

# ANNUAL REPORT 16 | 17



**First Capital**  
FIRST CAPITAL TREASURIES PLC



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## FINANCIAL HIGHLIGHTS

For the year ended 31 March	2017	2016	Variance
<b>Income Statement (Rs'000)</b>			
Income	2,536,109	847,442	199%
Net Trading Income	460,836	225,363	104%
Profit after Tax	343,765	11,213	2966%
Total Comprehensive Income	348,175	10,516	3211%
<b>Selected return ratios (Percentage)</b>			
Return on Average Equity	22.19%	0.78%	2745%
Return on Total Assets	1.57%	0.07%	2143%
<b>Financial position (Rs'000)</b>			
Total Assets	21,939,536	15,311,192	43%
Total Shareholders' Funds	1,660,917	1,437,401	16%
Stated Capital	256,500	256,500	-
Funds employed (Equity / Debt)	21,848,224	15,220,507	44%
<b>Selected Ratios (Time/ Percentage)</b>			
Leverage Ratio (Debt to Equity)	12.15	9.59	27%
Interest Cover	1.17	1.02	15%
Capital Adequacy Ratio	29.72%	30.60%	-3%
<b>Shares related information</b>			
Earnings per Share (Rs.)	22.34	0.73	2960%
Dividend per Share (Rs.)	8.10	-	-
Net assets per Share (Rs.)	107.92	93.40	16%
Dividend Payout Ratio (Percentage)	36.26%	-	-
Number of Shares in issued	15,390,000	15,390,000	-

## CHAIRMAN'S REVIEW

Dear Members of First Capital Treasuries PLC,

It was a year of solid performance for your Company, First Capital Treasuries PLC (FCT), where our swift action to capitalise on the subtleties of the market helped overcome headwinds and deliver healthy results across all KPI's.

### OPERATING ENVIRONMENT

The Central Bank of Sri Lanka (CBSL) tightened its monetary policy stance during 2016, which saw market interest rates trending upward for the first nine months of the year.

The strong demand for funds by the government saw yields on government securities moving up in the first two quarters of the financial year, followed by a drop from about August 2016 led by improvements in government finances and the availability of foreign inflows. Consequently, yields on 91-day, 182-day and 364-day Treasury bills as at 31st December 2016 showed a decline compared to March 2016 levels. However primary market yields for government securities with longer maturities increased progressively throughout 2016. Secondary market yields on shorter maturity Treasury bills and longer maturity Treasury bonds also moved up significantly compared to the previous year.

### OPERATING RESULTS FOR 2016/17

The lack of trading opportunities in the market meant FCT was compelled to capitalise on open positions to boost Net Interest Income (NII). This, coupled with portfolio rationalisation strategies to increase our margin spread for the year led to NII of Rs. 452Mn for the year, an impressive 160% higher than the Rs. 174Mn registered in the previous financial year.

Moreover, as a result of our proactive efforts we were able to generate a sizable amount in fair valuation gains attributable to fixed income securities particularly in the first six months of the year, which helped to reduce the fair valuation loss position reported at the end of the previous year.

Meanwhile, keen to ensure our funding strategies remained intact, FCT's Capital Adequacy Ratio was maintained at 29.72% over the statutory minimum of 10%. In addition to our focus on growth, we continued to work throughout the year to ensure that our fundamentals remain strong. In testimony to our efforts, FCT was reaffirmed the A- credit rating by ICRA Lanka for the 2nd consecutive year.

### GOVERNANCE AND RISK

We continue to believe that excellence in corporate governance is essential to ensure strategy execution and long term performance and sustainability of our primary dealer operation. Our goal is to ensure that good corporate governance continues to provide a solid foundation for our business, by promoting transparent and ethical business conduct at all levels, and continuing to add value for our Stakeholders. Accordingly, the Enterprise Risk Management Committee (ERMC) has been mandated by the Board to review the effectiveness and adequacy of the company's governance structures, to ensure compliance with statutory requirements and build an appropriate Risk Culture across the business.

### FUTURE OUTLOOK

Looking ahead, we realise that it is impossible to forecast every outcome, therefore we will continue to remain focused on sharpening on our trading strategies that will help optimise the Asset Mix. Further, by staying true to the core values of Our Company, adapting quickly to changes in the immediate operating environment, and maintaining our focus on meeting the needs of new and existing clients, we will strive to deliver on the expectation of our shareholders.

### APPRECIATIONS

I wish to express my sincerest appreciation to the Board of Directors for their unstinted support and guidance pertaining to all matters of governance. I take this opportunity to congratulate the CEO, the senior management and the entire staff of FCT for their exceptional dedication towards the Company's vision. Grateful thanks also go to the officials of the Central Bank of Sri Lanka for their advice and support. My thanks are also due to our shareholders, clients, bankers and other stakeholders of FCT. I seek your continued commitment in fulfilling the future aspirations of First Capital Treasuries PLC.

Sgd.  
**Nishan Fernando**  
Chairman

## BOARD OF DIRECTORS

### 01 NISHAN FERNANDO

**MBA (USJP), FCA, ACMA (UK), CGMA**

*Independent Non - Executive Chairman (Appointed with effect from 16 May 2017)*

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

He counts over 25 years of experience, during which period he held the position of CFO/ Head of Finance at Sri Lanka Telecom PLC, Odel PLC and Goodhope Asia. Nishan is a Past President / Council Member of the Institute of Chartered Accountants of Sri Lanka. He has served on the Council of International Federation of Accountants, International Accounting Education Standards Board, and the Board of South Asian Federation of Accountants. He is currently serving as a member of the Consultative Advisory Group of International Accounting Education Standards Board.

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

#### **Other principal appointments**

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

### 02 MANJULA MATHEWS

**MBA (Cantab), FCMA (UK)**

*Chairperson (Retired with effect from 30 April 2017)*

Manjula Mathews who retired from the role of Chairperson of the First Capital Group of Companies with effect from 30 April 2017 has a strong managerial and financial background inclusive of multi-sector investment and tactical initiatives spanning 25 years.

Manjula executed a range of transactions including change of control, capital raising, turnaround, restructuring and joint ventures. The First Capital group benefited from her leadership and value add in several key areas.

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

#### **Other principal appointments**

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

### 03 DINESH SCHAFFTER

**LLB (Hons), Executive MBA (INSEAD), ACMA(UK)**

*Managing Director*

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

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

#### **Other principal appointments**

Managing Director: First Capital Holdings and its subsidiaries, Dunamis Capital PLC, Kelsey Developments PLC.

**04 DILSHAN WIRASEKARA**

*Director/Chief Executive Officer (Appointed to the Board with effect from 6 June 2017)*

Dilshan Wirasekara's professional career of over 20 years comprises diversified expertise and experience in financial services including, treasury and investment management, capital market strategy and corporate finance advisory.

He is an Alumnus of INSEAD having successfully completed his Executive Professional Education at INSEAD Business School in Fontainebleau, France, in addition to receiving extensive training both locally and internationally in the areas of treasury/investment management and corporate finance.

Dilshan has held key senior managerial positions representing the banking and finance industry in Sri Lanka prior to joining First Capital Group in October 2013.

**Other principal appointments**

Director/ CEO : First Capital Holdings PLC and its subsidiaries

**05 MINETTE PERERA**

**FCA (SL), FCMA (UK), FCCA (UK)**

*Independent Non-Executive Director*

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

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

**Other principal appointments**

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

**06 CHANDANA DE SILVA**

**BSc (Lond), FCA (England & Wales), FCA (SL)**

*Independent Non-Executive Director*

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

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

**Other principal appointments**

Non-Executive Director: First Capital Holdings and its subsidiaries, Dunamis Capital PLC, Kelsey Developments PLC, Pre-fab Engineering Projects (Private) Limited, Premier Synthetic Leather Manufacturers (Private) Limited, Eureka Technologies (Private) Limited, 24/7 Techies (Private) Limited, Sea-Change Partners Lanka (Private) Limited, Bairaha Farms PLC.

# 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 2017 which were approved by the Directors on 9 August 2017.

## REVIEW OF OPERATIONS

During the year under review, the Company reported total revenue of Rs. 2,536Mn compared to Rs. 847Mn reported in the previous year.

Net Trading Income for the year is Rs. 461Mn (2015/16- Rs. 225Mn) and consequently, profit after tax increased to Rs. 344Mn from Rs. 11Mn in the previous year.

## PRINCIPAL ACTIVITIES

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

## LEGAL STATUS

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

## FINANCIAL RESULTS

The Company's net profit after tax was Rs. 344Mn compared with net profit after tax of Rs. 11Mn in year 2015/16.

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

	2016/17 Rs.'000	2015/16 Rs.'000
Revenue	2,536,109	847,442
Profit after tax	343,765	11,213
Total comprehensive income	348,175	10,516

The financial statements of the Company are set out in pages 16 to 48 of the Annual Report.

## BOARD OF DIRECTORS

### Directorate

The following were the Directors of the Company as at 31 March 2017.

1. Ms. Manjula Mathews (Retired with effect from 30 April 2017)
2. Mr. Nishan Fernando (Appointed as Chairman with effect from 16 May 2017)
3. Mr. Dinesh Schaffter
4. Ms. Minette Perera
5. Mr. Chandana Lal De Silva

Mr. Dilshan Wirasekara was appointed as a Director with effect from 6 June 2017.

The profiles of the Directors are given in pages 04 to 05 of the Annual Report.

### Interest in Shares

Directors/Chief Executive Officer and their shareholdings as at 31 March 2017 were as follows:

	No. of Shares 31.03.2017	No. of Shares 31.03.2016
Ms. Manjula Mathews	Nil	Nil
Mr. Nishan Fernando	Nil	Nil
Mr. Dinesh Schaffter	01	01
Ms. Minette Perera	Nil	Nil
Mr. Chandana Lal De Silva	Nil	Nil
Mr. Dilshan Wirasekara	Nil	Nil

### OTHER DIRECTORSHIP/ SIGNIFICANT POSITIONS OF DIRECTORS

Information of the other Directorships/ significant positions of the present Directors of the Company are given on pages 04 to 05.

### RETIREMENT BY ROTATION AND RE-ELECTION

Mr. Chandana Lal De Silva retires by rotation in terms of Article 90 of the Articles of Association of the Company and being eligible offers himself for re-election. The continuing Directors recommend his re-election.

Mr. Dilshan Wirasekara, Director appointed on 6 June 2017, retires in terms of Article 96 of the Articles of Association and being eligible offers himself for re-election. The continuing Directors recommend his re-election.



