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant at initial recognition.

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.
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4.2.3 Derivatives recorded at fair value through profit or loss

4.2.3.1 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.

4.2.3.2 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.

4.2.4 Financial Assets

Financial assets 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.

4.2.4.1 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.

Following assets represent financial assets at fair value through profit or loss,

- Investment in government securities
- Investment in debentures
- Investment in listed shares
- Investment in unit trusts

4.2.4.2 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 followings,

- Lending
- Investment in corporate debt Securities
- Investment in government securities
- Investment in re-sale agreements
- Fixed deposits
- Staff loans

4.2.4.3 Financial Assets measured at fair value through other comprehensive income

Financial assets measured at fair value through other comprehensive income (FVTOCI) are non-derivative 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.

Financial assets at FVTOCI comprise investments in unquoted equities.

4.2.4.4 Cash and Cash Equivalents

Cash and cash equivalents comprise 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

4.2.5 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,

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these financial liabilities are measured at amortised cost using effective interest rate method. Financial liabilities comprise;

- Bank overdrafts
- Securities sold under re-purchase agreements
- Short term borrowings
- Long term borrowings
- Borrowing on listed debentures

4.2.5.1 Recognition and Measurement of Financial Liabilities

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

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

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.

4.2.5.1.1 Classification and Subsequent Measurement of Financial Liabilities

The subsequent measurement of financial liabilities depends on their classification.

4.2.5.2 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. Subsequent to initial recognition these financial liabilities are measured at amortised cost using the effective interest method.

The Effective Interest Rate amortisation is included in "Interest expense" in the statement of profit or loss. Gains and losses too are recognised in the income statement when the liabilities are derecognised as well as through the Effective Interest Rate amortisation process.

4.2.5.3 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.

4.2.6 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.

4.2.7 Impairment of Financial Assets

4.2.7.1 Recognition and Measurement of ECL

The Company recognises allowances for Expected Credit Losses (ECL) on the following financial instruments that are not measured at FVTPL:

- financial assets that are debt instruments.
- Lending.
- financial guarantee contracts issued; and
- undrawn credit commitments.

The Company measures loss allowances at an amount equal to lifetime ECL, except for the following, for which are measured as 12-month ECL:

- debt investment securities that are determined to have low credit risk at the reporting date; and
- other financial instruments on which credit risk has not increased significantly since their initial recognition.

The Company considers a debt investment security to have low credit risk when its credit risk rating is equivalent to the definition of "investment grade". The Company does not apply the low credit risk exemption to any other financial instruments. 12-month ECL are the portion of ECL that result from default events on a financial instrument that are possible within the 12 months after the reporting date.

The 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.

ECL are a probability-weighted estimate of credit losses. They are measured as follows:

- financial assets that are not credit impaired at the reporting date: 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);
- financial assets that are credit impaired at the reporting date: as the difference between the gross carrying amount and the present value of estimated future cash flows;
- undrawn loan commitments: as the present value of the difference between the contractual cash flows that are due to the Company if the commitment is drawn down and the cash flows that the Company expects to receive; and
- financial guarantee contracts: the expected payments to reimburse the holder less any amounts that the Company expects to recover

4.2.7.2 Credit-Impaired Financial Assets

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

- it is probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market or a security because of financial difficulties.

4.2.7.3 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.

4.2.7.4 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.

4.2.8 Derecognition of Financial Assets and Financial Liabilities

4.2.8.1 Financial Assets

A financial asset (or, where applicable a part of a financial asset or part of a Company 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

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.

4.2.8.2 Financial Liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expired. 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.

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4.2.9 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.

4.2.10 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.

4.2.11 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.

4.3 Intangible Asset

4.3.1 Software

Software acquired by the Company is measured at cost less accumulated amortisation and any accumulated

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

Software is amortised on a straight-line basis in profit or loss over its estimated useful life, from the date on which it is available for use. The estimated useful life of software is 5 – 6 years.

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

4.4 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.

4.4.1 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.

4.4.2 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.

4.4.3 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 – 6
Fixtures and fittings	5
Furniture	5
Office equipment	5
Motor vehicle	5

4.4.4 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.

4.5 Impairment of Non-Financial Assets

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

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

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

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

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

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

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

4.6 Non-current Assets held for Sale

Non-current assets that are expected to be recovered primarily through sale rather than through continuing use are

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

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

Assets classified as Non-Current Assets held for Sale are neither amortised nor depreciated. Impairment loss on initial classification as held for sale and subsequent gains and losses on re-measurement are recognised in profit or loss.

4.7 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 1 April 2019.

4.7.1 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.

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

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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 21.

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.

4.7.2 Company Acting as A Lessor

Similar to above, at the commencement of the contract, the Company determines whether the contract contains a lease component and one or more additional lease components or non-lease components. When there is one or more additional lease or nonlease component, the Company allocates consideration based on the guidelines given in SLFRS 15.

4.7.2.1 Finance Leases – Company as A Lessor

As per SLFRS 16, a lease which transfers substantially all the risks and rewards incidental to ownership of an underlying asset is classified as a finance lease. At the commencement date, the Company recognises assets held under finance lease in the SOFP and present them as a lease receivable at an amount equal to the net investment in the lease. Net investment in the lease is arrived by discounting lease payments receivable at the interest rate implicit in the lease, i.e. the rate which causes present value of lease payments to equal to the fair value of the underlying asset and initial direct costs.

The Company applies the derecognition and impairment requirements in SLFRS 9 to the net investment in the lease. The Company further regularly reviews estimated unguaranteed residual values used in calculating the gross investment in the lease.

4.7.2.2 Operating Leases – Company as A Lessor

As per SLFRS 16, a lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership of an underlying asset. The Company recognises lease

payments from operating leases as income on straight-line basis. Initial direct costs incurred in negotiating operating leases are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

4.8 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 equity.

4.8.1 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 substantively enacted as at the reporting date.

4.8.2 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;

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.

4.8.3 Uncertainty Over Income Tax Treatments

The Company accounts 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.

4.8.4 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. The Company is required to pay VAT on Financial Services on the VAT liable turnover at the rate of 18%.

4.8.5 Advance Income Tax (AIT) on Dividends

Dividends distributed out of profits after tax attracted a tax of 14% till 30 September 2022 and 15% with effect from 01 October 2022 charged in the hands of the dividend recipient. No Advance Income Tax (AIT) was mandatorily imposed until 30 September 2022 whereas 15% AIT (similar to Withholding Tax) is mandatorily imposed on dividends distributed with effect from 01 January 2023. Therefore, any dividends distributed after 01 January 2023 shall be subject to 15% AIT where shareholders shall receive dividends net of AIT. AIT deducted on dividends shall be final tax and will attract no further tax in the hands of the shareholders. With the introduction of the Inland Revenue (Amendment) Acts No. 10 of 2021 and No. 45 of 2022, any dividends paid out of the dividends received, shall be exempted from income tax net of the cost of funds. In addition, if a resident company pays the dividend to a non-resident person (including a company) such would be totally exempt from income tax.

4.8.6 Social Security Contribution Levy (SSCL)

The Social Security Contribution Levy (SSCL) Act No. 25 of 2022, has been passed in the parliament imposing a new levy on the turnover of persons. The SSCL

comes into operations with effect from 01 October 2022. Since SSCL is a turnover based direct tax, it has two tax bases.

1. Value Addition attributable to financial services.
2. Turnover liable for General VAT (Turnover not liable for financial services).

The Value Addition attributable for Financial Services shall be derived with the application of the turnover ratio distinguishing General VAT and VAT on Financial Services. Tax fraction 2.5/120.5 is applied in computing SSCL. In addition, turnover, liable for General VAT too shall be chargeable with SSCL. The Company is required to pay SSCL on the General VAT liable turnover at the rate of 2.5%.

4.8.7 Advance Income Tax (AIT) and Withholding Tax (WHT)

Advance Income Tax (AIT) which has similar attributes to the Withholding Tax has been re-introduced with the introduction of Inland Revenue (Amendment) Act No. 45 of 2022 effecting from 01 January 2023. AIT shall be charged on the interest paid or credited from all interest bearing deposit accounts denominated in Sri Lankan Rupees at the rate of 5% on such interest payments or credits. Interest received on interest bearing foreign currency accounts, "Special Deposit Accounts" and Diplomatic accounts are exempted from AIT. Withholding Tax has been reintroduced on Services Fees paid to Individuals and the Rent paid any person under the Inland Revenue (Amendment) Act No. 45 of 2022 effecting from 01 January 2023.

If any individual including a sole proprietorship is paid with a service related fees as provided under the Section 85 - (1C) of the Inland Revenue (Amendment) Act No. 45 of 2022, the Withholding Tax agent or the service recipient has to deduct Withholding Tax at the rate of 5% on the total gross amount if such payment exceeds Rs. 100,000 per calendar month. Withholding Tax has re-introduced on Rent expenses paid to any person if such aggregate gross rent income surpasses or

Notes to the Financial Statements

equal to Rs. 100,000 for a calendar month at the rate of 10%.

4.9 Borrowings

Repo borrowings, borrowing on debentures, Commercial papers, securitised papers and bank borrowing 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, commercial papers, securitised papers and bank borrowing are initially measured at fair value minus incremental direct transaction costs, and subsequently measured at their amortised cost using the effective interest method.

4.10 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.

4.11 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.

4.12 Other Liabilities

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

4.13 Employee Benefits

4.13.1 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.

4.13.1.1 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.

4.13.1.2 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.

4.13.2 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 Company annually measures the present value of the promised retirement benefits for gratuity, which is a Defined Benefit Plan. The cost of providing benefits under the defined benefits plans is determined using the projected unit credit method. Gain or loss arising as a result of changes in assumption is recognised in other comprehensive income (OCI) in the period in which it arises.

The Gratuity liability is not externally funded. These items are Companyed 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.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognised immediately in profit or loss. The Company recognises gains and losses on the settlement of a defined benefit plan when the settlement occurs.

4.13.3 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.

Statement of Profit or Loss and Other Comprehensive Income

4.14 Interest Income and Expense

Interest income and expense are recognised in profit or loss using the effective interest method. The 'effective interest rate' is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial asset or financial liability (or, where appropriate, a shorter period) to the carrying amount of the financial asset or financial liability.

When calculating the effective interest rate, the Company estimates future cash flows considering all contractual terms of the financial instrument, but not future credit losses.

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

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

- interest on financial assets and financial liabilities measured at amortised cost calculated on an effective interest basis; and
- interest on financial assets measured at fair value through other comprehensive income are 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.

