



First Capital

PROVISIONAL

FINANCIAL

STATEMENTS

QUARTER ENDED 31ST MARCH 2019

FIRST CAPITAL TREASURIES PLC



STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the period	Note	January ~ March 2019 (Unaudited)	March 2018 (Unaudited)	April ~ March 2019 (Unaudited)	March 2018 (Audited)
Income		686,779	695,031	2,680,317	2,510,299
Direct income		689,449	695,030	2,662,272	2,510,251
Direct expenses		(662,515)	(462,827)	(2,334,942)	(1,651,367)
Net trading income		26,934	232,203	327,330	858,884
Other income/(expense)	1	(2,670)	1	18,045	48
Gain/ (loss) on financial assets recognised through profit or loss measured at fair value		421,983	(69,993)	(76,396)	139,259
		446,247	162,211	268,979	998,191
Less:					
Administrative expenses		(23,156)	(20,750)	(103,887)	(135,093)
Sales and distribution expenses		444	(3,509)	(5,695)	(10,930)
Other operating expenses		(6,183)	(3,824)	(14,689)	(28,762)
		(28,895)	(28,083)	(124,271)	(174,785)
Profit before tax		417,352	134,128	144,708	823,406
Income tax (expense)/ reversal	2	(40,546)	844,479	(41,185)	847,465
Profit for the period		376,806	978,607	103,523	1,670,871
Other comprehensive income					
<i>Items that will never be reclassified to profit or loss</i>					
Loss on financial assets fair value through other comprehensive income		(1,000)	-	(1,000)	-
Actuarial loss on defined benefit plans		(1,672)	(608)	(1,672)	(608)
Tax effect on other comprehensive income	2	748	170	748	170
<i>Items that are or may be reclassified to profit or loss</i>		-	-	-	-
Other comprehensive income/(expense) for the period		(1,924)	(438)	(1,924)	(438)
Total comprehensive income for the period		374,882	978,169	101,599	1,670,433
Earnings per share (Rs.)		24.48	63.59	6.73	108.57

Figures in bracket indicate deductions.
Note: All values are in Rupees '000 unless otherwise stated.



STATEMENT OF FINANCIAL POSITION

As at	Note	31 st March 2019 (Unaudited)	31 st March 2018 (Audited)
ASSETS			
Cash at banks and in hand		2,144	3,077
Derivative financial instruments		3,454	47,868
Financial assets recognised through profit or loss -measured at fair value		29,533,280	23,376,073
Financial assets fair value through other -comprehensive income		-	1,000
Financial assets at amortised cost		1,863,996	968,887
Receivable from related companies		10,305	5,239
Taxes receivable		12,093	12,093
Deferred tax asset		807,199	847,635
Other assets		100,664	239,030
Property, plant and equipment		1,254	1,393
Intangible assets		475	389
Total Assets		32,334,864	25,502,684
LIABILITIES			
Bank overdrafts		6,660	2,759
Derivative financial instruments		2,878	21,659
Short term borrowings		991,384	-
Securities sold under re-purchase agreements		27,482,737	21,691,825
Creditors and accrued charges		11,313	9,568
Payable to related companies		716	42,478
Taxes payable		83,740	81,452
Retirement benefit obligations		11,446	10,974
Borrowings on listed debentures	5	511,111	510,689
Total Liabilities		29,101,985	22,371,404
EQUITY			
Stated capital	6	256,500	256,500
Risk reserve		1,083,078	1,072,726
Retained earnings		1,894,301	1,802,054
Fair valuation reserve		(1,000)	-
Total Equity		3,232,879	3,131,280
Total Equity & Liabilities		32,334,864	25,502,684

Note: All values are in Rupees '000 unless otherwise stated.
The above figures are subject to audit.

These financial statements are in compliance with the requirements of the Companies Act No. 07 of 2007.