### **RELATED PARTY TRANSACTIONS**

Related party transactions have been declared at the meetings of the Directors and are detailed in Note 30 to the financial statements.

### **DIRECTORS' INTERESTS**

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

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

### **REMUNERATION AND FEES**

Details of Directors remuneration and fees are set out in Note 8 to the financial statements. All fees and remuneration have been duly approved by the Board of Directors of the Company.

### **RISK AND INTERNAL CONTROL**

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

### **CORPORATE GOVERNANCE**

The Directors acknowledge their responsibility for the Company's corporate governance and the system of internal control. The Directors are responsible to the shareholders for providing strategic direction to the Company and safeguarding the assets of the Company. The Board is satisfied with the effectiveness of the system of internal control for the period up to the date of signing the financial statements. The compliance with recommended corporate governance practices are disclosed in pages 10 to 13 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 declared an interim dividend of Rs. 8.10 per share totaling Rs. 124.65 Mn for the year ended 31 March 2017 (2015/16 Nil).

### **SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies adopted in the preparation of the financial statements is given on pages 20 to 30. 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 17 to the financial statements.

### **RESERVES**

The movements in reserves during the financial year 2016/17 have been presented in the Statement of Changes in Equity on page 18 of the Annual Report.

### **INCOME TAX EXPENSES**

Income tax expenses have been computed in accordance with the provision of the Inland Revenue Act, No. 10 of 2006 and subsequent amendments thereto as disclosed in Note 9 to the financial statements.

### **STATED CAPITAL**

The stated capital of the Company as at 31 March 2017 was Rs. 256.5 Mn consisting of 15,390,000 ordinary shares.

## Annual Report of the Board of Directors Contd.

### SHARE INFORMATION AND SUBSTANTIAL SHAREHOLDERS

As at 31 March 2017, there were three registered shareholders. Share information as at 31 March 2017 is given below.

Name of the Shareholder	No of Shares held as at 31 March 2017	Percentage of Shareholding (%)
First Capital Limited	14,534,999	94.44
Employee Trust Fund Board	855,000	5.56
Mr. Dinesh Schaffter	1	-
<b>Total</b>	<b>15,390,000</b>	<b>100.00</b>

### CORPORATE DONATIONS

Company did not make charitable donations during the year. (2015/16 – Nil)

### STATUTORY PAYMENTS AND COMPLIANCE WITH LAWS AND REGULATIONS

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

### EQUAL OPPORTUNITIES

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

### EVENTS OCCURRING AFTER THE REPORTING PERIOD

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 31 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 8 to the financial statements.

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

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

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

### INDEPENDENT AUDITORS' REPORT

The independent Auditor's report on the financial statements is given on page 15 of the Annual Report.

### AUDITORS' 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 18 September 2017. The notice convening the Meeting and the agenda are given on page 51 of the Annual Report.

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

Sgd.  
**Dilshan Wirasekara**  
*Director / Chief Executive Officer*

Sgd.  
**Dinesh Schaffter**  
*Managing Director*

9 August 2017  
Colombo

## STATEMENT OF DIRECTORS' RESPONSIBILITY

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

The Directors of the company are responsible for ensuring that the company keeps proper books of accounts of all the transactions and prepare and present the financial statements to the shareholders in accordance with the relevant provisions of the Companies Act, No. 7 of 2007 and other statutes which are applicable in the preparation of financial statements. The financial statements comprise of the Statements of Financial Position as at 31 March 2017, the Statement of Profit or Loss and Other Comprehensive Income, Statement of Changes in Equity, Statement of Cash Flow for the year ended and Notes thereto. The Directors are required to prepare these financial statements on a going concern basis unless it is not appropriate.

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

- » The state of affairs of the Company as at 31 March 2017 and
- » The financial performance of the Company for the financial year ended 31 March 2017.

The financial statements of the Company for the year ended 31 March 2017 incorporated in this report have been prepared in accordance with the Companies Act, No. 7 of 2007, Sri Lanka Accounting Standards (LKAS/SLFRS) and Listing Rules of the Colombo Stock Exchange.

The financial statements of the Company have been certified by the Chief Financial Officer of the Company who is responsible for the preparation of financial statements as required by the Companies Act, No. 7 of 2007. The financial statements have been signed by two Directors on 9 August 2017 in accordance with Section 150 (1) (c) and 152 (1) (c) of the Companies Act.

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

of accounts and regularly review financial reports at their meetings. The Board also reviews and approves all interim financial statements prior to their release. The Board of Directors accepts the responsibility for the integrity and objectivity of the financial statements presented. The Directors confirm that the financial statements have been prepared using appropriate Accounting Policies on a consistent basis and appropriate estimates and judgments made to reflect the true substance and form of transactions.

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

The Auditors of the Company, Messrs KPMG who were reappointed in accordance with a resolution passed at the last Annual General Meeting were provided with all necessary information required by them in order to carry out their audit and to express an opinion which is contained on page 15 of this Annual Report.

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

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

Sgd.  
**K H L Corporate Services Limited**  
*Secretaries*

9 August 2017  
Colombo

## CORPORATE GOVERNANCE

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

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

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

### **BOARD COMPOSITION AND INDEPENDENCE**

The Board comprises of three Non-Executive Independent Directors and two Executive Directors all of whom possess a broad range of skills and experience across a range of industries and functional areas. Detailed profiles of each member of the Board are provided in a separate section of this Annual Report (pages 04 to 05 ).

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

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

### **BOARD RESPONSIBILITIES**

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

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

and proper reporting of all compliance matters to the Board. The Board of Directors exercises oversight of the compliance function.

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

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

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

### **BOARD BALANCE**

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

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

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

### **APPOINTMENT AND RE-ELECTION OF DIRECTORS**

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

### **BOARD COMMITTEES (STATUTORY)**

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

### **AUDIT COMMITTEE**

The Audit Committee of First Capital Holdings PLC (Parent Company) functions as Audit Committee of First Capital Treasuries PLC. The Report of the Audit Committee is presented on page 14 and the duties of the Committee are included therein.

### **REMUNERATION COMMITTEE**

The Remuneration Committee of First Capital Holdings PLC functions as Remuneration Committee of First Capital Treasuries PLC. Composition of the Committee, mandate of the Committee and other details are shown on Page 12 to 13.

### **SHAREHOLDERS RELATIONS**

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

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

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

### **INTERNAL AUDIT AND CONTROL**

The Board is responsible for the Company's internal control and its effectiveness. Internal control is established with emphasis placed on safeguarding assets, making available accurate and timely information and imposing great discipline on decision making. It covers all controls, including financial, operational

and compliance control and risk management. It is important to state, that any system can ensure only reasonable and not absolute assurance that errors and irregularities are prevented or detected within a reasonable time.

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

### **EXTERNAL AUDIT**

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

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

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

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

## Corporate Governance Contd.

### COMPANY SECRETARIES

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

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

	CSE Rule	Status of Compliance	Details/Reference
<b>7.10.1 Non-Executive Director (NED)</b>			
a./b./c.	At least 2 members or one third of the Board, whichever is higher should be NEDs as at the conclusion of immediately preceding AGM. Any change to this ratio should be rectified within 90 days.	Complied	Three out of five Directors are NEDs.
<b>7.10.2 Independent Directors</b>			
a.	At least 2 or one third of the NEDs, whichever is higher shall be independent.	Complied	All Three Non-Executive directors are determined to be independent.
b.	Each NED should submit annually a signed and dated declaration of his/her independence or non-independence.	Complied	All NEDs have submitted their confirmations on independence as per the criteria laid down in the listing rules.
<b>7.10.3 Disclosures Relating to Directors</b>			
a./b.	The Board should determine the independence or otherwise of the NEDs and disclose in the annual report the names of the NEDs determined to be 'independent'.	Complied	Profile of Directors in pages 04 to 05.
c.	A brief resume of each Director with information on his/her area of expertise should be included in the annual report.	Complied	
d.	Upon appointment to the Board, a brief resume of the new director should be provided to the exchange for dissemination to the public.	Complied	
<b>7.10.5 Remuneration Committee</b>			
a. 1	Remuneration committee should comprise at least 2 independent NEDs or more than 2 NEDs majority of whom shall be independent.	Complied	The Remuneration Committee (Through Parent Company) consists of two Non-Executive Directors namely, Mr. Eardley Perera and Mr. Chandana de Silva. Mr. Eardley Perera functions as the Chairman of the committee.
a. 2	One NED shall be appointed as chairman of the committee by the Board of Directors.	Complied	The committee is mandated with ensuring accountability, transparency and fairness in reward structures that recognised the relationship between performance and reward.
b.	Remuneration committee shall recommend the remuneration of the CEO and Executive Directors to the Board.	Complied	The committee functions with delegated authority from the Board and is responsible for setting the Company's remuneration policy and ensuring its continued ability to attract and retain high caliber candidates.

	CSE Rule	Status of Compliance	Details/Reference
c.	The Annual Report should include the names of the Remuneration committee members, a statement of remuneration policy and the aggregate remuneration paid to Executive and Non-Executive Directors.	Complied	The Company bases remuneration on both individual and company performance whilst paying due regard to staff retention.  The committee recommends increment levels and determines the remuneration payable to the executive directors.  The aggregate remuneration paid to the Directors is given in the Note 08 to the financial statements.
<b>7.10.6 Audit Committee</b>			
a. 1	Audit Committee should comprise at least 2 independent NEDs or more than 2 NEDs majority of whom shall be independent.	Complied	Audit Committee Report on page 14.
a. 2	One NED shall be appointed as chairman of the committee by the Board of Directors.	Complied	
a. 3	Chief Executive Officer and the Chief Financial Officer shall attend the Audit Committee meetings.	Complied	
a. 4	The chairman of the Audit Committee or one member should be a member of a recognised professional accounting body.	Complied	
B	Functions of the Audit Committee .		
b.1	Overseeing the preparation, presentation of the financial statements and adequacy of disclosures in accordance with SLFRS/LKAS.	Complied	
b. 2	Overseeing the compliance with financial reporting requirements and information requirements as per laws and regulations.	Complied	
b. 3	Overseeing the processes to ensure internal controls and risk management functions are adequate to meet the requirements of Sri Lanka Auditing Standards.	Complied	
b. 4	Assessing the independence and performance of the external auditors.	Complied	
b. 5	Making recommends to the Board pertaining to appointment or reappointment or removal of external auditors and to approve their remuneration and terms of engagement.	Complied	
C	The annual report should include the names of the audit committee members, the basis for the determination of the independence of the external auditors and a report of the Audit Committee setting out the manner of compliance with the above requirements during the specified period.	Complied	

## AUDIT COMMITTEE REPORT

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

### COMPOSITION OF GROUP AUDIT COMMITTEE

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

The members of the Group Audit Committee are as follows.