4.15 Gain/(Loss) on sale of Financial Investments measured at Fair Value through 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, quoted shares and debentures, are presented in direct income as sale of financial investments at fair value through profit or loss in the statement of profit or loss and other comprehensive income.

4.16 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 comprehensive income.

4.17 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, quoted shares, investment in units and debentures. The fair valuation gain/(loss) is presented in profit or loss in the statement of profit or loss and other comprehensive income.

4.18 Fee and Commission Income

Investment management fees and placement fees are recognised as the related services are performed. Fee and commission expenses are recognised on an accrual basis. Commission income on dealing/brokering in listed shares is recognised as the related services are performed. Commission expenses are recognised on an accrual basis.

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

4.19 Dividend Income

Dividend income from equity investments is recognised in profit or loss on an accrual basis when the Company's right to receive the dividend is established. This is usually on the ex-dividend date for equity securities. Dividends are presented in net trading income or net gain/(loss) from financial investments based on the underlying classification of the equity investment.

4.20 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.

4.21 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.

4.22 Commitments and Contingencies

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

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

4.23 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.

Notes to the Financial Statements

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

The Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) has issued following new amendments to the Sri Lanka Accounting Standards which will become applicable for financial periods beginning after on or after 01 April 2023. Accordingly, the Company has not applied the following new amendments to the standard 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 Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to Sri Lanka Accounting Standard LKAS 12 – “Income Taxes”)

The amendments narrow the scope of the initial recognition exemption to exclude transactions that give rise to equal and offsetting temporary differences – e.g. leases and decommissioning liabilities. The amendments apply for annual reporting periods beginning on or after 1 April 2022. For leases and decommissioning liabilities, the associated deferred tax asset and liabilities will need to be recognised from the beginning of the earliest comparative period presented, with any cumulative effect recognised as an adjustment to retained earnings or other components of equity at that date. For all other types of transactions, the amendments apply to transactions that occur after the beginning of the earliest period presented. There will be no impact on retained earnings on adoption of the amendments.

5.2 Classification of liabilities as current or non-current (Amendments to LKAS 1) - effective for annual periods beginning on or after 1 January 2023.

The amendment specifies the requirements for classifying liabilities as current or noncurrent. The amendments clarify what is meant by a right to defer settlement, that a right to defer must exist at the end of the reporting period, that classification is unaffected by the likelihood that an entity will exercise its deferral right, that only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification and disclosures. All of the above amendments are effective for annual reporting periods beginning on or after 1 January 2023.

5.3 Other New Accounting Pronouncements

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

- **Disclosure of accounting policies (Amendments to LKAS 1 and SLFRS Practice Statement 2) - effective for annual periods beginning on or after 1 January 2023**

The amendments provide guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies and adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures.

- **Definition of accounting estimates (Amendments to LKAS 8) - effective for annual periods beginning on or after 1 January 2023**

The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, they clarify how entities use measurement techniques and inputs to develop accounting estimates. The amended standard clarifies that the effects on an accounting estimate of a change in an input or a change in a measurement technique are changes in accounting estimates if they do not result from the correction of prior period errors.

6 INCOME

For the year ended 31 March,	2023 Rs.'000	2022 Rs.'000
Interest income on financial assets recognised through profit or loss measured at fair value	9,564,677	1,352,941
Interest income on financial assets at amortised cost	322,480	174,729
Gain/(loss) on sale of financial assets recognised through profit or loss measured at fair value	1,325,209	(904,846)
Loss on sale of financial assets at amortised cost	(1,258,594)	-
Fee income	16,179	-
	9,969,951	622,824

6.1 Timing of Income Recognition

Income generated at a point of time	82,794	(904,846)
Income generated over the period	9,887,157	1,527,670
	9,969,951	622,824

7 DIRECT EXPENSES

For the year ended 31 March,	2023 Rs.'000	2022 Rs.'000
Interest expenses on repurchase agreements	6,048,593	947,052
Brokerage cost	9,864	5,931
Interest expenses on listed debentures	97,124	96,931
Interest expenses on short term borrowings	143,728	-
Other direct expenses	5,924	5,025
	6,305,233	1,054,939

8 OTHER INCOME

For the year ended 31 March,	2023 Rs.'000	2022 Rs.'000
Profit on sale of property, plant and equipment	67	9
Exchange gain	38	54,921
Miscellaneous income	5,097	72
	5,202	55,002

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

For the year ended 31 March,	2023 Rs.'000	2022 Rs.'000
Gain/(loss) on fair valuation of financial assets recognised through profit or loss measured at fair value	1,182,790	(74,926)
Gain/(loss) on fair valuation of derivative financial assets	46,004	2,875
Gain/(loss) on fair valuation of derivative financial liabilities	(150,964)	(1,798)
	1,077,830	(73,849)

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

Notes to the Financial Statements

10 OPERATING EXPENSES

For the year ended 31 March,	2023	2022
	Rs.'000	Rs.'000

10.1 Personnel expenses

Salaries	85,248	78,201
Performance bonus	290,630	-
Employer's contribution to EPF & ETF	13,261	12,357
Retirement benefit cost (Note 29)	3,687	3,485
Other personnel expenses	50,653	16,850
	443,479	110,893

10.2 Premises, equipment and establishment expenses

Building maintenance charges	968	20,394
Depreciation and amortisation	4,752	4,555
Electricity	1,347	1,189
Miscellaneous expenses	7,091	4,463
	14,158	30,601

10.3 Other operating expenses

Value added tax on financial services	417,297	219,801
Miscellaneous expenses	-	3,650
Professional service related expenses	19,151	35,178
Bank related charges	23,696	19,081
Communication and information technology expenses	23,192	12,370
Sales promotion expenses	11,974	3,393
Donations	1,150	2,890
Travelling expenses	1,673	880
Social security contribution levy	39,071	-
	537,204	297,243

11 PROFIT/(LOSS) BEFORE TAX

For the year ended 31 March,	2023	2022
	Rs.'000	Rs.'000

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

Directors' emoluments	153,240	25,339
Auditors' remuneration - Audit services	660	575
Auditors' remuneration - Other services	524	160
Depreciation on property, plant and equipment and right of use assets (Note 21)	4,513	4,009
Amortisation of intangible assets (Note 22)	239	546
Retirement benefit cost (Note 29)	3,687	3,485
Salaries	85,248	78,201
Employer's contribution to defined contribution plans	13,261	12,357
Legal fees	4,145	1,413
Donations	1,150	2,890
Regulatory penalty charges (Note 24)	1	-

12 INCOME TAX (EXPENSES)/REVERSAL

For the year ended 31 March,	2023 Rs.'000	2022 Rs.'000
Recognised in profit or loss		
Current tax expense (Note 12.1)	(776,118)	-
Over/(under) provision for tax	-	146,400
Deferred tax asset recognised/(reversed) during the year (Note 19)	(90,395)	90,854
	(866,513)	237,254
Recognised in other comprehensive income		
Deferred tax asset recognised/(reversed) during the year (Note 19)	1,041	(1,267)

The Company was liable to pay income tax at the rate of 14% till 30 September 2022 and thereafter liable to pay tax at 30% (2021/22 - 12%) in accordance with the Inland Revenue Act No. 24 of 2017 and subsequent amendments thereto.

12.1 Reconciliation of accounting profit/(loss) to income tax

For the year ended 31 March,	2023 Rs.'000	2022 Rs.'000
Profit/(loss) before tax	3,752,909	(889,699)
Less : Exempted income	-	(51,573)
Add : Disallowable expenses	489,589	283,738
Less : Allowable expenses	(5,887)	(4,396)
Statutory income	4,236,611	(661,930)
Tax loss claimed during the year	(708,801)	-
Taxable income/(loss)	3,527,810	(661,930)

	Tax on taxable	Tax rate	Tax expense
Income Tax Expense			
First Period (01.04.2022 - 30.09.2022)	1,763,905	14%	246,947
Second Period (01.10.2022 - 31.03.2023)	1,763,905	30%	529,171
Gross income tax liability	3,527,810		776,118

12.2 Accumulated Tax Losses

For the year ended 31 March,	2023 Rs.'000	2022 Rs.'000
Balance at the beginning of the year	661,930	7,144,952
Loss incurred during the year	-	661,930
Adjustment with respect of previous year	46,871	238,899
Loss utilised during the year	(708,801)	-
Over/(under) utilisation of loss for past tax assessment	-	325,671
Loss disallowed by Inland Revenue Department	-	(7,709,522)
Balance at the end of the year	-	661,930

- 12.3** As per Surcharge Tax Act No. 14 of 2022, Which was enacted on 8 April 2022, the applicable tax liability shall deemed to be an expenditure in the financial statements for the year 2020/21. Accordingly, the applicable tax liability has been accounted for as a prior year adjustment in statement of changes in equity.

Notes to the Financial Statements

13 BASIC AND DILUTED EARNINGS/(LOSS) PER SHARE

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

For the year ended 31 March,	2023	2022
Profit attributable to ordinary shareholders (Rs.'000)	2,886,396	(652,445)
Weighted average number of ordinary shares in issue	615,600,000	615,600,000
Basic and diluted earnings/(loss) per share (Rs.)	4.68	(1.06)

There were no potentially dilutive ordinary shares outstanding at anytime during the year, hence diluted earnings/(loss) per share is equal to the basic earnings/(loss) per share. The effect on sub-division of shares executed during year 2022/23 has been adjusted retrospectively (Note 30.1).

14 CASH AT BANKS AND IN HAND

As at 31 March,	2023 Rs.'000	2022 Rs.'000
Cash at Banks (Note 41.4.1)	23,948	348,510
Cash in Hand (Note 41.4.1)	75	75
Total	24,023	348,585

15 DERIVATIVE FINANCIAL INSTRUMENTS

As at 31 March,	2023 Rs.'000	2022 Rs.'000
Forward purchase contracts - Government securities	38,918	3,290
Forward sale contracts - Government securities	12,276	1,900
	51,194	5,190

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

As at 31 March,	Market Value		Face Value	
	2023 Rs.'000	2022 Rs.'000	2023 Rs.'000	2022 Rs.'000
Treasury bills	1,955,608	23,408,748	2,167,574	23,849,819
Treasury bonds	48,797,564	1,101,182	55,932,350	1,171,084
	50,753,172	24,509,930	58,099,924	25,020,903

16.1 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 2023.