(Sgd.)
Mangala Jayashantha
Chief Financial Officer

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

(Sgd.)
Dilshan Wirasekara
Director/Chief Executive Officer

(Sgd.)
Dinesh Schaffter
Managing Director

30th May 2019
Colombo



STATEMENT OF CHANGES IN EQUITY

For the year ended 31st March 2019

	Stated Capital	Risk Reserve	Retained Earnings	Fair Valuation	Total Equity
Balance as at 1st April 2017 (Audited)	256,500	905,639	498,778	-	1,660,917
<u>Total comprehensive income for the period</u>					
Profit for the period	-	-	1,670,871	-	1,670,871
Other comprehensive income/(expense)	-	-	(438)	-	(438)
Total comprehensive income	-	-	1,670,433	-	1,670,433
<u>Transactions with equity holders</u>					
Dividend paid	-	-	(200,070)	-	(200,070)
Total distribution to Equity Holders	-	-	(200,070)	-	(200,070)
Total Transactions with Equity Holders	-	-	(200,070)	-	(200,070)
Transfer to risk reserve	-	167,087	(167,087)	-	-
Total transactions with equity holders	-	167,087	(167,087)	-	-
Balance as at 31st March 2018 (Audited)	256,500	1,072,726	1,802,054	-	3,131,280
Balance as at 1st April 2018 (Audited)	256,500	1,072,726	1,802,054	-	3,131,280
<u>Total comprehensive income for the period</u>					
Profit for the period	-	-	103,523	-	103,523
Other comprehensive income/(expense)	-	-	(924)	(1,000)	(1,924)
Total comprehensive income	-	-	102,599	(1,000)	101,599
<u>Transactions with equity holders</u>					
Transfer to risk reserve	-	10,352	(10,352)	-	-
Total transactions with equity holders	-	10,352	(10,352)	-	-
Balance as at 31st March 2019 (Unaudited)	256,500	1,083,078	1,894,301	(1,000)	3,232,879

Figures in bracket indicate deductions.

Note: All values are in Rupees '000 unless otherwise stated.



STATEMENT OF CASH FLOWS

For the year ended 31st March

Cash flows from operating activities

Interest receipts and gains realized	2,658,397	2,509,176
Interest payments and other direct cost	(2,151,693)	(1,238,588)
Other receipts	10,039	48
Cash payments to employees and suppliers	(122,063)	(170,545)
Operating profit before changes in operating assets and liabilities	394,680	1,100,091

(Increase)/ Decrease in financial assets recognised through Profit or Loss measured at Fair Value

(Increase)/ Decrease in financial assets at amortised cost	(6,207,969)	(7,856,931)
(Increase)/ Decrease in receivable from related companies	(891,234)	5,401,751
(Increase)/ Decrease in other assets	(5,066)	(4,813)
Increase/ (Decrease) in creditors and accrued charges	138,366	(108,195)
Increase/ (Decrease) in payable to related companies	4,031	12,533
Increase/ (Decrease) in short term borrowings	(41,762)	40,542
Increase/ (Decrease) in borrowings against re-purchase agreements	990,306	-
	5,609,163	1,602,427

Cash generated from/ (used in) operations

Tax paid	-	-
Gratuity paid	(2,821)	-
Net cash from/ (used in) operating activities	(12,306)	187,405

Cash flow from investing activities

Purchase of property, Plant and equipment	(309)	(574)
Purchase of intangible assets	(225)	(174)
Proceeds from disposal of property, plant and equipment	8,006	-
Net cash from/ (used in) investing activities	7,472	(748)

Cash flow from financing activities

Dividend paid	-	(200,070)
Net cash from/ (used in) financing activities	-	(200,070)

Net cash inflow/ (outflow) for the period

Cash and cash equivalents at the beginning of the period (Note A)	318	13,731
Cash and cash equivalents at the end of the period (Note B)	(4,516)	318