- » Ms. Minette Perera – Chairperson – Independent Non-Executive Director
- » Mr. Nishan Fernando – Independent Non-Executive Director

Brief profiles of the members of the Group Audit Committee are given on Pages 04 to 05 of the Annual Report.

### MEETINGS

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

### FUNCTIONS

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

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

### FINANCIAL REPORTING SYSTEM

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

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

### INTERNAL AUDIT

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

### EXTERNAL AUDIT

External 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 2016/17 were also reviewed with the External Auditors prior to release.

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

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

Having reviewed the effectiveness of the External Audit, the Group Audit Committee also recommended to the Board of Directors that Messrs KPMG be reappointed as Auditors for the financial year ending 31 March 2018, subject to the approval of the shareholders at the Annual General Meeting.

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

9 August 2017  
Colombo



## INDEPENDENT AUDITORS' REPORT



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

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Fax : +94 - 11 244 5872  
+94 - 11 244 6058  
+94 - 11 254 1249  
Internet : www.kpmg.com/lk

### TO THE SHAREHOLDERS OF FIRST CAPITAL TREASURIES PLC Report on the Financial Statements

We have audited the accompanying financial statements of First Capital Treasuries PLC, ("the Company"), which comprise the statement of financial position as at 31 March 2017, and the statements of profit or loss and other comprehensive income, changes in equity and, cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information set out on pages 16 to 48 of the Annual Report.

### Board's Responsibility for the Financial Statements

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

### Auditors' Responsibility

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

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

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

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

### Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Company as at 31 March 2017 and of its financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

### Report on Other Legal and Regulatory Requirements

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

- a) The basis of opinion and scope and limitations of the audit are as stated above.
- b) In our opinion, we have obtained all the information and explanations that were required for the audit and, as far as appears from our examination, proper accounting records have been kept by the Company and the financial statements of the Company, comply with the requirements of section 151 of the Companies Act.

**CHARTERED ACCOUNTANTS**

Colombo  
9 August 2017

KPMG, a Sri Lankan partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

M.R. Mihular FCA	P.Y.S. Perera FCA	C.P. Jayatilake FCA
T.J.S. Rajakarier FCA	W.W.J.C. Perera FCA	Ms. S. Joseph FCA
Ms. S.M.B. Jayasekara ACA	W.K.D.C. Abeyratne FCA	S.T.D.L. Perera FCA
G.A.U. Karunaratne FCA	R.M.D.B. Rajapakse FCA	Ms. B.K.D.T.N. Rodrigo FCA
R.H. Rajan ACA		

Principals - S.R.L. Perera FCMA(UK), LLB, Attorney-at-Law, H.S. Goonewardene ACA  
Ms. C.T.K.N. Perera ACA

## STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March,	Note	2017 Rs.'000	2016 Rs.'000
<b>Income</b>	4	<b>2,536,109</b>	847,442
Direct Expenses	5	<b>(2,075,273)</b>	(622,079)
<b>Net Trading Income</b>		<b>460,836</b>	225,363
Other Income	6	<b>3,552</b>	9,139
Gain/(Loss) on Fair Valuation of Financial Investments - Held for Trading	7	<b>24,887</b>	(55,558)
		<b>489,275</b>	178,944
<b>Operating Expenses</b>			
Personnel Expenses		<b>(64,888)</b>	(81,429)
Premises, Equipment and Establishment Expenses		<b>(50,960)</b>	(75,759)
Other Operating Expenses		<b>(29,662)</b>	(10,543)
		<b>(145,510)</b>	(167,731)
<b>Profit before Tax</b>	8	<b>343,765</b>	11,213
Income Tax Expense	9	<b>-</b>	-
<b>Profit for the Year</b>		<b>343,765</b>	11,213
<b>Other Comprehensive Income</b>			
<i>Items that will never be reclassified to Profit or Loss</i>			
Actuarial Gain/ (Loss) on Defined Benefit Plans		<b>4,410</b>	(697)
<i>Items that are or may be reclassified to Profit or Loss</i>		<b>-</b>	-
<b>Other Comprehensive Income</b>		<b>4,410</b>	(697)
<b>Total Comprehensive Income for the Year</b>		<b>348,175</b>	10,516
Basic Earnings per Share (Rs.)	10.1	<b>22.34</b>	0.73

Figures in brackets indicate deductions.

The notes disclosed on pages 20 to 48 form an integral part of these Financial Statements.

## STATEMENT OF FINANCIAL POSITION

As at 31 March,	Note	2017 Rs.'000	2016 Rs.'000
<b>ASSETS</b>			
Cash at Banks and in Hand		13,731	1,382
Derivative Financial Instruments	11	24,075	40,861
Financial Investments - Held for Trading	12	15,384,251	9,206,856
Financial Investments - Loans and Receivables	13	6,369,562	5,903,738
Financial Investments - Available for Sale	14	1,000	1,000
Receivable from Related Companies	15	480	422
Taxes Receivable		12,093	12,093
Other Assets	16	130,835	137,591
Property, Plant and Equipment	17	2,581	5,697
Intangible Assets	18	928	1,552
<b>TOTAL ASSETS</b>		<b>21,939,536</b>	<b>15,311,192</b>
<b>LIABILITIES</b>			
Bank Overdraft		-	1,532
Derivative Financial Instruments	19	2,240	20,835
Securities sold under Repurchase Agreements	20	19,677,003	13,271,621
Creditors, accrued Charges and Other Payables		18,203	16,670
Payable to Related Companies	21	1,253	3,495
Taxes Payable		61,016	37,358
Borrowing on Listed Debentures	22	510,304	509,953
Retirement Benefit Obligations	23	8,600	12,327
<b>TOTAL LIABILITIES</b>		<b>20,278,619</b>	<b>13,873,791</b>
<b>EQUITY</b>			
Stated Capital	24	256,500	256,500
Risk Reserve	25	905,639	871,262
Retained Earnings		498,778	309,639
<b>TOTAL EQUITY</b>		<b>1,660,917</b>	<b>1,437,401</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>21,939,536</b>	<b>15,311,192</b>
Net Assets per Share (Rs.)		<b>107.92</b>	93.40

The notes disclosed on pages 20 to 48 form an integral part of these Financial Statements.

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



**Mangala Jayashantha**  
Chief Financial Officer

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



**Dilshan Wirasekara**  
Director / Chief Executive Officer



**Chandana de Silva**  
Director

9 August 2017  
Colombo

## STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2017	Stated Capital Rs.'000	Risk Reserve Rs.'000	Retained Earnings Rs.'000	Total Equity Rs.'000
<b>Balance as at 1 April 2015</b>	<b>256,500</b>	<b>870,141</b>	<b>300,244</b>	<b>1,426,885</b>
<b>Total Comprehensive Income for the Year</b>				
Profit for the Year	-	-	11,213	11,213
Other Comprehensive Income	-	-	(697)	(697)
<b>Total Comprehensive Income</b>	<b>-</b>	<b>-</b>	<b>10,516</b>	<b>10,516</b>
<b>Transactions with Equity Holders</b>				
<b>Distribution to Equity Holders</b>				
Dividend paid (Note 26)	-	-	-	-
<b>Total distribution to Equity Holders</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Transfers to Risk Reserve (Note 25)	-	1,121	(1,121)	-
<b>Total Transactions with Equity Holders</b>	<b>-</b>	<b>1,121</b>	<b>(1,121)</b>	<b>-</b>
<b>Balance as at 31 March 2016</b>	<b>256,500</b>	<b>871,262</b>	<b>309,639</b>	<b>1,437,401</b>
<b>Balance as at 1 April 2016</b>	<b>256,500</b>	<b>871,262</b>	<b>309,639</b>	<b>1,437,401</b>
<b>Total Comprehensive Income for the Year</b>				
Profit for the Year	-	-	343,765	343,765
Other Comprehensive Income	-	-	4,410	4,410
<b>Total Comprehensive Income</b>	<b>-</b>	<b>-</b>	<b>348,175</b>	<b>348,175</b>
<b>Transactions with Equity Holders</b>				
<b>Distribution to Equity Holders</b>				
Dividend paid (Note 26)	-	-	(124,659)	(124,659)
<b>Total distribution to Equity Holders</b>	<b>-</b>	<b>-</b>	<b>(124,659)</b>	<b>(124,659)</b>
Transfers to Risk Reserve (Note 25)	-	34,377	(34,377)	-
<b>Total Transactions with Equity Holders</b>	<b>-</b>	<b>34,377</b>	<b>(159,036)</b>	<b>(124,659)</b>
<b>Balance as at 31 March 2017</b>	<b>256,500</b>	<b>905,639</b>	<b>498,778</b>	<b>1,660,917</b>

Figures in brackets indicate deductions.

The notes disclosed on pages 20 to 48 form an integral part of these Financial Statements.

## STATEMENT OF CASH FLOWS

For the year ended 31 March,	2017 Rs.'000	2016 Rs.'000
<b>Cash Flows from Operating Activities</b>		
Interest Receipts and Gains realised	2,533,987	845,152
Interest Payments and Other Direct Cost	(1,787,728)	(409,517)
Other Receipts	45	9,065
Cash Payments to Employees and Suppliers	(137,889)	(147,566)
Operating Profit before Changes in Operating Assets and Liabilities	608,415	297,134
(Increase)/ Decrease in Financial Investments - Loans and Receivables	(463,700)	1,422,434
(Increase)/ Decrease in Financial Investments - Held for Trading	(6,154,318)	(635,251)
(Increase)/ Decrease in Other Assets	6,756	(80,503)
(Increase)/ Decrease in Receivable from Related Companies	(58)	(196)
Increase/ (Decrease) in Securities sold under Repurchase Agreements	6,118,187	(947,780)
Increase/ (Decrease) in Payable to Related Companies	(2,242)	(1,793)
Increase/ (Decrease) in Creditors and Accrued Charges	23,864	(51,799)
<b>Cash generated from Operations</b>	<b>136,904</b>	<b>2,246</b>
Income Tax/ ESC paid	-	(1,041)
Gratuity paid (Note 23)	-	(693)
<b>Net Cash from Operating Activities</b>	<b>136,904</b>	<b>512</b>
<b>Cash Flows from Investing Activities</b>		
Acquisition of Property, Plant and Equipment (Note 17)	(1,448)	(2,316)
Acquisition of Intangible Assets (Note 18)	(423)	(676)
Proceeds from Sale of Property, Plant and Equipment	3,507	210
<b>Net Cash from / (used in) Investing Activities</b>	<b>1,636</b>	<b>(2,782)</b>
<b>Cash Flows from Financing Activities</b>		
Dividend paid (Note 26)	(124,659)	-
Borrowings on Debentures	-	-
<b>Net Cash used in Financing Activities</b>	<b>(124,659)</b>	<b>-</b>
Net increase /(decrease) in cash and cash equivalents	13,881	(2,270)
Cash and Cash Equivalents at the beginning of the year (Note A)	(150)	2,120
Cash and Cash Equivalents at the end of the year (Note B)	13,731	(150)
<b>Note A</b>		
Cash at Banks and in Hand	1,382	2,120
Bank Overdraft	(1,532)	-
	(150)	2,120
<b>Note B</b>		
Cash at Banks and in Hand	13,731	1,382
Bank Overdraft	-	(1,532)
	13,731	(150)

Figures in brackets indicate deductions.