As at 31 March,	Market Value		Face Value	
	2023 Rs.'000	2022 Rs.'000	2023 Rs.'000	2022 Rs.'000
Treasury bills	769,319	20,809,592	842,680	21,265,113
Treasury bonds	44,654,397	961,138	51,153,145	1,014,607
	45,423,716	21,770,730	51,995,825	22,279,720

17 FINANCIAL ASSETS - AT AMORTISED COST

As at 31 March,	2023 Rs.'000	2022 Rs.'000
Treasury bonds	-	2,368,982
Investments under resale agreements - Treasury bills	205,012	130,657
Investments under resale agreements - Treasury bonds	926,839	610,161
	1,131,851	3,109,800

The Treasury bonds at amortised cost have been fully pledged as collateral for repurchase agreements entered into by the Company as at 31 March 2022. The market value of the treasury bonds at amortised cost is Rs. 2,370.8Mn as at 31 March 2022.

17.1 Securities received as collateral

As at 31 March,	Market Value		Face Value	
	2023 Rs.'000	2022 Rs.'000	2023 Rs.'000	2022 Rs.'000
Treasury bills	260,975	141,818	264,720	147,400
Treasury bonds	1,251,788	678,882	1,522,110	727,810
	1,512,763	820,700	1,786,830	875,210

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. 325.03 Mn as at 31 March 2023 and no treasury bills were repledged (As at 31 March 2022 repledged market value of treasury bonds amounting to Rs. 552.1Mn).

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.

The company have 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.

The company's policy is that the market values of eligible securities are adequately covered the resale values of the securities in line with the direction of Central Bank of Sri Lanka as follows (at the time of origination of the transactions as well as the ongoing transactions).

Remaining Term to Maturity of the Eligible Security	Minimum Haircut (%)
Up to 1 year	4
More than 1 year and up to 3 years	6
More than 1 year and up to 3 years	8
More than 1 year and up to 3 years	10
More than 1 year and up to 3 years	12

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.

Notes to the Financial Statements

18 RECEIVABLE FROM RELATED COMPANIES

As at 31 March,	2023 Rs.'000	2022 Rs.'000
First Capital Limited	-	1,028
First Capital Equities (Pvt) Limited	2,109	760
First Capital Asset Management Limited	1,635	268
Kelsey Homes (Pvt) Limited	-	4
	3,744	2,060

19 DEFERRED TAX ASSET

As at 31 March,	2023 Rs.'000	2022 Rs.'000
Balance at the beginning of the year	94,318	4,731
Impact of change in income tax rate recognised in profit or loss (Note 12)	105,942	13
Impact of change in income tax rate recognised in other comprehensive income (Note 12)	1,850	(1,984)
Charge/(Reversal) in profit or loss during the year (Note 12)	(198,187)	90,841
Recognised/(reversed) in other comprehensive income during the year (Note 12)	1,041	717
Balance at the end of the year	4,964	94,318

- 19.1** 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 30%. (2021/22 - 14%).

Deferred tax is attributable to the following;

As at 31 March,	2023		2022	
	(Taxable)/ Deductible Temporary Difference	Tax Effect	(Taxable)/ Deductible Temporary Difference	Tax Effect
On Property, plant and equipment	(2,170)	(651)	210	29
On Retirement benefit obligations	18,718	5,615	11,561	1,619
On Accumulated tax losses	-	-	661,930	92,670
	16,548	4,964	673,701	94,318

20 OTHER ASSETS

As at 31 March,	2023 Rs.'000	2022 Rs.'000
Advance paid for building	230,000	220,000
Advance paid for land	77,300	77,300
Prepayments and other receivable	30,862	40,096
Staff loans (Note 20.1)	192	949
	338,354	338,345

20.1 Staff Loans

As at 31 March,	2023 Rs.'000	2022 Rs.'000
Balance at the beginning of the year	949	1,085
Disbursements during the year	-	150
Recoveries during the year	(757)	(286)
Balance at the end of the year	192	949

21 PROPERTY, PLANT AND EQUIPMENT AND RIGHT OF USE ASSETS

As at 31 March,	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 2022	24,538	7,272	19,052	9,987	60,849
Additions during the year	12,843	-	-	-	12,843
Disposals during the year	-	(155)	-	(8,531)	(8,686)
As at 31 March 2023	37,381	7,117	19,052	1,456	65,006
Accumulated Depreciation					
As at 1 April 2022	19,875	7,272	19,052	6,868	53,067
Charge for the year	2,000	-	-	2,513	4,513
Disposals during the year	-	(155)	-	(8,531)	(8,686)
As at 31 March 2023	21,875	7,117	19,052	850	48,894
Carrying Value As at 31 March 2023	15,506	-	-	606	16,112

Notes to the Financial Statements

21 PROPERTY, PLANT AND EQUIPMENT AND RIGHT OF USE ASSETS

As at 31 March,	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 2021	24,052	7,298	19,052	8,531	58,933
Impact on adoption of SLFRS 16	-	-	-	-	-
Adjusted Balance as at 1 April	-	-	-	-	-
Additions during the year	642	-	-	1,456	2,098
Disposals during the year	(156)	(26)	-	-	(182)
As at 31 March 2022	24,538	7,272	19,052	9,987	60,849
Accumulated Depreciation					
As at 1 April 2021	18,184	7,298	19,052	4,550	49,084
Charge for the year	1,691	-	-	2,318	4,009
Disposals during the year	-	(26)	-	-	(26)
As at 31 March 2022	19,875	7,272	19,052	6,868	53,067
Carrying value As at 31 March 2022	4,663	-	-	3,119	7,782

Based on the assessment of potential impairment carried out by the Company as at 31 March 2023, 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. 59,416,015 as at 31 March 2023 (2021/22 Rs. 55,448,992).

There were no capitalised borrowing cost related to the acquisition of Property, Plant and Equipment during the year (2022/23 - Nil).

There were no restrictions on the title of the Property, Plant and Equipment as at 31 March 2023.

There were no items of Property, Plant and Equipment pledged as security as at 31 March 2023.

There were no temporary idle items of Property, Plant and Equipment as at 31 March 2023.

22 INTANGIBLE ASSETS

	Software	Total	
As at 31 March,		2023	2022
	Rs.'000	Rs.'000	Rs.'000
Cost			
As at 1 April	17,312	17,312	17,112
Additions during the year	160	160	200
As at 31 March	17,472	17,472	17,312
Accumulated Amortisation/Impairment			
Amortisation			
As at 1 April	16,739	16,739	16,193
Amortisation charge for the year	239	239	546
Balance as at 31 March	16,978	16,978	16,739
Carrying Value as at 31 March 2023	494	494	
Carrying Value as at 31 March 2022	573	-	573

23 DERIVATIVE FINANCIAL INSTRUMENTS

As at 31 March,	2023	2022
	Rs.'000	Rs.'000
Forward purchase contracts - Government securities	4,506	-
Forward sale contracts - Government securities	149,080	2,622
	153,586	2,622

24 SECURITIES SOLD UNDER REPURCHASE AGREEMENTS

As at 31 March,	2023	2022
	Rs.'000	Rs.'000
Against treasury bills	249,510	19,794,447
Against treasury bonds	43,581,316	3,603,391
	43,830,826	23,397,838

Securities given as collateral

	Market Value		Face Value	
As at 31 March,	2023	2022	2023	2022
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Treasury bills	769,319	20,809,592	842,680	21,265,113
Treasury bonds	44,979,430	3,884,057	51,576,145	4,082,857
	45,748,749	24,693,649	52,418,825	25,347,970

Notes to the Financial Statements

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.

The company's policy is that the market values of eligible securities are adequately covered the repurchase values of the securities in line with the direction of Central Bank of Sri Lanka as follows (at the time of origination of the transactions as well as the ongoing transactions).

Remaining Term to Maturity of the Eligible Security	Minimum Haircut (%)
Up to 1 year	4
More than 1 year and up to 3 years	6
More than 1 year and up to 3 years	8
More than 1 year and up to 3 years	10
More than 1 year and up to 3 years	12

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.

The Central Bank of Sri Lanka imposed a penalty of Rs. 773.80 against the Company on 3 March 2023 under the section 8.1 of the Direction No. 1 of 2019, Repurchase and Reverse Repurchase Transactions of Dealer Direct Participants in Scripless Treasury Bonds and Treasury Bills.

25 CREDITORS AND OTHER PAYABLES

As at 31 March,	2023 Rs.'000	2022 Rs.'000
Provision for Staff Expenses	305,058	-
Dividend Payable	923,400	-
Provision for Statutory Liabilities	201,827	326,190
Other Provisions and Payables	22,941	37,707
	1,453,226	363,897

26 PAYABLE TO RELATED COMPANIES

As at 31 March,	2023 Rs.'000	2022 Rs.'000
First Capital Holdings PLC	4,692	3,112
First Capital Limited	3,887	-
Janashakthi Limited	3,176	512
First Capital Markets Limited	-	186
Janashakthi Business Services (Pvt) Ltd	-	2,718
	11,755	6,528

27 TAXES PAYABLE

As at 31 March,	2023 Rs.'000	2022 Rs.'000
Balance at the beginning of the year	-	740,959
Current Tax provision for the year (Note 12)	776,118	-
Over provision of tax with respect to previous year	-	(146,400)
		-
Payment made during the year	(146,410)	(594,559)
Balance at the end of the year	629,708	-

- 27.1** This reflects reversal of over provision for income tax following the settlement of income tax assessments up to 2017/18 as per the Inland Revenue Act No. 10 of 2006 and subsequent amendments thereto (previous tax legislation).

28 BORROWING ON LISTED DEBENTURES

As at 31 March,	2023 Rs.'000	2022 Rs.'000
Balance at the beginning of the year	760,577	759,255
Accrual of interest	97,124	96,931
Sub Total	857,701	856,186
Settlement of interest (Coupon)	(95,625)	(95,609)
Debentures redeemed during the year	-	-
Balance at the end of the year	762,076	760,577

- 28.1** 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	Carrying value	Allotment Date	Maturity Date	Rate of Interest	Frequency on Interest
			31.03.2023				
		Rs.'000	Rs.'000				
5 year	7,500,000	750,000	762,076	30-Jan-20	30-Jan-25	12.75%	Semi-Annually
						(AER - 13.16%)	

Notes to the Financial Statements

29 RETIREMENT BENEFIT OBLIGATIONS

As at 31 March,	2023 Rs.'000	2022 Rs.'000
Balance at the beginning of the year	11,561	19,843
Amount recognised in Profit or Loss for the year		
Gratuity charge for the year	1,607	1,816
Impact of change in retirement age	-	(1,071)
Interest charge for the year	2,080	2,740
Amount recognised in Other Comprehensive Income for the year		
Actuarial (gain)/loss for the year	3,470	(9,049)
Benefits paid during the year	-	-
Transfers made during the year	-	(2,718)
Balance at the end of the year	18,718	11,561

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

29.1 Principal Assumptions Used

As at 31 March,	2023	2022
Discount rate/interest rate	18.00%	16.00%
Expected annual average salary increment	10.00%	8.00%
Staff turnover factor	12%	10%
Retirement age of employees	60 Years	60 Years

*As per the guidelines issued by the Institute of Chartered Accountants of Sri Lanka, the discount rates have been adjusted to convert the coupon bearing yield to a zero coupon yield to match the characteristics of the gratuity payment liability and the resulting yield to maturity for the purpose of valuing Employee benefit obligations as per LKAS 19. Further, the salary increment rate of 10% is considered appropriate to be in line with the Company's targeted future salary increments when taking into account the current market conditions and inflation rate.