Note A

Cash at bank and in hand	3,077	13,731
Bank overdraft	(2,759)	-
	318	13,731

Note B

Cash at bank and in hand	2,144	3,077
Bank overdraft	(6,660)	(2,759)
	(4,516)	318

	April ~ March	
	2019 (Unaudited)	2018 (Audited)
Cash flows from operating activities		
Interest receipts and gains realized	2,658,397	2,509,176
Interest payments and other direct cost	(2,151,693)	(1,238,588)
Other receipts	10,039	48
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Increase/ (Decrease) in borrowings against re-purchase agreements	5,609,163	1,602,427
Cash generated from/ (used in) operations	(9,485)	187,405
Tax paid	-	-
Gratuity paid	(2,821)	-
Net cash from/ (used in) operating activities	(12,306)	187,405
Cash flow from investing activities		
Purchase of property, Plant and equipment	(309)	(574)
Purchase of intangible assets	(225)	(174)
Proceeds from disposal of property, plant and equipment	8,006	-
Net cash from/ (used in) investing activities	7,472	(748)
Cash flow from financing activities		
Dividend paid	-	(200,070)
Net cash from/ (used in) financing activities	-	(200,070)
Net cash inflow/ (outflow) for the period	(4,834)	(13,413)
Cash and cash equivalents at the beginning of the period (Note A)	318	13,731
Cash and cash equivalents at the end of the period (Note B)	(4,516)	318
Note A		
Cash at bank and in hand	3,077	13,731
Bank overdraft	(2,759)	-
	318	13,731
Note B		
Cash at bank and in hand	2,144	3,077
Bank overdraft	(6,660)	(2,759)
	(4,516)	318

Figures in bracket indicate deductions.

Note: All values are in Rupees '000 unless otherwise stated.



NOTES TO THE FINANCIAL STATEMENTS

1 Other Income

Exchange gain/(loss)	
Profit on sale of property, plant and equipment	
Dividend income	
Miscellaneous income	

January - March		April-March	
2019	2018	2019	2018
Rs'000	Rs'000	Rs'000	Rs'000
(2,677)	-	10,024	9
-	-	8,006	-
-	-	-	36
7	1	15	3
(2,670)	1	18,045	48

2 Income Tax Expenses

Recognised in profit or loss	
Income Tax	
Deferred Tax	

Recognised in other comprehensive income

Income Tax	
Deferred Tax	

January - March		April-March	
2019	2018	2019	2018
Rs'000	Rs'000	Rs'000	Rs'000
-	-	-	-
(40,546)	844,479	(41,185)	847,465
(40,546)	844,479	(41,185)	847,465
-	-	-	-
748	170	748	170
748	170	748	170

3 These Provisional Financial Statements for the year ended 31st March 2019 have been prepared in accordance with Sri Lanka Accounting Standard (LKAS 34) "Interim Financial Reporting".

4 SLFRS 9 - "Financial Instruments" is applicable for financial periods beginning on or after 1st January 2018. This standard replaces LKAS 39 - "Financial Instruments: Recognition and Measurement". However, Based on the "Statement of Alternative Treatment (SoAT)" issued by The Institute of Chartered Accountants of Sri Lanka on the Figures in the Interim Financial Statements", the Company continued to prepare the provisional financial statements for the first three quarters of the year 2018/19 with the application of LKAS 39 (Financial Instruments: Recognition and Measurement). However, SLFRS 9 has been applied for provisional financial statements for the fourth quarter ended 31st March 2019.

The Company assessed the impact on transition based on gap analysis and quantifications performed on its financial statements. The summary of the impact to the company is presented in the table below.

Scope	LKAS 39 Requirement	SLFRS 9 Requirement	Impact to the Company
Financial asset classification and measurement	Four categories (HTM, L&R, FVTPL and AFS) . Classification is based on ability and intention to hold and the marketability of the instrument	Three categories (Amortised cost, FVTPL and FVTOCI). Classification is based on characteristics of financial instruments and the business model of the portfolio	No impact to the Company.
Financial liabilities	Two categories – FVTPL and amortised cost	Two categories – FVTPL and amortised cost	No change.
Impairment	Incurred loss approach	Expected loss approach	No impact to the Company.
Hedge accounting	<p>*Hedging relationship consists only of eligible hedging instruments and eligible hedged items.</p> <p>*Hedge effectiveness requirements:</p> <ul style="list-style-type: none"> - Effectiveness can be reliably measured - Hedge is expected to be highly effective - Hedge is assessed on an on-going basis <p>*Voluntary discontinuation of hedge accounting is allowed.</p>	<p>* The general requirement remains unchanged. However, certain items that were not eligible as hedged items or hedging instruments under LKAS 39 are now eligible under SLFRS 9.</p> <p>*Hedge effectiveness requirements:</p> <ul style="list-style-type: none"> - Economic relationship exists - Credit risk does not dominate value changes - Designated hedge ratio is consistent with risk management strategy <p>*Discontinuation of hedge accounting only under specified circumstances</p>	No impact to the Company.