The notes disclosed on pages 20 to 48 form an integral part of these Financial Statements.

# NOTES TO THE FINANCIAL STATEMENTS

## 1. REPORTING ENTITY

First Capital Treasuries PLC (“Company”) is a public company with limited liability incorporated on 19 August 1982, domiciled in Sri Lanka. The company was re-registered under Companies Act No. 07 of 2007. The registered office and place of business of the Company is at No. 2, Deal Place, Colombo 03.

### 1.1 Principal Activities

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

### 1.2 Parent Entity and Ultimate Parent Entity

The company’s parent entity is First Capital Limited. In the opinion of the directors, the company’s ultimate parent undertaking and controlling party is Dunamis Capital PLC which is incorporated in Sri Lanka.

## 2. BASIS OF PREPARATION

### 2.1 Statement of Compliance

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

### 2.2 Approval of Financial Statements by Directors

The Financial Statements for the year ended 31 March 2017 were authorised for issue by the Board of Directors on 9 August 2017.

### 2.3 Basis of Measurement

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

- » Non – derivative financial instruments held for trading are measured at fair value.
- » Derivative financial instruments are measured at fair value.
- » Financial investments - available for sale are measured at fair value.
- » Retirement benefit obligations - present value of the defined benefit obligations.

### 2.4 Functional and Presentation Currency

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

### 2.5 Materiality and Aggregation

Each material class of similar items is presented separately in the financial statements. Items of dissimilar nature or function are presented separately unless they are immaterial.

Assets and liabilities are grouped by nature and listed in an order that reflects their relative liquidity and maturity pattern.

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

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

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

### 2.6 Use of Judgments and Estimates

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

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

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

#### 2.6.1 Going Concern

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

company's ability to continue as a going concern. Therefore, the Financial Statements continue to be prepared on the going concern basis.

#### 2.6.2 Fair Valuation of Financial Instruments

Where the fair values of financial assets and financial liabilities recorded in the statement of financial position cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of mathematical models. The inputs to these models are derived from observable market data where possible. However, if this is not available, judgment is required to establish fair values. The valuation of financial instruments is described in more detail in Note 27.

#### 2.6.3 Defined Benefit Obligations

The Company annually measures the present value of the promised retirement benefits for gratuity, which is a Defined Benefit Plan. The cost of providing benefits under the defined benefits plans is determined using the projected unit credit method. This involves making assumptions on discount rates, expected rates of return on assets, future salary increases, mortality rates and future pension increases. All assumptions are reviewed at each reporting date. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty. Please see Note 23 for the assumptions used.

#### 2.6.4 Useful Life Time of Property, Plant and Equipment

The Company reviews the residual values, useful lives and methods of depreciation of Property, Plant and Equipment at each reporting date. Judgment of the management is exercised in the estimation of these values, rates, methods and hence they are subject to uncertainty.

### 3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these financial statements, and have been applied consistently by Company.

#### 3.1 Foreign Currency

##### 3.1.1 Foreign Currency Transactions

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

Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated into the functional currency at the spot exchange rate (Closing rate) at that date. The foreign currency gain or loss on monetary items is the difference between the amortised cost in the functional

currency at the beginning of the year, adjusted for effective interest and payments during the year, and the amortised cost in the foreign currency translated at the spot exchange rate at the end of the year.

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

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

#### 3.2 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 available-for-sale investment securities calculated on an effective interest basis.

Interest income and expense on all trading assets and liabilities are considered to be incidental to the 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.

## Notes to the Financial Statements Contd.

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

### 3.3 Gain on Sale of Financial Investments Held for Trading

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

### 3.4 Gain/ (Loss) on Fair Valuation of Financial Investments

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

### 3.5 Dividends

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

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

### 3.6 Taxation

#### 3.6.1 Current Tax

The company is a primary dealer licensed by the Central Bank of Sri Lanka whose interest income derived through government securities does not form a part of receipt on trade of business for the purpose of computing assessable income of the Company in accordance with the Section 32 of Inland Revenue Act No. 10 of 2006.

#### 3.6.2 Deferred Tax

Deferred taxation for temporary differences between the carrying amounts of the assets and liabilities for financial reporting purpose and the tax base of the assets and liabilities is not provided since interest income derived through

government securities does not form a part of receipt on trade or business for the purpose of computing assessable income of the Company in accordance with the Section 32 of Inland Revenue Act No. 10 of 2016.

#### 3.6.3 Other Tax Exposures

##### 3.6.3.1 Withholding Tax on Dividends (WHT)

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

##### 3.6.3.2 Value Added Tax on Financial Services (FSVAT)

The financial value addition of the Company is computed based on the section 25A of the VAT Act No. 14 of 2002 and subsequent amendments thereto is liable for Value Added Tax on Financial Services at 15% (Month of April 2016 @ 11%).

##### 3.6.3.3 Economic Service Charge (ESC)

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

##### 3.6.3.4 Nation Building Tax (NBT)

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

### 3.7 Financial Assets and Financial Liabilities

#### 3.7.1 Recognition

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

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

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



### 3.7.2 Classification

#### Financial Assets

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

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

#### Financial Liabilities

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

#### 3.7.2.1 *Financial Assets and Financial Liabilities at Fair Value through Profit or Loss*

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

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

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

#### 3.7.2.2 *Loans and Receivables*

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

Securities purchased under resale agreements and fixed deposits are classified as loans and receivables.

#### 3.7.2.3 *Held-to-Maturity Financial Assets (HTM)*

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

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

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

#### 3.7.2.4 *Available-for-Sale Financial Assets (AFS)*

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

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

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

## Notes to the Financial Statements Contd.

### 3.7.2.5 Financial Liabilities measured at Amortised Cost

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

Borrowing on debentures and repurchase agreements are classified as financial liabilities measured at amortized cost.

### 3.7.3 Derecognition

#### 3.7.3.1 Financial Assets

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

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

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

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

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

### 3.7.3.2 Financial Liabilities

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

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

### 3.7.4 Reclassification

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

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

- » To the available for sale category where in rare circumstances, they are no longer held for the purpose of selling or repurchasing in the near term; or
- » To the loan and receivables category where they are no longer held for the purpose of selling or repurchasing in the near term and they would have met the definition of a loan and receivable at the date of reclassification and the Company has the intent and ability to hold the assets for the foreseeable future or until maturity.

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

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

Financial assets are reclassified at their fair value on the date of reclassification. For financial assets reclassified out of the available-for-sale category into loans and receivables, any gain or loss on those assets recognised in shareholders' equity

prior to the date of reclassification is amortised to the profit or loss over the remaining life of the financial asset, using the effective interest method.

#### 3.7.5 Offsetting

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

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

#### 3.7.6 Amortised Cost Measurement

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

#### 3.7.7 Fair Value Measurement

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

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

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

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

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

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

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

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

#### 3.7.8 Identification and Measurement of Impairment

At each reporting date, the Company assesses whether there is objective evidence that financial assets not carried at fair value through profit or loss are impaired. A financial asset or a group of financial assets is impaired when objective evidence demonstrates that a loss event has occurred after the initial recognition of the asset(s) and that the loss event has an impact on the future cash flows of the asset(s) that can be estimated reliably.

## Notes to the Financial Statements Contd.

Objective evidence that financial assets are impaired includes:

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

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

The Company considers evidence of impairment for loans and advances and held-to-maturity investment securities at both a specific asset and a collective level. All individually significant loans and advances and held-to-maturity investment securities are assessed for specific impairment.

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

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

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

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

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

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

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

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

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

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

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

### 3.8 Cash and Cash Equivalents

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

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

### 3.9 Repurchase Agreements (Repo)/Reverse Repurchase Agreements (Reverse Repo)

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

### 3.10 Derivative Financial Instruments

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

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

### 3.11 Property, Plant and Equipment

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

#### 3.11.1 Recognition and Measurement

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

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

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

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

#### 3.11.2 Subsequent Costs

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

#### 3.11.3 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.

## Notes to the Financial Statements Contd.

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

Asset Type	Useful Life Time (Years)
Computer Equipment	3
Fixtures and Fittings	3
Furniture	3
Office Equipment	3
Motor Vehicles	3

### 3.12 Derecognition of Property, Plant and Equipment

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

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

### 3.13 Intangible Assets

#### 3.13.1 Software

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

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

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

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

### 3.14 Impairment of Non-Financial Assets

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

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

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

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

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

### 3.15 Debt Securities Issued

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

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

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

### 3.16 Provisions

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

### 3.17 Commitments and Contingencies

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

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

### 3.18 Employee Benefits

#### 3.18.1 Defined Contribution Plan

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

##### 3.18.1(a) Employees' Provident Fund

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

##### 3.18.1 (b) Employees' Trust Fund

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

#### 3.18.2 Defined Benefit Plans

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

#### Gratuity

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

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

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

#### 3.18.3 Short-Term Employee Benefits

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

### 3.19 Earnings Per Share (EPS)

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

### 3.20 Statement of Cash Flows

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

### 3.21 Subsequent Events

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

All material and important events that occurred after the reporting date have been considered and appropriate disclosures are made in Note 31 to the Financial Statements.