29.2 Maturity analysis of the retirement benefit obligations

As at 31 March,	2023	2022
Up to 1 year	-	-
1 - 5 years	-	-
5 - 10 years	457	-
Over 10 years	18,261	11,561
	18,718	11,561

29.3 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,	2023 Rs.'000	2022 Rs.'000
Decrease in discount rate by 2%	2,424	1,779
Increase in discount rate by 2%	(2,110)	(1,516)
Decrease in salary increment by 2%	(2,291)	(1,647)
Increase in salary increment by 2%	2,563	1,884

30 STATED CAPITAL

As at 31 March,	2023 Rs.'000	2022 Rs.'000
Ordinary Shares of 615,600,000 (Note 30.1)	256,500	256,500

Ordinary shares in the Company are recognised at the amount paid per ordinary share net of directly attributable issue costs. The shares of the Company are quoted on the Colombo Stock Exchange. The holders of ordinary shares are entitled to receive dividends declared from time to time and are entitled to one vote per share at General Meetings of the Company.

- 30.1** On 8 April 2022, the Shareholders of the Company resolved to execute a sub-division of shares without a change to the stated capital of Rs. 256,500,000/- by splitting every one (01) existing voting ordinary share into four (04) voting ordinary shares. The sub-division of shares was executed on 27 April 2022. The shares so divided rank equal and pari passu 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 153,900,000).

31 RISK RESERVE

As at 31 March,	2023 Rs.'000	2022 Rs.'000
Balance at the beginning of the year	1,386,793	1,386,793
Transfer during the year	288,640	-
Balance at the end of the year	1,675,433	1,386,793

The Company makes a transfer of 10% (2021/22 - 10%) of its profit after tax to the risk reserve in accordance with the directions issued by the Central Bank of Sri Lanka.

32 FAIR VALUATION RESERVE VIA FINANCIAL ASSET RECOGNISED THROUGH OTHER COMPREHENSIVE INCOME

As at 31 March,	2023 Rs.'000	2022 Rs.'000
Balance at the beginning of the year	(2,000)	(2,000)
Transfer during the year	-	-
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 2023 is zero (31 March 2022 - zero).

33 DIVIDEND

The Board of Directors of the Company declared an interim dividend of Rs. 1.50 per share amounting to Rs. 923.4Mn for the year 2022/23 on 31 March 2023 (2021/22 - Nil).

Notes to the Financial Statements

34 RELATED PARTY DISCLOSURES

34.1 Directorships in Other Companies

The Directors of First Capital Treasuries PLC (Reporting Entity) are also Directors of the following companies (as of 31 March 2023).

Name of the company	Relationship	Mr. Nishan Fernando	Ms. Manjula Mathews
Janashakthi Limited	Ultimate Parent	-	Director
Janashakthi Insurance PLC	Subsidiary of the Ultimate Parent	-	-
Janashakthi Capital Limited	Subsidiary of the Ultimate Parent	-	-
Janashakthi Business Services (Private) Limited	Subsidiary of the Ultimate Parent	-	-
Janashakthi Corporate Services Limited	Subsidiary of the Ultimate Parent	-	-
Beckett Capital (Pvt) Ltd	Subsidiary of the Ultimate Parent	-	-
Orient Finance PLC	Subsidiary of the Ultimate Parent	-	-
First Capital Holdings PLC	Intermediate Parent	Chairman	Deputy Chairperson
First Capital Limited	Immediate Parent	Chairman	Deputy Chairperson
First Capital Asset Management limited	Subsidiary of Immediate Parent	Chairman	Deputy Chairperson
First Capital Markets Limited	Subsidiary of Immediate Parent	Chairman	Deputy Chairperson
First Capital Equities (Private) Limited	Subsidiary of Immediate Parent	Chairman	Deputy Chairperson
First Capital Trustee Services (Private) Limited	Subsidiary of Immediate Parent	-	Deputy Chairperson
Kelsey Developments PLC	Related party through KMP	-	-
Kelsey Homes (Private) Limited	Related party through KMP	-	-
Kelesy Homes (Central Park) Limited	Related party through KMP	-	-

KMP - Key Management Personnel

- Mr. Eardley Perera who was a director of First Capital Group companies other than First Capital Treasuries PLC and First Capital Trustee Services (Private) Limited retired with effect from 1 September 2022.
- Mr. Dinesh Schaffter who was the Managing Director of First Capital Group companies passed away on 15 December 2022.
- Ms. Manjula Mathews was appointed to the Board of Directors of First Capital Group Companies with effect from 27 December 2022 .

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.

Mr. Dilshan Wirasekara	Ms. Minette Perera	Mr. Chandana Lal de Silva	Dr. Nishan de Mel	Mr. Ramesh Schaffter
-	-	Chairman	-	Managing Director/Group CEO
-	-	-	Director	-
-	-	-	-	Director
-	-	-	-	Director
-	-	-	-	Director
-	-	-	-	Director
-	Director	-	-	-
Managing Director/CEO	Director	Director	Director	Director
Managing Director/CEO	Director	Director	Director	-
Managing Director/CEO	Director	Director	Director	-
Managing Director/CEO	Director	Director	Director	-
Managing Director	Director	Director	Director	-
Managing Director/CEO	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-

Notes to the Financial Statements

34 RELATED PARTY DISCLOSURES (Contd.)

34.2 Transactions with Parent Companies

As at 31 March,	2023 Rs.'000	2022 Rs.'000
Nature of Transaction		
Statement of Profit or Loss and Other Comprehensive Income		
Interest income on resale agreements	2,230	1,265
Interest expenses on repurchase agreements	45,176	20,573
Interest expense on debentures	2,910	2,905
Reimbursement of expenses	19,980	15,289
Gain/(Loss) Realised on Sale of Government Securities	17,162	-
Interest expenses on ILF	143,728	-
Commitment fee	6,244	5,000
Corporate guarantee charges	306	1,419
Statement of Changes in Equity		
Dividend payable	825,141	-
Statement of Financial Position		
Right of use asset (at cost)	3,961	8,294
Borrowings on listed debentures	22,832	22,787
Securities sold under repurchase agreements (government securities)	-	477,689
Current account payable	13,844	3,624
Current account receivable	-	1,028

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

As at 31 March,	2023 Rs.'000	2022 Rs.'000
Nature of Transaction		
Statement of Profit or Loss and Other Comprehensive Income		
Interest expenses on repurchase agreements	-	225
Statement of Financial Position		
Right of use asset (at cost)	416	6,094
Current account receivables	959	1,028
Current account payable	-	186

34 RELATED PARTY DISCLOSURES (Contd.)

34.4 Transaction with other related parties

As at 31 March,	2023 Rs.'000	2022 Rs.'000
Nature of Transaction		
Statement of Profit or Loss and Other Comprehensive Income		
Interest income on resale agreements	29,393	35,365
Gain on sale of government securities	12,298	285
Interest expenses on repurchase agreements	217,293	243,641
Interest expenses on debenture	31,875	31,875
Secretarial fees paid	402	414
Statement of Financial Position		
Securities purchased under resale agreements (government securities)	-	-
Securities sold under repurchase agreements (government securities)	1,744,284	2,133,289
Borrowings on listed debentures	254,025	253,526
Current account payables	-	4
Current account receivables	-	2,718

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.

34.5 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;

- The individual's domestic partner and children;
- Children of the individual's domestic partner; and
- 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.

As at 31 March,	2023 Rs.'000	2022 Rs.'000
Nature of Transaction		
Statement of Profit or Loss and Other Comprehensive Income		
Emoluments paid - short term benefits	153,240	25,339
Interest income on resale agreements	11,097	-
Interest Expense on repurchase agreements	607	537
Statement of Financial Position		
Securities Purchased under Re-sale Agreements (against government securities)	137,074	-
Securities sold under repurchase agreements (against government securities)	-	6,756

- 34.6 As per the listing rule no. 9.3.2 (b), there were no recurrent related party transactions to be disclosed which exceeded the stipulated threshold level (aggregate value of the recurrent Related Party Transactions exceeds 10% of the gross revenue/ income as per the Audited Financial Statements).

Notes to the Financial Statements

35 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 2023.

36 LITIGATION AND CLAIMS

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 disclosures in the financial statements for the year ended 31 March 2023.

37 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. 270 Mn. A cash advance of Rs. 230 Mn has been made as of 31 March 2023.

The Company entered into a sale and purchase agreement to acquire a property (land and premises) for a consideration of Rs. 382 Mn and an advance of Rs. 77.3 Mn was paid. However, in consequent to the seller failing to honour 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 2023 is Rs. 2,764 Mn (31 March 2022 - Rs. 1,363 Mn) and the value of forward sales contracts (Government Securities) as at 31 March 2023 is Rs. 9,493 Mn (31 March 2022 - Rs. 1,210 Mn).

38 EVENTS AFTER THE REPORTING PERIOD

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

39 ECONOMIC OUTLOOK AND THE BUSINESS IMPACT

The Economic activities for near term are expected to be induced by the favourable developments occurred since end of 1st quarter of 2023 followed by the reduction in policy rates by the Central Bank of Sri Lanka in May 2023 and July 2023. However, GDP growth for year 2023 is expected to be negatively impacted due to lower volume of economic activities as a result of contraction in private consumption.

The Economy is expected to recover in the medium to long term conditional on restoring reassurance on the implementation of proposed economic adjustment programme via the International Monetary Fund (IMF) and social coherence.

The Company has adequate level of financial and other resources to face the uncertainties via economic unrest and therefore the impact on the business operations is expected to be minimal. The prevailing economic uncertainties do not have a significant impact on the liquidity, valuation of assets and solvency of the Company.

40 CAPITAL MANAGEMENT

The Objectives of the capital management of the company are summarised below.