HTM - Held to maturity
L&R - Loans and Receivables
FVTPL- Fair Value through profit or loss

FVTOCI - Fair Value through other comprehensive income
AFS - Available for sale



NOTES TO THE FINANCIAL STATEMENTS

- 5 The debentures represent 5,000,000 rated, subordinated, unsecured, redeemable debentures at a face value of Rs. 100/- interest payable at a rate of 9.5% annually.
- 6 The number of shares represented by stated capital as at 31st March 2019 is 15,390,000 shares (31st March 2018 - 15,390,000 shares).
- 7 The above figures are provisional and subject to audit. The same accounting policies as in the Annual Report for the year ended 31st March 2018 have been followed in the preparation of the above provisional financial statements other than the adoption of SLFRS 9 as described above.

During the reporting period, there have been a change in Accounting estimates with respect to economic useful lives of assets from 3 years to 5 years in all asset categories with remaining written down value as at 31st March 2018. This was applied prospectively and the total reversal of accumulated depreciation for the reporting period is Rs. 612,976/-.

- 8 The presentation and classification of figures for the corresponding period of the previous year have been reclassified to be comparable with those of the current year where necessary.
- 9 There have been no significant changes in the nature of the Contingent Liabilities which were disclosed in the audited financial statements for the year ended 31st March 2018 other than the following:

- In August 2018, the Company filed a written submission against letter of intimation on income tax return of 2015/16 issued by the Department of Inland Revenue. However, the related assessment has not been issued yet.

- In September 2018, the Commissioner General of Inland Revenue determined Company's appeal on Financial VAT - 2013/14 amounting to Rs. 60.8Mn in favour of the Inland Revenue. The appeal against the said determination was filed with the Tax Appeals Commission.

- In December 2018, the Inland Revenue issued an assessment on Financial VAT amounting to Rs. 47.1Mn for the Company. Appeal against the said assessment was submitted to the Commissioner General of Inland Revenue.

Based on tax consultant's opinion, the Board of Directors of the Company is of the view that no liability would arise since the said intimation/determination are outside the scope of chargeability of taxes.

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

11 Market Price per Share

Market value is not available since the shares of the Company are not publicly traded.

12 Net assets per share

As at 31 st March 2019 Rs.	As at 31 st March 2018 Rs.
210.06	203.46



INVESTOR INFORMATION

13 Information on Listed Debentures

Date of allotment	Frequency on Interest Payment	No. of Debentures issued and allotted	Face Value Rs.000	Rate of Interest	Tenure	Date of Maturity
5 th February 2015	Annually	5,000,000	500,000	9.50% (AER - 9.50%)	5 Years	6 th February 2020

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.					

Market value of Listed Debentures as at 31st March 2019

Debentures with 5 year maturity have not been traded during the quarter ended 31st March 2019.

Hence, par value is recognised as its market value. Hence, yield to maturity on trade done is also not applicable.

Debt Ratios

	As at 31 st March 2019	As at 31 st March 2018
Debt/ equity ratio (times)	8.97	7.09
Quick asset ratio (times)	1.10	1.12
Interest cover (times)	1.06	1.50

Debenture Interest Yield

	As at 31 st March 2019	As at 31 st March 2018
5 year fixed rate (9.50 % p.a. payable annually)	9.50%	9.50%

Yield of comparable Government Securities (%)

	As at 31 st March 2019	As at 31 st March 2018
5 Year treasury bond	9.99%	9.75%