### 3.22 Comparative Information

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

## Notes to the Financial Statements Contd.

### 3.23 New Standards issued but not yet Effective as at Reporting Date

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

#### 3.23.1 SLFRS 09 - Financial Instruments

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

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

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

#### 3.23.2 SLFRS 15 - Revenue Recognition from Customer Contracts

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

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

#### 3.23.3 SLFRS 16 – Leases

SLFRS 16 eliminates the current dual accounting model for lessees which distinguishes between On-Balance Sheet financed leases and Off-Balance Sheet operating leases. Instead there will be a single On-Balance Sheet accounting model that is similar to current finance lease accounting.

SLFRS 16 is effective for annual Reporting periods beginning on or after 01 January 2019.

The Company is assessing the potential impact on its Financial Statements resulting from the application of SLFRS 16.

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



For the year ended 31 March,	2017 Rs.'000	2016 Rs.'000
<b>4 INCOME</b>		
Gain on sales of financial investments - Held for trading	18,032	63,185
Interest income on financial investments - Held for trading/ Loans and receivable	2,518,077	784,257
	<b>2,536,109</b>	<b>847,442</b>
<b>5 DIRECT EXPENSES</b>		
Interest expenses on repurchase agreements	2,017,751	562,790
Brokerage cost	9,671	11,664
Interest expenses on Listed Debentures	47,851	47,625
	<b>2,075,273</b>	<b>622,079</b>
<b>6 OTHER INCOME</b>		
Exchange gain	-	9,061
Profit on sale of property, plant and equipment	3,507	74
Dividend income	27	-
Miscellaneous income	18	4
	<b>3,552</b>	<b>9,139</b>
<b>7 GAIN/(LOSS) ON FAIR VALUATION OF FINANCIAL INVESTMENTS</b>		
Gain/ (Loss) from fair valuation of financial investments - Held for trading	23,077	(66,334)
Gain from fair valuation of derivative financial instruments	1,810	10,776
	<b>24,887</b>	<b>(55,558)</b>

Gain/ (loss) on fair valuation of Financial Investments - Held for Trading and Derivative Financial Instruments have been accounted for in accordance with the LKAS 39.

For the year ended 31 March,	2017 Rs.'000	2016 Rs.'000
<b>8 PROFIT BEFORE TAX</b>		
Profit before taxation is stated after charging all expenses including the following :		
Directors' emoluments	10,486	11,386
Auditors' remuneration - Audit services	385	360
Auditors' remuneration - Other services	90	-
Depreciation on property, plant and equipment (Note 17)	4,564	15,400
Amortisation of intangible assets (Note 18)	1,047	1,739
Retirement benefit cost (Note 23)	2,011	2,955
Salaries	34,679	42,721
Employer's contribution to EPF & ETF	6,910	8,765
Legal fees	3,514	5,001
Donations	-	-

## Notes to the Financial Statements Contd.

For the year ended 31 March,	2017 Rs.'000	2016 Rs.'000
<b>9 INCOME TAX EXPENSES</b>		
Current tax expense	-	-
Deferred tax expense	-	-
	-	-

**9.1 Interest Income derived in Primary Market Transactions**

First Capital Treasuries PLC is a primary dealer licensed by the Central Bank of Sri Lanka whose interest income derived through government securities does not form a part of receipt on trade or business for the purpose of computing assessable income of the Company in accordance with the Section 32 of Inland Revenue Act No. 10 of 2006.

A decision made by the Board of Review of the Department of Inland Revenue in respect of income tax for the year 2003/04 acknowledged the above position in July 2010. No tax provisions have been made in this regard in the financial statements subsequently. However the said judgment does not preclude the Department of Inland Revenue from issuing assessments in the future. Details relating to current assessments have been disclosed in Note 28 to the financial statements (Contingent Liabilities).

**10 EARNINGS PER SHARE****10.1 Basic Earnings per Share**

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

For the year ended 31 March,	2017	2016
Profit attributable to ordinary shareholders (Rs.'000)	343,765	11,213
Weighted average number of ordinary shares in issue	15,390,000	15,390,000
Basic Earnings per share (Rs.)	22.34	0.73

**10.2 Diluted Earnings per Share**

There were no potential dilutive ordinary shares outstanding at any time during the year ended 31 March 2017. Therefore, Diluted Earnings per share is same as Basic Earnings per share reported above.

As at 31 March,	2017 Rs.'000	2016 Rs.'000
<b>11 DERIVATIVE FINANCIAL INSTRUMENTS</b>		
Forward purchase contracts - Government securities	-	40,227
Forward sale contracts - Government securities	24,075	634
	24,075	40,861

As at 31 March,	Market Value		Face Value	
	2017 Rs.'000	2016 Rs.'000	2017 Rs.'000	2016 Rs.'000
<b>12 FINANCIAL INVESTMENTS - HELD FOR TRADING</b>				
Treasury bills	556,464	1,674,508	575,860	1,796,482
Treasury bonds	14,827,787	7,532,348	15,088,672	7,759,076
	<b>15,384,251</b>	<b>9,206,856</b>	<b>15,664,532</b>	<b>9,555,558</b>

### 12.1 Securities pledged as Collateral

The Government securities classified as financial investment - Held for trading, following amounts have been pledged as collateral for Repurchase Agreements entered into by the Company.

As at 31 March,	Market Value		Face Value	
	2017 Rs.'000	2016 Rs.'000	2017 Rs.'000	2016 Rs.'000
Treasury bills	509,352	1,655,974	569,835	1,788,959
Treasury bonds	13,493,027	6,946,981	14,121,217	7,392,319
	<b>14,002,379</b>	<b>8,602,955</b>	<b>14,691,052</b>	<b>9,181,278</b>

As at 31 March,	2017		2016	
	Rs.'000		Rs.'000	
<b>13 FINANCIAL INVESTMENTS - LOANS AND RECEIVABLES</b>				
Investments under resale agreements - Treasury bills			157,129	80,040
Investments under resale agreements - Treasury bonds			6,212,433	5,823,698
			<b>6,369,562</b>	<b>5,903,738</b>

### 14 FINANCIAL INVESTMENTS - AVAILABLE FOR SALE

Investment in Lanka Financial Service Bureau Limited		1,000	1,000
		<b>1,000</b>	<b>1,000</b>

### 15 RECEIVABLE FROM RELATED COMPANIES

First Capital Markets Limited		50	10
First Capital Limited		271	-
First Capital Equities (Pvt) Limited		140	-
First Capital Asset Management Limited		-	13
First Capital Holdings PLC		19	399
		<b>480</b>	<b>422</b>

## Notes to the Financial Statements Contd.

As at 31 March,	2017 Rs.'000	2016 Rs.'000
<b>16 OTHER ASSETS</b>		
Rent deposit	37,375	43,875
Advance paid for Land and Premises (Note 29 a)	77,300	77,300
Prepayments and other receivable	16,030	16,132
Staff loans (Note 16.1)	130	284
	<b>130,835</b>	<b>137,591</b>

**16.1 Staff Loans**

Balance at the beginning of the year	284	144
Disbursements during the year	17	200
Recoveries during the year	(171)	(60)
Balance at the end of the year	130	284

**17 PROPERTY, PLANT AND EQUIPMENT**

Please refer to the Page 35.

**18 INTANGIBLE ASSETS**

Please refer to the Page 36.

As at 31 March,	2017 Rs.'000	2016 Rs.'000
<b>19 DERIVATIVE FINANCIAL INSTRUMENTS</b>		
Forward purchase contracts - Government securities	-	531
Forward sale contracts - Government securities	2,240	20,304
	<b>2,240</b>	<b>20,835</b>

**20 SECURITIES SOLD UNDER REPURCHASE AGREEMENTS**

Against treasury bills	265,173	1,150,860
Against treasury bonds	19,411,830	12,120,761
	<b>19,677,003</b>	<b>13,271,621</b>

**21 PAYABLE TO RELATED COMPANIES**

Dunamis Capital PLC	728	-
First Capital Limited	-	3,495
First Capital Asset Management Limited	525	-
	<b>1,253</b>	<b>3,495</b>

	Office Equipment Rs.'000	Furnitures Rs.'000	Fixtures & Fittings Rs.'000	Motor Vehicles Rs.'000	Total Rs.'000
<b>17 PROPERTY, PLANT AND EQUIPMENT</b>					
<b>Cost</b>					
As at 1 April 2016	29,444	7,543	19,052	16,760	72,799
Additions	1,448	-	-	-	1,448
Disposals	(85)	(196)	-	(5,960)	(6,241)
<b>As at 31 March 2017</b>	<b>30,807</b>	<b>7,347</b>	<b>19,052</b>	<b>10,800</b>	<b>68,006</b>
<b>Accumulated Depreciation</b>					
As at 1 April 2016	26,692	7,387	18,363	14,660	67,102
Charge for the year	1,922	115	427	2,100	4,564
Disposals	(85)	(196)	-	(5,960)	(6,241)
<b>As at 31 March 2017</b>	<b>28,529</b>	<b>7,306</b>	<b>18,790</b>	<b>10,800</b>	<b>65,425</b>
<b>Carrying Value As at 31 March 2017</b>	<b>2,278</b>	<b>41</b>	<b>262</b>	<b>-</b>	<b>2,581</b>
Carrying value As at 31 March 2016	2,752	156	689	2,100	5,697

Based on the assessment of potential impairment carried out by the Company as at 31 March 2017, 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. 62.1Mn as at 31 March 2017 (2015/16 Rs. 63.3Mn).

There were no capitalised borrowing cost related to the acquisition of Property, Plant and Equipment during the year (2015/16 - Nil).

There were no restrictions on the title of the Property, Plant and Equipment as at 31 March 2017.

There were no items of Property, Plant and Equipment pledged as security as at 31 March 2017.

There were no temporary idle items of Property, Plant and Equipment as at 31 March 2017.