1. Appropriately allocate capital to meet the strategic objectives.
2. Enable the company to face any economic downturn/crisis situation (via a solid capital buffer)

The Company's policy is to maintain a strong capital base to ensure investor, creditor, and market confidence in order to sustain the future development of the business, complying with the regulatory requirements on an ongoing basis. The Company monitors the return on capital, gearing ratio, dividend payout to ordinary shareholders.

The Capital comprises stated capital, capital reserves and revenue reserves with adjustments on intangible assets and deferred tax assets (core capital – Tier I) and subordinated debts (Tier II). The Company manages its capital structure and adjusts it accordingly in line with the changes in regulatory, economic and market conditions and the overall risk appetite. Summary of the capital structure of the company is as follows:

As at 31 March,	2023	2022
Core capital	4,481	3,779
Subordinated debts (listed debts)	750	750
Total capital funds	5,231	4,529

The Company is required to maintain statutory minimum core capital and risk weighted capital adequacy positions as prescribed by the CBSL periodically.

Minimum core capital requirement for primary dealer companies as per the CBSL Direction No. 01 of 2021 is as follows;

Effective Date	Minimum of Core Capital Requirement
1 January 2022	Rs. 2.0Bn
1 January 2023 (prevailing requirement)	Rs. 2.5Bn

The Company's compliance status in relation to minimum core capital and risk weighted capital adequacy ratio is as follows;

Compliance requirement	Status as at 31 March 2023	Status as at 31 March 2022
Minimum core capital of Rs. 2.0Bn - w.e.f. 01 January 2022 (prior to 1 January 2022 - Rs. 1Bn)	Rs.4.4Bn	Rs. 3.8Bn
Risk weighted capital adequacy ratio of 10%	23.98%	84.87%

Notes to the Financial Statements

41 FINANCIAL RISK MANAGEMENT

Overview

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

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

41.1 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.

41.2 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

As at 31 March,	2023 Rs.'000	2022 Rs.'000
Fixed rate instruments		
Financial assets		
Derivative Financial Instruments	51,194	5,190
Financial Assets recognised through profit or loss - measured at fair value	50,753,172	24,509,930
Financial assets at amortised cost	1,131,851	3,109,800
	51,936,217	27,624,920
Financial liabilities		
Derivative Financial Instruments	153,586	2,622
Securities sold under repurchase agreements	43,830,826	23,397,838
Borrowings on debentures	762,076	760,577
	44,746,488	24,161,037

Fair value sensitivity analysis for fixed rate instruments

A reasonably possible 5% change in 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 remain constant except the interest rate.

41 FINANCIAL RISK MANAGEMENT (Contd.)

As at 31 March,	Profit or loss		Equity, net of tax	
	5% Decrease	5% Increase	5% Decrease	5% Increase
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Fixed rate instruments				
Financial assets				
Derivative Financial Instruments	405,628	699,045	283,939	489,332
Financial assets recognised through profit or loss - measured at fair value	5,351,283	(4,511,774)	3,745,898	(3,158,242)
	5,756,911	(3,812,729)	4,029,837	(2,668,910)
Financial liabilities				
Derivative Financial Instruments	4,506	(150,567)	3,154	(105,397)
Borrowings on debentures	38,088	(38,088)	26,662	(26,662)
	42,594	(188,655)	29,816	(132,059)

41.3 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

	Carrying Amount Rs. '000	Total 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	24,023	24,023	24,023	-	-	-	-	-
Derivative financial instruments	51,194	51,194	18,059	33,135	-	-	-	-
Financial assets recognised through profit or loss - measured at fair value	50,753,172	50,753,172	-	423,036	1,694,571	18,568,956	26,978,234	3,088,375
Financial assets - at Amortised cost	1,131,851	1,131,851	-	1,131,851	-	-	-	-
Receivable from related companies	3,744	3,744	3,744	-	-	-	-	-
Staff Loan	192	192	-	-	14	179	-	-
Total	51,964,176	51,964,176	45,826	1,588,022	1,694,585	18,569,135	26,978,234	3,088,375
As at 31 March 2022	27,975,565	28,795,388	481,537	25,126,351	275,000	2,912,500	-	-
Liabilities								
Derivative financial instruments	153,586	153,586	18,085	135,501	-	-	-	-
Securities sold under repurchase agreements	43,830,826	44,036,954	-	43,933,499	95,596	-	7,859	-
Payable to related companies	11,755	11,755	11,755	-	-	-	-	-
Borrowing on Debentures	762,076	941,512	-	-	95,625	845,887	-	-
Total	44,758,243	45,143,807	29,840	44,069,000	191,221	845,887	7,859	-
As at 31 March 2022	24,167,565	24,549,606	15,482,128	6,259,229	1,858,878	941,512	-	7,859

Notes to the Financial Statements

41 FINANCIAL RISK MANAGEMENT (Contd.)

41.4 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.

41.4.1 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.

31 March	Rating	Rating Agency	2023 Rs. '000	2022 Rs. '000
Bank of Ceylon	A	Fitch	3,872	7,016
Commercial Bank of Ceylon PLC	A	Fitch	40	44
Hatton National Bank PLC	A	Fitch	44	44
National Development Bank PLC	A-	Fitch	30	33
People's Bank	A	Fitch	521	433
Seylan Bank PLC	A-	Fitch	8,644	340,740
Total Exposure to credit Risk			13,151	348,310
Central Bank of Sri Lanka			10,797	200
Cash in hand			75	75
Cash and Cash Equivalents			24,023	348,585

Credit Quality by Class of Financial Assets

As at 31 March 2023	12 Month expected credit losses Rs. '000	Life time expected credit losses not credit impaired Rs. '000	Life time expected credit losses credit impaired Rs. '000	Total Rs. '000
Assets				
Cash at Banks	23,948	-	-	23,948
Derivative financial instruments	51,194	-	-	51,194
Financial assets recognised through profit or loss - measured at fair value	50,753,172	-	-	50,753,172
Financial assets - at Amortised cost	1,131,851	-	-	1,131,851
Staff Loan	192	-	-	192
Receivable from related companies	3,744	-	-	3,744
Total	51,964,101	-	-	51,964,101

41 FINANCIAL RISK MANAGEMENT (Contd.)

Credit Quality by Class of Financial Assets

As at 31 March 2022	12 Month expected credit losses Rs. '000	Life time expected credit losses not credit impaired Rs. '000	Life time expected credit losses credit impaired Rs. '000	Total Rs. '000
Assets				
Cash at Banks	348,510	-	-	348,510
Derivative financial instruments	5,190	-	-	5,190
Financial assets recognised through profit or loss - measured at fair value	24,509,930	-	-	24,509,930
Financial assets - at Amortised cost	3,109,800	-	-	3,109,800
Staff Loan	949	-	-	949
Receivable from related companies	2,060	-	-	2,060
Total	27,976,439	-	-	27,976,439

Analysis of Concentration Risk

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

	Cash at Banks	Derivative Financial Instruments	Financial assets recognised through profit or loss - measured at fair value	Financial assets - at Amortised cost	Financial assets - fair value through other comprehensive income	Staff Loan	Receivable from Related Companies
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000

As at 31 March 2023

Sector wise breakdown

Government	15,190	16,687	50,753,172	-	-	-	-
Corporate	8,758	30,122	-	384,932	-	-	3,744
Others	-	4,385	-	746,919	-	192	-
Total	23,948	51,194	50,753,172	1,131,851	-	192	3,744

As at 31 March 2022

Sector wise breakdown

Government	7,649	3,290	24,509,930	2,368,982	-	-	-
Corporate	340,861	1,900	-	618,688	-	-	2,060
Others	-	-	-	122,130	-	949	-
Total	348,510	5,190	24,509,930	3,109,800	-	949	2,060

Notes to the Financial Statements

41 FINANCIAL RISK MANAGEMENT (Contd.)

41.5 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 the 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.

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

Level- 2

Financial instruments that are measured at fair value on 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.

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

41 FINANCIAL RISK MANAGEMENT (Contd.)

42.1 As at 31 March

	2023		2022	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Financial Assets measured at Fair Value				
Derivative financial instruments	51,194	51,194	5,190	5,190
Financial assets recognised through profit or loss - measured at fair value	50,753,172	50,753,172	24,509,930	24,509,930
	50,804,366	50,804,366	24,515,120	24,515,120
Financial Assets not measured at Fair Value				
Cash at banks and in hand	24,023	24,023	348,585	348,585
Staff Loan	192	192	949	949
Financial assets - at Amortised cost	1,131,851	1,131,851	3,109,800	3,111,608
Receivable from related companies	3,744	3,744	2,060	2,060
	1,159,810	1,159,810	3,461,394	3,463,202
Total Financial Assets	51,964,176	51,964,176	27,976,514	27,978,322

42.1 Fair Value Versus the Carrying Amount

	2023		2022	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Financial Liabilities measured at Fair Value				
Derivative financial instruments	153,586	153,586	2,622	2,622
	153,586	153,586	2,622	2,622
Financial Liabilities not measured at Fair Value				
Securities sold under repurchase agreements	43,830,826	43,837,662	23,397,838	23,377,150
Payable to related companies	11,755	11,755	6,528	6,528
Borrowing on Debentures	762,076	566,783	760,577	678,438
	44,604,657	44,416,200	24,164,943	24,062,116
Total Financial Liabilities	44,758,243	44,569,786	24,167,565	24,064,738