## Notes to the Financial Statements Contd.

	Software Rs.'000	Total Rs.'000
<b>18 INTANGIBLE ASSETS</b>		
<b>Cost</b>		
As at 1 April 2016	14,215	14,215
Additions	423	423
<b>As at 31 March 2017</b>	<b>14,638</b>	<b>14,638</b>
<b>Accumulated Amortization/Impairment</b>		
As at 1 April 2016	12,663	12,663
Amortisation	1,047	1,047
<b>Balance as at 31 March 2017</b>	<b>13,710</b>	<b>13,710</b>
<b>Carrying Value as at 31 March 2017</b>	<b>928</b>	<b>928</b>
Carrying Value as at 31 March 2016	1,552	1,552

	2017 Rs.'000	2016 Rs.'000
<b>22 BORROWING ON LISTED DEBENTURES</b>		
Debentures Issued (Note 22.1)	509,953	505,143
Interest Charged	47,851	47,625
Interest Payments (Coupon)	(47,500)	(42,815)
<b>Balance as at 31 March</b>	<b>510,304</b>	509,953

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

Tenure	No. of Debentures	Face Value Rs. '000	Carrying Value 31.03.2017 Rs. '000	Carrying Value 31.03.2016 Rs. '000	Allotment Date	Maturity Date	Rate of Interest	Frequency on interest
5 Year	5,000,000	500,000	510,304	509,953	05-Feb-15	06-Feb-20	9.50% (AER-9.50%)	Annually
	5,000,000	500,000	510,304	509,953				

As at 31 March,	2017 Rs.'000	2016 Rs.'000
<b>23 RETIREMENT BENEFIT OBLIGATIONS</b>		
Balance at the beginning of the year	12,327	9,368
Gratuity charge for the year	615	1,486
Interest charge for the year	1,396	1,469
Actuarial (Gain)/Loss for the year	(4,410)	697
Transfers to group companies during the year	(1,328)	-
Benefits paid during the year	-	(693)
Balance at the end of the year	8,600	12,327
The total amount charged to profit or loss in respect of Retirement Benefit Obligation:		
Gratuity charge for the year	615	1,486
Interest charge for the year	1,396	1,469
	2,011	2,955
The total amount charged to other comprehensive income in respect of Retirement Benefit Obligation:		
Actuarial (Gain)/Loss for the year	(4,410)	697
	(4,410)	697

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

	2016/17	2015/16
<b>The Principal Assumptions used are as follows:</b>		
Expected annual average salary increment	7.5%	9%
Discount rate/interest rate	13%	11%
Staff turnover factor	5%	5%
Retirement age of employees	55 Years	55 Years

**Sensitivity of 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.

		2016/17 Rs.'000	2015/16 Rs.'000
Increase/(decrease) in discount rate	1%	(745)	(1,210)
	(1%)	317	1,359
Increase/(decrease) in salary increment	1%	342	1,372
	(1%)	(774)	(1,242)

As at 31 March,	2017	2016
<b>24 STATED CAPITAL</b>		
Number of ordinary shares	15,390,000	15,390,000
Fully paid ordinary shares (Rs.'000)	256,500	256,500

## Notes to the Financial Statements Contd.

As at 31 March,	2017	2016
<b>25 RISK RESERVE</b>		
Balance at the beginning of the year	871,262	870,141
Transfer during the year	34,377	1,121
Balance at the end of the year	905,639	871,262

The Company made a transfer of 10% (2015/16-10%) of its profit after tax to the risk reserve in accordance with the directions issued by the Central Bank of Sri Lanka.

**26 DIVIDEND**

The Board of Directors declared an interim dividend of Rs. 8.10 per share totalling Rs. 124.65 Mn for the year ended 31 March 2017 (2015/16- Nil).

**27 FINANCIAL INSTRUMENTS - FAIR VALUE AND RISK MANAGEMENT**

## 27.1.a Accounting Classifications

As at 31 March 2017	Held for trading	Loans and receivables / Borrowings at amortised cost	Available for sale	Held to maturity	Total carrying amount	Fair value
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
<b>Financial Assets measured at Fair Value</b>						
Derivative financial instruments	24,075	-	-	-	24,075	24,075
Financial investments - Held for trading	15,384,251	-	-	-	15,384,251	15,384,251
Financial investments - Available for sale	-	-	1,000	-	1,000	1,000
	15,408,326	-	1,000	-	15,409,326	15,409,326
<b>Financial Assets not measured at Fair Value</b>						
Cash at banks and in hand	-	13,731	-	-	13,731	13,731
Financial investments - Loans and receivables	-	6,369,562	-	-	6,369,562	6,369,562
Receivable from related companies	-	480	-	-	480	480
	-	6,383,773	-	-	6,383,773	6,383,773
<b>Total Financial Assets</b>	<b>15,408,326</b>	<b>6,383,773</b>	<b>1,000</b>	<b>-</b>	<b>21,793,099</b>	<b>21,793,099</b>
<b>Financial Liabilities measured at Fair Value</b>						
Derivative financial instruments	2,240	-	-	-	2,240	2,240
	2,240	-	-	-	2,240	2,240
<b>Financial Liabilities not measured at Fair Value</b>						
Securities sold under re-purchase agreements	-	19,677,003	-	-	19,677,003	19,630,142
Payable to related companies	-	1,253	-	-	1,253	1,253
Borrowing on Debentures	-	510,304	-	-	510,304	460,872
	-	20,188,560	-	-	20,188,560	20,092,267
<b>Total Financial Liabilities</b>	<b>2,240</b>	<b>20,188,560</b>	<b>-</b>	<b>-</b>	<b>20,190,800</b>	<b>20,094,506</b>



## 27.1.b Accounting Classifications

As at 31 March 2016	Held for trading	Loans and receivables / Borrowings at amortised cost	Available for sale	Held to maturity	Total carrying amount	Fair value
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
<b>Financial Assets measured at Fair Value</b>						
Derivative financial instruments	40,861	-	-	-	40,861	40,861
Financial investments - held for trading	9,206,856	-	-	-	9,206,856	9,206,856
Financial investments - Available for sale	-	-	1,000	-	1,000	1,000
	9,247,717	-	1,000	-	9,248,717	9,248,718
<b>Financial Assets not measured at Fair Value</b>						
Cash at banks and in hand	-	1,382	-	-	1,382	1,382
Financial investments - Loans and receivables	-	5,903,738	-	-	5,903,738	5,903,738
Receivable from related companies	-	422	-	-	422	422
<b>Total</b>	-	5,905,542	-	-	5,905,542	5,905,542
<b>Total Financial Assets</b>	<b>9,247,717</b>	<b>5,905,542</b>	<b>1,000</b>	<b>-</b>	<b>15,154,259</b>	<b>15,154,259</b>
<b>Financial Liabilities measured at Fair Value</b>						
Derivative financial instruments	20,835	-	-	-	20,835	20,835
	20,835	-	-	-	20,835	20,835
<b>Financial Liabilities not measured at Fair Value</b>						
Bank overdrafts	-	1,532	-	-	1,532	1,532
Securities sold under re purchase agreements	-	13,271,621	-	-	13,271,621	13,179,227
Payable to related companies	-	3,495	-	-	3,495	3,495
Borrowing on Debentures	-	509,953	-	-	509,953	488,928
	-	13,786,601	-	-	13,786,601	13,673,182
<b>Total Financial Liabilities</b>	<b>20,835</b>	<b>13,786,601</b>	<b>-</b>	<b>-</b>	<b>13,807,436</b>	<b>13,694,017</b>

## Notes to the Financial Statements Contd.

**27 FINANCIAL INSTRUMENTS FAIR VALUE AND RISK MANAGEMENT (CONTD.)**

## 27.2.a 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 2017	Total carrying value Rs. '000	Level 1 Rs. '000	Level 2 Rs. '000	Level 3 Rs. '000	Total fair value Rs. '00
<b>Financial Assets measured at Fair Value</b>					
<i>Derivative Financial Instruments</i>					
Forward purchase contracts	-	-	-	-	-
Forward sale contracts	24,075	24,075	-	-	24,075
	24,075	24,075	-	-	24,075
<i>Financial Investments - Held for trading</i>					
Investment in government securities	15,384,251	15,384,251	-	-	15,384,251
	15,384,251	15,384,251	-	-	15,384,251
Financial investments - Available for sale	1,000	-	-	1,000	1,000
	15,409,326	15,408,326	-	1,000	15,409,326
<b>Financial Assets not measured at Fair Value</b>					
Financial Investments - Loans and Receivables	6,369,562	-	-	6,369,562	6,369,562
Receivable from Related Companies	480	-	-	480	480
	6,370,042	-	-	6,370,042	6,370,042
<b>Total Financial Investments</b>	<b>21,779,368</b>	<b>15,408,326</b>	<b>-</b>	<b>6,371,042</b>	<b>21,779,368</b>
<b>Financial Liabilities measured at Fair Value</b>					
<i>Derivative Financial Instruments</i>					
Forward purchase contracts	-	-	-	-	-
Forward sale contracts	2,240	2,240	-	-	2,240
	2,240	2,240	-	-	2,240
<b>Financial Liabilities not measured at Fair Value</b>					
Securities sold under Re Purchase Agreements	19,677,003	-	-	19,630,142	19,630,142
Payable to Related Companies	1,253	-	-	1,253	1,253
Borrowing on Listed Debentures	510,304	-	460,872	-	460,872
	20,188,560	-	460,872	19,631,395	20,092,267
<b>Total Financial Liabilities</b>	<b>20,190,800</b>	<b>2,240</b>	<b>460,872</b>	<b>19,631,395</b>	<b>20,094,506</b>

## 27.2.b Financial Instruments- Fair Value

	Total carrying value Rs. '000	Level 1 Rs. '000	Level 2 Rs. '000	Level 3 Rs. '000	Total fair value Rs. '00
<b>As at 31 March 2016</b>					
<b>Financial Assets measured at Fair Value</b>					
<i>Derivative Financial Instruments</i>					
Forward purchase contracts	40,227	40,227	-	-	40,227
Forward sale contracts	634	634	-	-	634
	40,861	40,861	-	-	40,861
<i>Financial Investments - Held for trading</i>					
Investment in government securities	9,206,856	9,206,856	-	-	9,206,856
	9,206,856	9,206,856	-	-	9,206,856
Financial investments - Available for sale	1,000	-	-	1,000	1,000
	9,248,717	9,247,717	-	1,000	9,248,717
<b>Financial Assets not measured at Fair Value</b>					
Financial Investments - Loans and Receivables	5,903,738	-	-	5,903,738	5,903,738
Receivable from Related Companies	422	-	-	422	422
	5,904,160	-	-	5,904,160	5,904,160
<b>Total Financial Investments</b>	<b>15,152,877</b>	<b>9,247,717</b>	<b>-</b>	<b>5,905,160</b>	<b>15,152,877</b>
<b>Financial Liabilities measured at Fair Value</b>					
Forward purchase contracts	531	531	-	-	531
Forward sale contracts	20,304	20,304	-	-	20,304
	20,835	20,835	-	-	20,835
<b>Financial Liabilities not measured at Fair Value</b>					
Securities sold under Re purchase Agreements	13,271,621	-	-	13,179,227	13,179,227
Payable to Related Companies	3,495	-	-	3,495	3,495
Borrowing on Listed Debentures	509,953	-	488,928	-	488,928
	13,785,069	-	488,928	13,182,722	13,671,650
<b>Total Financial Liabilities</b>	<b>13,805,904</b>	<b>20,835</b>	<b>488,928</b>	<b>13,182,722</b>	<b>13,692,485</b>

**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.

## Notes to the Financial Statements Contd.

### 27.3 Financial Instruments

#### 27.3.1 Financial Risk Management

##### Overview

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

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

This note presents information about the Company's exposure to each of the above risks and the objectives, policies and processes for measuring and managing risk. Overall authority for managing risk is vested with the Board of Directors.