Notes to the Financial Statements

42.2 Financial Instruments- Fair Value

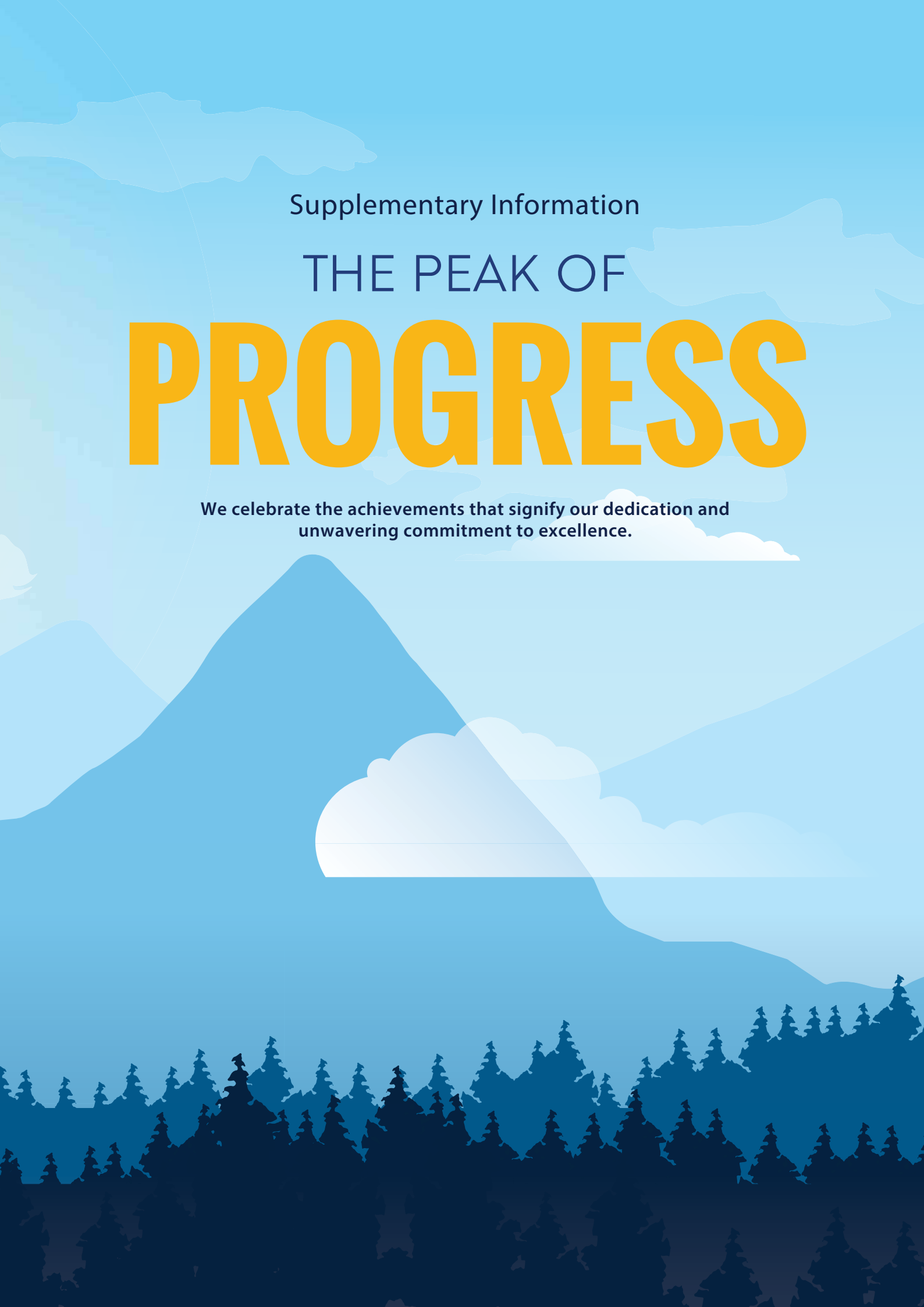
The following tables show an analysis of financial instruments at fair value and by level of fair value hierarchy.

As at 31 March 2023	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	38,918	38,918	-	-	38,918
Forward sale contracts	12,276	12,276	-	-	12,276
	51,194	51,194	-	-	51,194
Financial assets recognised through profit or loss - measured at fair value					
Investment in government securities	50,753,172	50,753,172	-	-	50,753,172
	50,753,172	50,753,172	-	-	50,753,172
Financial assets recognised through other comprehensive income	-	-	-	-	-
	50,804,366	50,804,366	-	-	50,804,366
Financial Assets not measured at Fair Value					
Cash at Banks and in Hand	24,023	-	-	24,023	24,023
Financial assets - at Amortised cost	1,131,851	-	-	1,131,851	1,131,851
Receivable from Related Companies	3,744	-	-	3,744	3,744
	1,159,618	-	-	1,159,618	1,159,618
Total Financial Assets	51,963,984	50,804,366	-	1,159,618	51,963,984
Financial Liabilities measured at Fair Value					
Derivative Financial Instruments					
Forward purchase contracts	4,506	4,506	-	-	4,506
Forward sale contracts	149,080	149,080	-	-	149,080
	153,586	153,586	-	-	153,586
Financial Liabilities not measured at Fair Value					
Securities sold under repurchase Agreements	43,830,826	-	-	43,837,662	43,837,662
Payable to Related Companies	11,755	-	-	11,755	11,755
Borrowing on Listed Debentures	762,076	-	566,783	-	566,783
	44,604,657	-	566,783	43,849,417	44,416,200
Total Financial Liabilities	44,758,243	153,586	566,783	43,849,417	44,569,786

42.2 Financial Instruments- Fair Value (Contd.)

As at 31 March 2022	Total Carrying Value Rs. '000	Level 1 Rs. '000	Level 2 Rs. '000	Level 3 Rs. '000	Total Fair Value Rs. '000
Financial Assets measured at Fair Value					
Derivative Financial Instruments					
Forward purchase contracts	3,290	3,290	-	-	3,290
Forward sale contracts	1,900	1,900	-	-	1,900
	5,190	5,190	-	-	5,190
Financial assets recognised through profit or loss - measured at fair value					
Investment in government securities	24,509,930	24,509,930	-	-	24,509,930
	24,509,930	24,509,930	-	-	24,509,930
Financial assets - fair value through other comprehensive income	-	-	-	-	-
	24,515,120	24,515,120	-	-	24,515,120
Financial Assets not measured at Fair Value					
Cash at Banks and in Hand	348,585	-	-	348,585	348,585
Financial assets - at Amortised cost	3,109,800	2,370,790	-	740,818	3,111,608
Receivable from Related Companies	2,060	-	-	2,060	2,060
	3,460,445	2,370,790	-	1,091,463	3,462,253
Total Financial Assets	27,975,565	26,885,910	-	1,091,463	27,977,373
Financial Liabilities measured at Fair Value					
Derivative Financial Instruments					
Forward purchase contracts	-	-	-	-	-
Forward sale contracts	2,622	2,622	-	-	2,622
	2,622	2,622	-	-	2,622
Financial Liabilities not measured at Fair Value					
Securities sold under Repurchase Agreements	23,397,838	-	-	23,377,150	23,377,150
Payable to Related Companies	6,528	-	-	6,528	6,528
Borrowing on Listed Debentures	760,577	-	678,438	-	678,438
	24,164,943	-	678,438	23,383,678	24,062,116
Total Financial Liabilities	24,167,565	2,622	678,438	23,383,678	24,064,738





Supplementary Information

THE PEAK OF PROGRESS

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unwavering commitment to excellence.

Investors' Information

INFORMATION ON ORDINARY SHARES

1. Stock Exchange Listing

Ordinary shares of First Capital Treasuries PLC were listed on the Colombo Stock Exchange on 23 December 2021.

2. Distribution of Shareholding

No. of Shares held	31 March 2023				31 March 2022			
	Shareholders		Holding		Shareholders		Holding	
	Number	%	Number	%	Number	%	Number	%
1-1,000	561	36.22	175,864	0.03	374	45.50	171,365	0.11
1,001 - 10,000	593	38.28	2,769,352	0.45	349	42.46	1,066,187	0.70
10,001 - 100,000	321	20.72	10,109,323	1.64	83	10.10	2,694,469	1.75
100,001 - 1,000,000	70	4.52	21,665,050	3.52	13	1.58	3,293,709	2.14
Over 1,000,000	4	0.26	580,880,411	94.36	3	0.36	146,674,270	95.30
Total	1,549	100.00	615,600,000	100.00	822	100.00	153,900,000	100.00

3. Analysis of Shareholders

Category of Shareholders	31 March 2023				31 March 2022			
	Shareholders		Holding		Shareholders		Holding	
	Number	%	Number	%	Number	%	Number	%
Individuals	1,402	90.51	20,338,366	3.30	743	90.39	3,294,932	2.14
Institutions	147	9.49	595,261,634	96.70	79	9.61	150,605,068	97.86
Total	1,549	100.00	615,600,000	100.00	822	100.00	153,900,000	100.00
Resident	1,541	99.48	615,307,984	99.95	821	99.88	153,885,000	99.99
Non-Resident	8	0.52	292,016	0.05	1	0.12	15,000	0.01
Total	1,549	100.00	615,600,000	100.00	822	100.00	153,900,000	100.00

4. Public Holding

	31-03-2023	31-03-2022
Number of shares held by the public	65,490,032	16,241,000
Percentage held by the public	10.64%	10.55%
Float adjusted market capitalisation	1,473,746,400	454,620,600

Number of public shareholders as at 31 March 2023 is 1,547.

The Company is complied with the Minimum Public Holding requirement under option 1 of the Section 7.14.1.i.(b) of the Listing Rules of the Colombo Stock Exchange.

5. Share Price Movement for the Year

	2022/23 Rs.	2021/22 Rs.
Highest	28.40**	65.10*
Lowest	21.10**	25.00*
Year-end	22.50**	28.00*

* Market price per share - Before the Subdivision of shares

** Market price per share - After the Subdivision of shares

6. Information on Share Trading and Market Capitalisation

	2022/23	2021/22
Number of transactions	37,488	7,834
Number of shares traded	172,079,612	15,166,594
Value of shares traded (Rs.)	3,672,021,598	713,063,867
Market capitalisation (Rs.)	13,851,000,000	4,309,200,000

7. Top Twenty Shareholders

	No. of Shares as at 31 March 2023	Holding (%)	No of Shares as at 31 March 2022	Holding (%)
1 First Capital Limited	550,093,968	89.36	137,654,990	89.44
2 Employees Trust Fund Board	28,056,475	4.56	7,177,277	4.66
3 J. B. Cocoshell (Pvt) Ltd	1,729,881	0.28	384,639	0.25
4 Mr. E. J. B. U. Fernando	1,000,087	0.16	-	-
5 People's Leasing & Finance PLC/L.P.Hapangama	952,739	0.15	-	-
6 Mr. D. Weerasinghe	950,000	0.15	-	-
7 Seylan Bank PLC/Agampodi Chamara Senanka	905,000	0.15	-	-
8 Seylan Bank PLC/Karagoda Loku Gamage Udayananda	819,650	0.13	-	-
9 Merchant Bank of Sri Lanka & Finance PLC/P.P.H. Matarage	661,200	0.11	-	-
10 People's Leasing & Finance PLC/L.H.L.M.P.Haradasa	611,987	0.10	-	-
11 People's Leasing & Finance PLC/Mr. D. M. P. Disanayake	611,414	0.10	-	-
12 Citizens Development Business Finance PLC	570,968	0.09	-	-
13 People's Leasing & Finance PLC/K. L.Udayananda	565,625	0.09	-	-
14 M Investments Lanka (Pvt) Ltd	536,453	0.09	110,000	0.07
15 Mr. F. H. T. C. Silva	510,841	0.08	-	-
16 Mr. K. M. J. C. Udumulla	510,000	0.08	-	-
17 Hatton National Bank PLC/Mr. Gerad Shamil Niranjana Peris	500,000	0.08	-	-
18 Assetline Leasing Company Ltd/H. M. A. K. B. Herath	498,774	0.08	-	-
19 Commercial Bank of Ceylon PLC/Andaradeniya Estate (Pvt) Ltd	498,711	0.08	306,992	0.20
20 Mr. B. W. R. Srikantha	480,000	0.08	-	-
Total	591,063,773	96.00	145,633,898	94.62

Note: The Company executed a sub-division of shares by splitting every one (01) existing voting ordinary share into four (04) voting shares with effect from 27 April 2022. The disclosures relating to the financial year 2021/22 are based on information prior to sub-division of shares.