##### 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.

##### 27.3.1 (a) 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.

##### 27.3.1 (b) Liquidity Risk

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

Management of liquidity risk includes the following elements:

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

**Maturity Analysis of Financial Assets and Financial Liabilities**

As at 31 March 2017	Carrying Amount Rs.'000	On Demand Rs.'000	Up to 3 Months Rs.'000	3 Months to 1 Year Rs.'000	1-3 Years Rs.'000	3-5 Years Rs.'000	Over 5 Years Rs.'000
<b>Assets</b>							
Cash at banks and in hand	13,731	13,731	-	-	-	-	-
Derivative financial instruments	24,075	-	24,075	-	-	-	-
Financial investments - Held for trading	15,384,251	-	162,021	586,570	13,946,828	118,263	570,569
Financial investments - Loans and receivables	6,369,562	-	6,336,337	32,671	-	554	-
Financial investments - Available for sale	1,000	-	-	-	-	-	1,000
Receivable from related companies	480	480	-	-	-	-	-
<b>Total</b>	<b>21,793,099</b>	<b>14,211</b>	<b>6,522,433</b>	<b>619,241</b>	<b>13,946,828</b>	<b>118,817</b>	<b>571,569</b>
As at 31 March 2016	15,154,259	1,804	5,951,388	1,697,492	6,692,495	531,758	279,322
<b>As at 31 March 2017</b>							
<b>Liabilities</b>							
Bank overdrafts	-	-	-	-	-	-	-
Derivative financial instruments	2,240	-	1,733	507	-	-	-
Securities sold under repurchase agreements	19,677,003	-	17,381,203	1,175,926	896,967	222,907	-
Payable to related companies	1,253	1,253	-	-	-	-	-
Borrowing on Debentures	510,304	-	-	10,304	500,000	-	-
<b>Total</b>	<b>20,190,800</b>	<b>1,253</b>	<b>17,382,936</b>	<b>1,186,737</b>	<b>1,396,967</b>	<b>222,907</b>	<b>-</b>
As at 31 March 2016	13,807,436	5,027	9,571,503	2,697,292	796,381	737,233	-

**27.3.1 (c) 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.

## Notes to the Financial Statements Contd.

## Credit Quality by Class of Financial Assets

As at 31 March 2017	Neither Past due Nor Impaired Rs.'000	Past due But Not Impaired Rs.'000	Individually Impaired Rs.'000	Total Rs.'000
<b>Assets</b>				
Cash at banks and in hand	13,731	-	-	13,731
Derivative financial instruments	24,075	-	-	24,075
Financial investments - Held for trading	15,384,251	-	-	15,384,251
Financial investments - Loans and receivables	6,369,562	-	-	6,369,562
Financial investments - Available for sale	1,000	-	-	1,000
Receivable from related companies	480	-	-	480
<b>Total</b>	<b>21,793,099</b>	<b>-</b>	<b>-</b>	<b>21,793,099</b>

## As at 31 March 2016

<b>Assets</b>				
Cash at banks and in hand	1,382	-	-	1,382
Derivative financial instruments	40,861	-	-	40,861
Financial investments - Held for trading	9,206,856	-	-	9,206,856
Financial investments - Loans and receivables	5,903,738	-	-	5,903,738
Financial investments - Available for sale	1,000	-	-	1,000
Receivable from related companies	422	-	-	422
<b>Total</b>	<b>15,154,259</b>	<b>-</b>	<b>-</b>	<b>15,154,259</b>

## Analysis of Concentration Risk

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

As at 31 March 2017	Cash at Banks and in Hand Rs.'000	Derivative Financial Instruments Rs.'000	Financial Investments -Held for Trading Rs.'000	Financial Investments -Loans and Receivables Rs.'000	Financial Investments -Available for Sale Rs.'000	Receivable from Related Companies Rs.'000	Total Financial Assets Rs.'000
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## Sector wise breakdown

Government	-	-	15,384,251	-	-	-	15,384,251
Corporate	13,731	252	-	6,234,069	1,000	480	6,249,532
Others	-	23,823	-	135,493	-	-	159,316
<b>Total</b>	<b>13,731</b>	<b>24,075</b>	<b>15,384,251</b>	<b>6,369,562</b>	<b>1,000</b>	<b>480</b>	<b>21,793,099</b>

## As at 31 March 2016

## Sector wise breakdown

Government	-	-	9,206,856	5,903,738	-	-	15,110,594
Corporate	1,382	40,861	-	-	1,000	422	43,665
<b>Total</b>	<b>1,382</b>	<b>40,861</b>	<b>9,206,856</b>	<b>5,903,738</b>	<b>1,000</b>	<b>422</b>	<b>15,154,259</b>

#### 27.3.1 (d) 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 each business unit. 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 unit with summaries submitted to the Audit Committee.

## 28 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 2017 other than the following:

- » The Company has appealed against an income tax assessment for 2008/09 amounting to Rs. 101.3Mn and financial VAT for 2010/11 amounting to Rs. 90.2Mn to Court of Appeal and Tax Appeals Commission respectively. The hearing of said appeals has not been concluded yet.
- » The Company has appealed against assessments on income tax (2012/13, 2013/14 and 2014/15) and financial VAT (2012/13 and 2013/14) amounting to Rs. 584.6Mn and Rs. 123.2Mn respectively to the Department of Inland Revenue and hearings have not been determined yet.

The related appeals against the said assessments and determinations have been duly submitted. Based on the tax consultant's opinion, the Board of directors of First Capital Treasuries PLC is of the view that no liability would arise on the above mentioned tax matters as they are outside the scope of chargeability of taxes.

There were no other material litigations or claims that could have a material impact on the financial position of the Company, or which would lead to a disclosure in the financial statements for the year ended 31 March 2017.

## 29 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 a sale and purchase agreement to acquire a property (land and premises) for a consideration of Rs. 382Mn and an advance of Rs. 77.3Mn was paid. However consequent to the seller failing to honor the terms of the agreement, legal proceedings were initiated against the seller. The legal proceedings have not been concluded yet.

### (b) Other Commitments

There were no forward purchase contracts (Government Securities) as at 31 March 2017 (31 March 2016 - Rs. 1,788 Mn) and the value of forward sales contracts (Government Securities) as at 31 March 2017 is Rs. 2,048 Mn (31 March 2016 - Rs. 1,334 Mn).

## Notes to the Financial Statements Contd.

**30 RELATED PARTY DISCLOSURES****30.1 Directorships in Other Companies**

The Directors of First Capital Treasuries PLC are also Directors of the following Companies.

Name of the company	Relationship	Ms. Manjula Mathews *	Mr. Dinesh Schaffter	Mr. W.N.I.C Fernando **	Ms. Minette D.A. Perera	Mr. Chandana de Silva	Mr. D.G. Wirasekara ***
Dunamis Capital PLC	Ultimate Parent	Chairperson	Managing Director	-	-	Director	-
First Capital Holdings PLC	Intermediary Parent	Chairperson	Managing Director	Director	Director	Director	Director
First Capital Limited	Immediate Parent	Chairperson	Managing Director	Director	Director	Director	Director
First Capital Asset Management Limited	Subsidiary of the Immediate Parent	Chairperson	Managing Director	Director	Director	Director	Director
First Capital Markets Limited	Subsidiary of the Immediate Parent	Chairperson	Managing Director	Director	Director	Director	Director
First Capital Equities (Private) Limited	Subsidiary of the Immediate Parent	Chairperson	Managing Director	Director	Director	Director	Director
First Capital Trustee Services (Private) Limited	Subsidiary of the Immediate Parent	-	Director	-	-	-	Director
Kelsey Homes (Private) Limited	Subsidiary of the ultimate Parent	Chairperson	Managing Director	-	-	-	-
Kelsey Property Developers (Private) Limited	Subsidiary of the ultimate Parent	Chairperson	Managing Director	-	-	-	-
Kelsey Developments PLC	Subsidiary of the ultimate Parent	Chairperson	Managing Director	-	-	Director	-
Prefab Engineering Project (Private) Limited	Subsidiary of the ultimate parent	-	Director	-	-	Director	-
K H L Corporate Services Limited	Subsidiary of the ultimate Parent	-	Director	-	-	-	-
Premier Synthetic Leather Manufacturers (Private) Limited	Subsidiary of the ultimate Parent	Chairperson	Director	-	-	Director	-
Nextventures Limited	Related Party through KMP	Director	Director	-	-	-	-

**KMP - Key Management Personnel**

\* Ms. Manjula Mathews retired from the Board of Directors of Dunamis Capital PLC (Ultimate Parent) and its subsidiaries with effect from 30 April 2017.

\*\* Mr. W.N.I.C. Fernando was appointed as the Chairman of First Capital Holdings PLC and its subsidiaries namely First Capital Limited, First Capital Treasuries PLC, First Capital Markets Limited, First Capital Asset Management Limited and First Capital Equities (Private) Limited with effect from 1 May 2017 and 16 May 2017 respectively.

\*\*\* Mr. D.G. Wirasekara was appointed as Director/ Chief Executive Officer of First Capital Holdings PLC with effect from 1 May 2017. He was subsequently appointed as Director/ Chief Executive Officer of subsidiaries of First Capital Holdings PLC namely First Capital Limited, First Capital Treasuries PLC, First Capital Markets Limited, First Capital Asset Management Limited and First Capital Equities (Private) Limited.



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.

### 30.2 Transactions with Parent and Ultimate Parent

Nature of Transaction	2016/17 Rs.'000	2015/16 Rs.'000
<b>Statement of Profit or Loss and Other Comprehensive Income</b>		
Interest income on resale agreements	731,320	-
Interest expenses on repurchase agreements	205	8,294
Interest expense on debentures	27,313	27,407
Reimbursement of expenses	12,148	14,706
Gain realised on sale of government securities	93,036	-
<b>Statement of Changes in Equity</b>		
Dividend paid	117,733	-
<b>Statement of Financial Position</b>		
Investment in Government Securities	6,257,179	-
Borrowings on Listed Debentures	294,440	294,437
Securities sold under repurchase agreements (Government Securities)	-	684
Securities purchased under re-sale agreements (Government Securities)	5,467,261	-
Current account payable	728	3,495
Current account receivable	271	399
<b>Transactions with Subsidiaries of the Parent</b>		
<b>Statement of Profit or Loss and Other Comprehensive Income</b>		
Interest expenses on repurchase agreements	1,360	632
<b>Statement of Financial Position</b>		
Securities sold under repurchase agreements (Government Securities)	19,599	20,175
Current account receivables	209	23
Current account Payable	525	-

## Notes to the Financial Statements Contd.

**30.3 Transactions with other related parties**

Nature of Transaction	2016/17 Rs.'000	2015/16 Rs.'000
<b>Statement of Profit or Loss and Other Comprehensive Income</b>		
Interest income on resale agreements	10,461	15,463
Gain/(loss) realised on sale of government securities	(16,828)	24,729
Interest expenses on repurchase agreements	16,398	20,587
Secretarial fees paid	315	200
<b>Statement of Financial Position</b>		
Securities purchased under re-sale agreements (Government Securities)	35,565	393,357
Securities sold under repurchase agreements (Government Securities)	154,676	237,144
Current account receivables	-	-

Outstanding trading investments/ borrowings with related parties other than current account balances at year end are secured (i.e. collateralised via assets without guarantees). 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.

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

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

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

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

Close Family Members are related parties to the Entity.

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

Nature of Transaction	2016/17 Rs.'000	2015/16 Rs.'000
<b>Statement of Profit or Loss and Other Comprehensive Income</b>		
Emoluments paid - short term benefits	16,410	17,217
Interest income on resale agreements	13,001	39
Interest expense on repurchase agreements	476	361
<b>Statement of Financial Position</b>		
Securities purchased under re-sale agreements (Government Securities)	-	-
Securities sold under repurchase agreements (Government Securities)	32,247	4,824

**31 SUBSEQUENT EVENTS**

There were no material events after the reporting period, which require disclosures/ adjustments in the financial statements.

**32 DIRECTORS' RESPONSIBILITY STATEMENT**

The Board of Directors of the Company is responsible for the preparation and presentation of these financial statements.

## 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
5-Feb-2015	Annually	5,000,000	500,000	9.50% (AER - 9.50%)	5 Years	6-Feb-2020

### 2 OBJECTIVES OF THE ISSUE

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

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

### 3 MARKET VALUE AS AT 31 MARCH 2017

Debentures have been traded during the year ended 31 March 2017. Last traded price has been recognised as the market value.

Debenture Interest Yield	As at 31-03-2017	As at 31-03-2016
5 year fixed rate (9.50 % p.a. payable annually)	9.24%	9.96%

Yield of Comparable Government Securities	As at 31-03-2017	As at 31-03-2016
5 Year treasury bond	11.98%	12.19%

### 4 DEBT RATIOS

	As at 31-03-2017	As at 31-03-2016
Debt/ equity ratio (times)	12.15	9.59
Quick asset ratio (times)	1.11	1.14
Interest cover (times)	1.17	1.02

### 5 CREDIT RATINGS

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

## FIVE YEAR SUMMARY

Year ended 31 March	2017	2016	2015	2014	2013
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
<b>Trading Results</b>					
Gross income	2,536,109	847,442	1,937,351	1,420,891	1,269,664
Profit before tax	343,765	11,213	729,705	517,944	553,811
Taxation	-	-	-	-	-
Profit after tax	343,765	11,213	729,705	517,944	553,811
Other comprehensive income	4,410	(697)	2,414	(3,168)	-
<b>Total comprehensive income</b>	<b>348,175</b>	<b>10,516</b>	<b>732,119</b>	<b>514,776</b>	<b>553,811</b>
<b>As at 31 March</b>					
	2017	2016	2015	2014	2013
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
<b>Financial Position</b>					
<b>Assets</b>					
Cash at banks and in hand	13,731	1,382	2,120	3,960	1,791
Derivative financial instruments	24,075	40,861	40,609	6,878	1,991
Financial investments - Held for trading	15,384,251	9,206,856	8,637,938	11,531,581	6,699,329
Financial investments - Available for sale	1,000	1,000	1,000	1,000	1,000
Financial investments - Loans and receivables	6,369,562	5,903,738	7,323,882	911,215	5,244,196
Taxes receivable	12,093	12,093	11,051	-	-
Property, plant and equipment	2,581	5,697	18,991	31,692	24,017
Other assets	132,243	139,565	59,928	65,683	82,660
<b>Total Assets</b>	<b>21,939,536</b>	<b>15,311,192</b>	<b>16,095,519</b>	<b>12,552,009</b>	<b>12,054,984</b>
<b>Liabilities</b>					
Bank overdrafts	-	1,532	-	2,694	-
Derivative financial instruments	2,240	20,835	31,359	1,008	837
Securities sold under re-purchase agreements	19,677,003	13,271,621	14,011,649	11,156,646	10,616,151
Taxes payable	61,016	37,358	33,929	26,425	53,684
Retirement benefit obligations	8,600	12,327	9,368	9,911	5,194
Borrowings on listed debentures	510,304	509,953	505,143	-	-
Other liabilities	19,456	20,165	77,186	29,569	29,486
<b>Total Liabilities</b>	<b>20,278,619</b>	<b>13,873,791</b>	<b>14,668,634</b>	<b>11,226,253</b>	<b>10,705,352</b>
<b>Equity</b>					
Stated capital	256,500	256,500	256,500	256,500	256,500
Risk reserve	905,639	871,262	870,141	687,715	589,006
Retained earnings	498,778	309,639	300,244	381,541	504,126
<b>Total Equity</b>	<b>1,660,917</b>	<b>1,437,401</b>	<b>1,426,885</b>	<b>1,325,756</b>	<b>1,349,632</b>
<b>Total Equity And Liabilities</b>	<b>21,939,536</b>	<b>15,311,192</b>	<b>16,095,519</b>	<b>12,552,009</b>	<b>12,054,984</b>

## NOTICE OF MEETING

Notice is hereby given that the Annual General Meeting of First Capital Treasuries PLC will be held on 18<sup>th</sup> September 2017 at the Board Room at No.15, Walukarama Road, Colombo 03 at 2.45 p.m. to transact the following businesses.

1. To receive the Report of the Board of Directors and the Audited Financial Statements of the Company for the year ended 31 March 2017 together with the report of the Auditors thereon.
2. To re-elect Mr. Chandana L. de Silva 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-elect Mr. Dilshan G. Wirasekara who was appointed as a Director on 6 June 2017 and retires by rotation 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.

**K H L Corporate Services Limited**

*Secretaries*

At Colombo

9 August 2017

**Note:**

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









## FORM OF PROXY

I / We ..... of  
 ..... being a member/  
 members of First Capital Treasuries PLC hereby appoint Mr / Mrs / Miss .....  
 ..... (holder of NIC No .....) of  
 ..... failing whom,

- |                           |              |
|---------------------------|--------------|
| 1. Mr. Nishan Fernando    | failing whom |
| 2. Mr. Dinesh Schaffter   | failing whom |
| 3. Mr. Chandana de Silva  | failing whom |
| 4. Ms. Minette Perera     | failing whom |
| 5. Mr. Dilshan Wirasekara |              |

as my/our Proxy to represent me / us and vote on my/our behalf at the Annual General Meeting of the Company to be held on 18<sup>th</sup> September 2017 at the Board Room at No.15, Walukarama Road, Colombo 03 at 2.45 p.m. and at any adjournment thereof and at every poll which may be taken in consequence thereof.

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

	<b>FOR</b>	<b>AGAINST</b>
1. Receiving of the Report of the Board of Directors and the Audited Financial Statements of the Company for the year ended 31 March 2017 together with the report of the Auditors thereon.	<input type="checkbox"/>	<input type="checkbox"/>
2. Re-election of Mr. Chandana L. de Silva who retires by rotation in terms of Article 90 of the Articles of Association of the Company.	<input type="checkbox"/>	<input type="checkbox"/>
3. Re-election of Mr. Dilshan Wirasekara who was appointed as a Director on 6 June 2017 and retires by rotation in terms of Article 96 of the Articles of Association of the Company	<input type="checkbox"/>	<input type="checkbox"/>
4. Re-appointment of Messrs KPMG, Chartered Accountants as Auditors of the Company for the ensuing year and authorising the Directors to determine their remuneration.	<input type="checkbox"/>	<input type="checkbox"/>
5. Authorising Directors to determine and make donations.	<input type="checkbox"/>	<input type="checkbox"/>

Signed on this day of 2017.

Signature/s.....

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

## Form of Proxy Contd.

### **INSTRUCTIONS FOR THE COMPLETION OF THE FORM OF PROXY**

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

# CORPORATE INFORMATION

<b>Name of Company</b>	:	First Capital Treasuries PLC
<b>Legal Form</b>	:	Public Limited Liability Company listed on the Colombo Stock Exchange (Incorporated in Sri Lanka on 19 August 1982)
<b>Company Registration Number</b>	:	PB 127/PQ
<b>Registered Office</b>	:	No. 2, Deal Place Colombo 3 Sri Lanka
<b>Board of Directors</b>	:	Mr. Nishan Fernando Mr. Dinesh Schaffter Ms. Minette Perera Mr. Chandana de Silva Mr. Dilshan Wirasekara
<b>Secretaries</b>	:	K H L Corporate Services Limited No. 15, Walukarama Road, Colombo 3 Tel: 0112 145030/ 0112 574048
<b>Registrars</b>	:	SSP Corporate Services (Private) Limited No. 101 Inner Flower Road Colombo 03 Tel: 0112 573894
<b>Lawyers</b>	:	Messrs Neelakandan & Neelakandan Attorneys - at - Law and Notaries Public M&N Building (Level 5) No. 2 Deal Place, Colombo 3
<b>External Auditors</b>	:	Messrs KPMG Chartered Accountants 32 A, Sir Mohamad Macan Marker Mawatha P.O. Box 186, Colombo 03
<b>Principal Bankers</b>	:	Seylan Bank PLC Bank of Ceylon Peoples' Bank Commercial Bank of Ceylon PLC Hatton National Bank PLC NDB Bank PLC



For more information...  
<https://www.firstcapital.lk/>