Information on Listed Debentures

1 Information of Listed Debentures

Allotment Date	Frequency on Interest Payment	No. of Debentures issued and allotted	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 2023

Debentures with 5 year maturity have not been traded during the year ended 31 March 2023. Hence, par value is recognised as its market value. Hence, yield to maturity on trade done is also not applicable.

5 year fixed rate (12.75% p.a. payable semi-annually)	2022/23 Rs.	2021/22 Rs.
Highest price	N/A	N/A
Lowest price	N/A	N/A
Last traded price	N/A	N/A
Debenture Interest Yield (last traded)	2022/23	2021/22
5 year fixed rate (12.75 % p.a. payable semi-annually)	N/A	N/A
Yield of Comparable Government Securities	As at 31-03-2023	As at 31-03-2022
Treasury bond (maturity 15 January 2025)	29.89%	-
Treasury bond (maturity 15 March 2025)	-	14.91%

4 Debt Ratios

	As at 31-03-2023	As at 31-03-2022
Debt/equity ratio (times)	8.16	6.24
Quick asset ratio (times)	1.15	1.19
Interest cover (times)	1.60	0.15

5 Credit Ratings

The Rating Agency of First Capital Treasuries PLC has been changed from ICRA Lanka Limited (ICRA) to Lanka Rating Agency Limited due to cessation of operations by ICRA as a credit rating agency in Sri Lanka. Lanka Rating Agency Limited assigned the credit rating of "A" (pronounced "single A") for the Company and the rating of long term debt of Rs. 750Mn Listed, Rated, Subordinated, Unsecured, Redeemable Debenture (2020/25) of A-(pronounced "single A minus").

Ten Year Summary

Year ended 31 March	2023 Rs. '000	2022 Rs. '000	2021 Rs. '000
Trading Results			
Gross income	9,969,951	622,824	4,294,461
Profit/(loss) before tax	3,752,909	(889,699)	2,397,342
Tax (charge)/reversal	(866,513)	237,254	(560,061)
Profit/(loss) after tax	2,886,396	(652,445)	1,837,281
Other comprehensive income/(loss)	(2,429)	7,782	(2,246)
Total comprehensive income/(loss)	2,883,967	(644,663)	1,835,035
As at 31 March			
	2023 Rs. '000	2022 Rs. '000	2021 Rs. '000
Financial Position			
Assets			
Cash at banks and in hand	24,023	348,585	146,614
Derivative financial instruments	51,194	5,190	2,315
Financial assets recognised through profit or loss - measured at fair value	50,753,172	24,509,930	23,085,413
Financial assets - fair value through other comprehensive income	-	-	-
Financial assets - at amortised cost	1,131,851	3,109,800	2,158,045
Deferred tax asset	4,964	94,318	4,731
Property, plant and equipment and right of use assets	16,112	7,782	9,849
Other assets	342,592	340,978	317,490
Total assets	52,323,908	28,416,583	25,724,457
Liabilities			
Bank overdrafts	-	-	-
Derivative financial instruments	153,586	2,622	824
Securities sold under re-purchase agreements	43,830,826	23,397,838	19,330,472
Short term borrowings	-	-	-
Tax payables	629,708	-	740,959
Retirement benefit obligations	18,718	11,561	19,843
Borrowings on listed debentures	762,076	760,577	759,255
Other liabilities	1,464,981	370,425	354,881
Total Liabilities	46,859,895	24,543,023	21,206,234
Equity			
Stated capital	256,500	256,500	256,500
Risk reserve	1,675,433	1,386,793	1,386,793
Retained earnings	3,534,080	2,232,267	2,876,930
Fair Valuation Reserve	(2,000)	(2,000)	(2,000)
Total Equity	5,464,013	3,873,560	4,518,223
Total Equity and Liabilities	52,323,908	28,416,583	25,724,457
Other Financial Information			
Earnings/(loss) per share* - Rs.	4.68	(1.06)	2.98
Dividend per share* - Rs.	1.5	-	0.84
Dividend payout (%)	32.05	-	28.19
Leverage (times)	8.16	6.24	4.45
Net assets per share* - Rs.	8.88	6.29	7.34

*The effect of sub-division of shares has been adjusted retrospectively.

	2020 Rs. '000	2019 Rs. '000	2018 Rs. '000	2017 Rs. '000	2016 Rs. '000	2015 Rs. '000	2014 Rs. '000
	3,708,401	2,671,869	2,510,251	2,536,109	847,442	1,937,351	1,420,891
	1,751,660	137,428	823,406	343,765	11,213	729,705	517,944
	(544,083)	(41,621)	847,465	-	-	-	-
	1,207,577	95,807	1,670,871	343,765	11,213	729,705	517,944
	(1,244)	(2,204)	(438)	4,410	(697)	2,414	(3,168)
	1,206,333	93,603	1,670,433	348,175	10,516	732,119	514,776
	2020 Rs. '000	2019 Rs. '000	2018 Rs. '000	2017 Rs. '000	2016 Rs. '000	2015 Rs. '000	2014 Rs. '000
	8,361	2,144	3,077	13,731	1,382	2,120	3,960
	2,734	3,454	47,868	24,075	40,861	40,609	6,878
	36,212,069	29,533,427	23,376,073	15,384,251	9,206,856	8,637,938	11,531,581
	-	-	1,000	1,000	1,000	1,000	1,000
	793,503	1,863,996	968,887	6,369,562	5,903,738	7,323,882	911,215
	262,493	806,482	847,635	-	-	-	-
	7,195	1,255	1,393	2,581	5,697	18,991	31,692
	96,246	112,189	256,751	144,336	151,658	70,979	65,683
	37,382,601	32,322,947	25,502,684	21,939,536	15,311,192	16,095,519	12,552,009
	-	6,660	2,759	-	1,532	-	2,694
	3,118	2,878	21,659	2,240	20,835	31,359	1,008
	32,182,773	27,482,737	21,691,825	19,677,003	13,271,621	14,011,649	11,156,646
	-	991,384	-	-	-	-	-
	439,878	-	-	-	37,358	33,929	26,425
	14,331	11,446	10,974	8,600	12,327	9,368	9,911
	758,342	511,111	510,689	510,304	509,953	505,143	-
	246,756	91,848	133,498	80,472	20,165	77,186	29,569
	33,645,198	29,098,064	22,371,404	20,278,619	13,873,791	14,668,634	11,226,253
	256,500	256,500	256,500	256,500	256,500	256,500	256,500
	1,203,065	1,082,307	1,072,726	905,639	871,262	870,141	687,715
	2,279,838	1,887,076	1,802,054	498,778	309,639	300,244	381,541
	(2,000)	(1,000)	-	-	-	-	-
	3,737,403	3,224,883	3,131,280	1,660,917	1,437,401	1,426,885	1,325,756
	37,382,601	32,322,947	25,502,684	21,939,536	15,311,192	16,095,519	12,552,009
	1.96	0.16	2.71	0.56	0.02	1.19	0.84
	1.29	-	0.33	0.20	-	1.03	0.88
	65.63	-	11.97	36.26	-	86.47	104.00
	8.81	8.99	7.09	12.15	9.59	10.17	8.42
	6.07	5.24	5.09	2.70	2.33	2.32	2.15

Glossary of Financial and Business Terms

Accounting Policies

The specific principles, bases, conventions, rules and practices adopted by an entity in preparing and presenting financial statements.

Accrual Basis

Recognising the effects of transactions and other events when they occur without waiting for receipt or payment of cash or cash equivalent.

Additional Issue

The issuance of new shares for sale to public by a company that has already held its Initial Public Offering (IPO).

Amortisation

The systematic allocation of the depreciable amount of an intangible asset over its useful life.

Amortised Cost

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

Asset

A resource controlled by the entity as a result of past events and from which future economic benefits are expected to flow to the entity.

Capital Adequacy Ratio (CAR)

A measure of a Primary Dealer's capital and is a prudential requirement reflecting the dealer's level of stability. Two categories of capital are measured by the CAR namely Tier 1 and Tier 2.

Tier 1 capital in view of local Primary Dealers consists of shareholders' equity, retained earnings or other surpluses and preference shares types as selectively set out by the Central Bank of Sri Lanka.

Tier 2 capital includes revaluation reserves, subordinated term debt, perpetual subordinated debt and cumulative preference shares as selectively set out by the Central Bank of Sri Lanka.

Capital Employed

The sum of shareholders' equity and debt liabilities simplified as Total Assets less Current Liabilities denoting the total amount of capital used in the acquisition of profits.

Capital Reserves

The profits of a company which (for various reasons) are not regarded as distributable to shareholders as dividends. These include gains on the revaluation of capital assets.

Cash Equivalents

Short-term, highly liquid investments which are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Contingent Liabilities

Conditions or situations at the reporting date, the financial effects of which are to be determined by future events which may or may not occur.

Corporate Governance

Process by which corporate entities are governed to promote stakeholder interest. Shareholders exert collective pressure on management to ensure equitable decision making on matters that may affect the value of their holdings and base their response on statutory requirements or on so called "Best Practice".

Credit Rating

An evaluation of a corporate's ability to repay its obligations or likelihood of not defaulting, carried out by an independent rating agency.

Credit Risk

The risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

Deferred Tax

Sum set aside in the financial statements that may become payable/receivable in a financial year other than the current financial year. It arises because of temporary differences between tax rules and accounting conventions.

De-recognition

Removal of a previously recognised financial asset or financial liability from an entity's Statement of Financial Position.

Derivatives

A derivative is a financial instrument or other contract, the value of which changes in response to some underlying variable (eg. an interest rate), that has an initial net investment smaller than would be required for other instruments that have a similar response to the variable, and that will be settled at a future date.

Dividend Cover

Profit after tax divided by gross dividends. This measures the number of times the dividend is covered by distributable profits.

Depreciation

The systematic allocation of the depreciable amount of an asset over its useful life.

Dividend Payout

It is the percentage of earnings paid to shareholders in dividends.

Dividend Yield

Dividend earned per share as a percentage of its market value.

Earnings per Share

Profit attributable to ordinary shareholders, divided by the weighted average number of ordinary shares in issue.

Effective Interest Method

A method of calculating the amortised cost of a financial asset or a financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period.

Events occurring after the Reporting Period

Significant events that occur between the reporting date and the date on which financial statements are authorised for issue.

Expected Credit Losses

Expected credit losses are a probability – weighted estimate of credit losses over the expected life of the financial instrument.

12 Month Expected Credit Losses

The portion of expected credit losses that result from default events that are possible within the 12 months after the reporting date.

Lifetime Expected Credit Losses

The expected credit losses that result from all possible default events over the expected life of a financial instrument.

Fair Value

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.

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

These financial assets are held within a business model with the objective to sell financial assets.

Financial assets at amortised cost

These financial assets are held within a business model with the objective to hold financial assets in order to collect contractual cash flows. These assets are tested for impairment.

Financial assets - fair value through other comprehensive income

These financial assets are held within a business model with the objective to both hold financial assets in order to collect contractual cash flows and sell financial assets.

Financial Asset or Financial Liability at Fair Value through Profit or Loss

Financial asset or financial liability that is held for trading or upon initial recognition designated by the entity as 'at fair value through profit or loss'.

Financial Instrument

Any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Forward Rate Agreement

An agreement between two parties who wish to protect themselves against a future movement in interest rates.

Gross Dividends

The portion of profit inclusive of tax withheld distributed to shareholders.

Guarantee

A promise made for a fee by a third party (Guarantor), who is not a party to the contract between two others, that the guarantor will be liable if one of the parties fails to fulfill the contractual obligations.

Held to Maturity Investment

Non-derivative financial assets with fixed or determinable payments and fixed maturity that an entity has the positive intention and ability to hold to maturity.

Impairment

This occurs when recoverable amount of an asset is less than its carrying amount.

Intangible Asset

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

Interest Rate Risk

The risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Interest Rate SWAP

An interest rate SWAP is a contract, whereby two parties agree to exchange a set of interest cash flows based on a notional principle on pre-arranged dates. Normally fixed rate is exchanged for a floating rate.

Interest Cover

A ratio showing the number of times interest charges is covered by earnings before interest and tax.

IPO or Initial Public Offering

The first sale of a company's shares to the public, leading to the listing of its shares on the stock market.

Key Management Personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly.

Lease

An agreement whereby the lessor conveys to the lessee in return for a payment or series of payments the right to use an asset for an agreed period of time.

Liabilities

Debt or obligations of a business.

Liquidity Risk

The risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities.

Listed

A company or its financial securities which are admitted for trading on a stock exchange.

Loans and Receivables

Non derivative financial assets with fixed or determinable payments that are not quoted in an active market other than those intended to sell immediately or in the near term and designated as fair value through profit or loss or available for sale on initial recognition.

Glossary of Financial and Business Terms

Market Value per Share

The price at which an ordinary share is transacted in the stock market.

Market Capitalisation

The market value of a company at a given date obtained by multiplying the share price by the number of issued shares.

Materiality

The relative significance of a transaction or an event, the omission or misstatement of which could influence the decisions of users of financial statements.

Net Assets per Share

Net assets (total assets less total liabilities) divided by the number of shares issued.

Operational Risk

This refers to the risk of loss resulting from inadequate or failed internal processes, people and systems, or from external events.

Outright

The purchase or sale of a currency or security for delivery on any date other than spot (not being a swap transaction).

Overnight

Deposit or swap transaction for settlement on transaction date to or against the next business day after transaction date.

Policy Rates

The rates that are used by a central bank to implement or signal its monetary policy stance. The Central Bank of Sri Lanka uses the Standing Deposit Facility Rate and Standing Lending Facility Rate as policy rates.

Price Earnings Ratio

Market price of a share divided by earnings per share.

Primary Dealer

A dealer in government securities licensed by the Central Bank of Sri Lanka.

Prime Lending Rate (PLR)

The interest rate a commercial bank will offer to its best customers.

Related Parties

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions.

Related Party Transactions

A transfer of resources, services or obligations between related parties, regardless of whether a price is charged or not.

Repurchase Agreement

An agreement (Repo for short) is the simultaneous sale and repurchase of a security on different settlement dates.

Return on Equity (ROE)

Profit after tax less preference share dividends if any, expressed as a percentage of ordinary shareholders' equity.

Return on Assets

Post-tax profit divided by average total assets.

Reverse Repurchase Agreement

An agreement (Reverse Repo for short) is the simultaneous purchase and resale of a security on different settlement dates.

Rights Issue

The issue of new shares with the right given to existing shareholders to purchase them in proportion to their shareholdings. This raises new capital for the company, often including a premium.

Shareholders' Funds

Shareholders funds consist of issued and fully paid ordinary share capital plus capital and revenue reserves.

Standing Deposit Facility Rate (SDLR)

The floor rate of interest for the absorption of overnight excess liquidity from the banking system by the Central Bank of Sri Lanka.

Standing Lending Facility Rate (SDFR)

The interest rate applicable on reverse repurchase transactions of the Central Bank of Sri Lanka with commercial banks on an overnight basis providing the ceiling rate for the injection of overnight liquidity to the banking system by the Central Bank of Sri Lanka.

Statutory Reserve Requirement (SRR)

The proportion of rupee deposit liabilities that commercial banks are required to maintain as a deposit with the Central Bank of Sri Lanka.

Substance Over Form

The consideration that the accounting treatment and the presentation in financial statements of transactions and the events are governed by their financial reality and not merely by its legal form.

Term Repo

A Repo with more than one day's duration. In this report we use it in relation to the Platinum Bond issued by the Company which is a Repo investment with medium to long term horizon. Also see Repurchase Agreement.

Transaction Costs

Incremental costs which are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability.

Unlisted

A financial instrument that is not traded on a stock exchange. This also refers to a company that has not been admitted to the stock exchange or acquired 'listed' status.

Yield Curve

The graphical depiction of the relationship between the yield on Treasury securities and the corresponding period.

Notice of Meeting

Notice is hereby given that the Annual General Meeting of First Capital Treasuries PLC will be held as a virtual meeting on Friday, 8 September 2023 at 10.30 a.m. to transact the following businesses.

1. To receive the Annual Report and the Audited Financial Statements of the Company for the year ended 31 March 2023 together with the Report of the Auditors thereon.
2. To re-elect Mr. Ramesh Schaffter who retires by rotation in terms of Article 90 of the Articles of Association of the Company and offers himself for re-election.
3. To re-appoint Ms. Manjula Mathews who was appointed to the Board on 27 December 2022, in terms of Article 96 of the Articles of Association of the Company.
4. To re-appoint Messrs. KPMG, Chartered Accountants as Auditors of the Company for the ensuing year and authorise the Directors to determine their remuneration.
5. To authorise the Directors to determine and make donations.

By Order of the Board,

(Sgd.)

Janashakthi Corporate Services Limited
Secretaries

15 August 2023

NOTES:

1. The Shareholders are requested to register with their first names and last names via the below link before 4.00 pm, on Wednesday, 6 September 2023, to receive the link to join the AGM. The same names should be used to log in to participate in the AGM on Friday, 8 September 2023 at 10.30 a.m.

<https://tinyurl.com/FCAGM2023-Registration>

2. A member entitled to attend and vote at the above Meeting is entitled to appoint a Proxy to attend and vote on behalf of him/her.
3. A Proxy need not be a member of the Company.
4. A Form of Proxy is enclosed for this purpose.
5. The completed Form of Proxy must be forwarded by email to secretaries@jcs.lk fax to +94 112372498, WhatsApp to +94 773647178 or directly deposited at the Office of the Company Secretaries. No registration of proxies will be accommodated after this deadline.
6. Shareholders who are unable to participate at the Meeting through the online meeting platform are encouraged to appoint a director as his/her/its proxy by forwarding the duly completed Proxy Form clearly indicating their vote under each matter set out in the Proxy Form to the Company Secretaries as specified above in order that their vote may be identified and recorded as if he/she/it were present at the Meeting.

Notes

Form of Proxy

I/We,
 of
 being a Member/s of the First Capital Treasuries PLC, hereby appoint Mr/Mrs/Miss

 (holder of NIC No.) of
 failing him/her,

1. Mr. Nishan Fernando failing him
2. Ms. Manjula Mathews failing her
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. Dilshan Wirasekara failing him

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, as a virtual meeting on Friday, 8 September 2023 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.	Receiving of the Annual Report and the Audited Financial Statements of the Company for the year ended 31 March 2023 together with the Report of the Auditor's thereon.	<input type="radio"/>	<input type="radio"/>
2.	Re-election of Mr. Ramesh Schaffter who retires by rotation in terms of Article 90 of the Articles of Association of the Company and offers himself for re-election.	<input type="radio"/>	<input type="radio"/>
3.	Re-appointment of Ms. Manjula Mathews as a Director in terms of Article 96 of the Articles of Association of the Company.	<input type="radio"/>	<input type="radio"/>
4.	Re-appointment of Messrs. KPMG, Chartered Accountants as Auditors of the Company for the ensuing year.	<input type="radio"/>	<input type="radio"/>
5.	Authorising Directors to determine and make donations.	<input type="radio"/>	<input type="radio"/>

Signed on this day of 2023

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 filling the date of signature and your National Identity Card Number.
2. The completed form of Proxy must be forwarded to the Company Secretaries by email secretaries@jcsl.lk, fax +94 112372498, WhatsApp to +94773647178 or directly deposited at the office of Company Secretaries, Janashakthi Corporate Services Limited, No. 15, Walukarama Road, Colombo 03 not less than 48 hours before the time fixed for the Meeting. No registration of proxies will be accommodated after this deadline.
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 in accordance with its Articles of Association or Constitution. The Company may but shall not be bound to require evidence of the authority of any such attorney or officer.
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
Ms. Manjula Mathews
Mr. Dilshan Wirasekara
Mr. Ramesh Schaffter
Ms. Minette Perera
Mr. Chandana de Silva
Dr. Nishan de Mel

Secretaries

Janashakthi 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



First Capital
A Janashakthi Group Company