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SECURITIES



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WEALTH MANAGEMENT

Asia Securities Unit Trust Funds

ANNUAL REPORT 2022/2023

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ASIA SECURITIES WEALTH MANAGEMENT (PVT) LIMITED

Asia Securities Wealth Management (Pvt) Ltd. (ASWM) provide wealth management services for individuals, corporates, and institutions. The company was launched in October 2018, with a largest AUM for a new wealth manager in Sri Lanka.

The company is a fully owned subsidiary of Asia Securities Holdings (Pvt) Ltd and is licensed to operate as an Investment Manager and a Management Company to operate collective investments schemes by the Securities and Exchange Commission of Sri Lanka.

Asia Securities Holdings (Pvt) Ltd is a leading investment bank in Sri Lanka providing wealth management, M&A advisory, equity brokerage, and research services through its related companies.

BOARD OF DIRECTORS



Dumith Hemantha Fernando
Chairman,
Asia Securities Wealth Management

Dumith Fernando is the Chairman of Asia Securities (Pvt) Ltd, a leading independent Investment Banking, Research, and Stock Broking firm in Sri Lanka. He has over two decades of experience in international Investment Banking, based in New York and Hong Kong with the U.S. bank J.P. Morgan Chase & Co. and the Swiss bank Credit Suisse AG. Until 2013, he was Managing Director and Group Chief Operating Officer for the Asia Pacific region at Credit Suisse – a business with over USD 2.5bn in revenue across 12 countries, and a member of the Global Leadership Council.

He was the former Chairman of the Colombo Stock Exchange, and a Director of Singer Sri Lanka PLC, and Union Assurance PLC. He is also a Senior Advisor to Tybourne Capital Management (in Hong Kong) a leading Asia-based investment management firm, and non-executive Chairman of several start-up companies.

He holds a BA (Honors) in Physics & Economics from Middlebury College in the U.S. and an MBA from Harvard Business School.



Harold Avancka Herat
Director,
Asia Securities Wealth Management

Avancka has been the Chief Executive Officer for Asia Securities Wealth Management (Pvt) Limited from September 2018 to June 2021 and thereafter Executive Director, group client coverage.

Avancka was also the CEO of National Asset Management (Pvt) Ltd (NAMAL) from 2011 to 2018.

He functioned as the Chief Investment Officer of Aegis Fund Management (fund manager for Sri Lanka Insurance Corporation) in 2004-2010 with an AUM of USD 600mn (LKR 93bn), where he was responsible for articulating overall investment strategy and execution of asset allocation for both equity and debt markets. Through his career he has worked at Caltex Ceylon, Jardine Fleming HNB Capital, Jardine Fleming HNB Securities, and Lanka Securities. He counts over 25 years of capital markets experience and started his career as an Analyst at Lanka Securities.

Avancka holds a master's degree in Business Finance from Brunel University London, UK and a Bachelor's Degree in Business Studies from Swansea University, UK.

INVESTMENT COMMITTEE

Permanent Members

Steven Enderby
Independent Member

Dumith Fernando
Chairman,
Asia Securities Wealth Management

Avancka Herat
Executive Director,
Asia Securities Wealth Management

Kishan Vairavanathan
Chief Executive Officer,
Asia Securities Wealth Management

Pushpika Jeevaratne
VP Compliance,
Asia Securities Wealth Management

Steven Enderby Independent Member

Accounts for over 25 yrs of Investments and private equity experience in UK, Asia, India and Bangladesh and Mr Enderby was the former CEO/MD, Hemas Group.

MANAGEMENT TEAM

Kishan Vairavanathan

Chief Executive Officer
Asia Securities Wealth Management

Mr. Kishan Vairavanathan held directorships in Dynamic Global Ventures (Private) Limited, Inventive Automobiles (Private) Limited and Dyno Innovations (Private) Limited up to November 2022. He is currently a Non-executive independent director of Galle Face Capital Partners PLC.

He was the Managing Director of Assetline Capital (Private) Limited and Assetline Securities (Private) Limited between November 2016 and February 2022. He also held directorship positions in four other companies in the David Pieris Group, namely DPMC Assetline Holdings (Private) Limited, Assetline Leasing Company Limited, David Pieris Investment Properties (Private) Limited and David Pieris International Ventures (Private) Limited.

Prior to joining the DPMC Group, Mr. Vairavanathan held Director posts in the Capital Alliance Group and Janashakthi Limited. He was also General Manager Investments at Janashakthi Insurance and Chief Executive Officer at NDB Stockbrokers.

Mr. Vairavanathan holds a Master in Business Administration (Finance and Investments) from the USA and a Bachelor of Science in Mathematics from the University of Sussex UK.

Pushpika Jeevaratne

Vice President Compliance
Asia Securities Wealth Management

Pushpika is the VP Compliance at Asia Securities Wealth Management and accounts for over 16 years of capital markets experience. Pushpika was the former Head of Compliance & Risk at National Asset Management Limited (NAMAL).

She is a passed finalist of CIMA and holds BSc in Electronic & Telecommunications Engineering - University of Moratuwa, Sri Lanka.

Nadarajah Gowthaman

Portfolio Manager
Asia Securities Wealth Management

Gowthaman joined Asia Securities Wealth Management (Pvt) Ltd as the Vice President/Portfolio Manager. Prior to this role, he was associated with Ceylon Asset Management, one of Sri Lanka's leading asset management firms, where he covered fixed income and equity funds. Before that, he worked as an Investment Manager at ETF Board and as a Forex & FIS Dealer at Indian Bank, amassing over a decade of experience in both domestic and foreign markets.

ASIA SECURITIES MONEY MARKET FUND

ASIA SECURITIES MONEY MARKET FUND REVIEW

Fund Manager

Nadarajah Gowthaman

Fund Objective

The Fund is an open-ended unit trust fund that focuses on investing in short-term government securities and fixed income securities with an investment-grade rating of BBB- or above. These securities have a maturity period of 365 days or less. The investment objective is to generate a high interest income for its investors while preserving capital and providing liquidity.

Commentary

During the 12-month period ending in 2022/23, the Asia Security Money Market Fund delivered an annualized return of 13.19% to its investors. The fund primarily focuses on fixed deposits and other money market instruments issued by entities with investment-grade ratings or higher. As the year progressed, we shifted our investment strategy from fixed deposits to government securities (G-secs) due to the appealing yields they offered.

Throughout 2022, interest rates experienced an upward trajectory, driven by the Central Bank's aggressive monetary policy tightening measures. Collectively, policy rates were raised by 900 basis points in the 2022/23 period. In September 2022, inflation reached a historically high level of 69.8% due to the depreciation of the local currency, supply shortages, significant monetary financing, and global energy and food inflation. Additionally, the Average Weighted Prime Rate (AWPR) reached an unprecedented high of 29.7% in November 2022. Consequently, yields on government securities soared to extraordinarily high levels.

Fund Return

Period	ASMMF Annualized Return
2022-23	13.19%
2021-22	10.99%

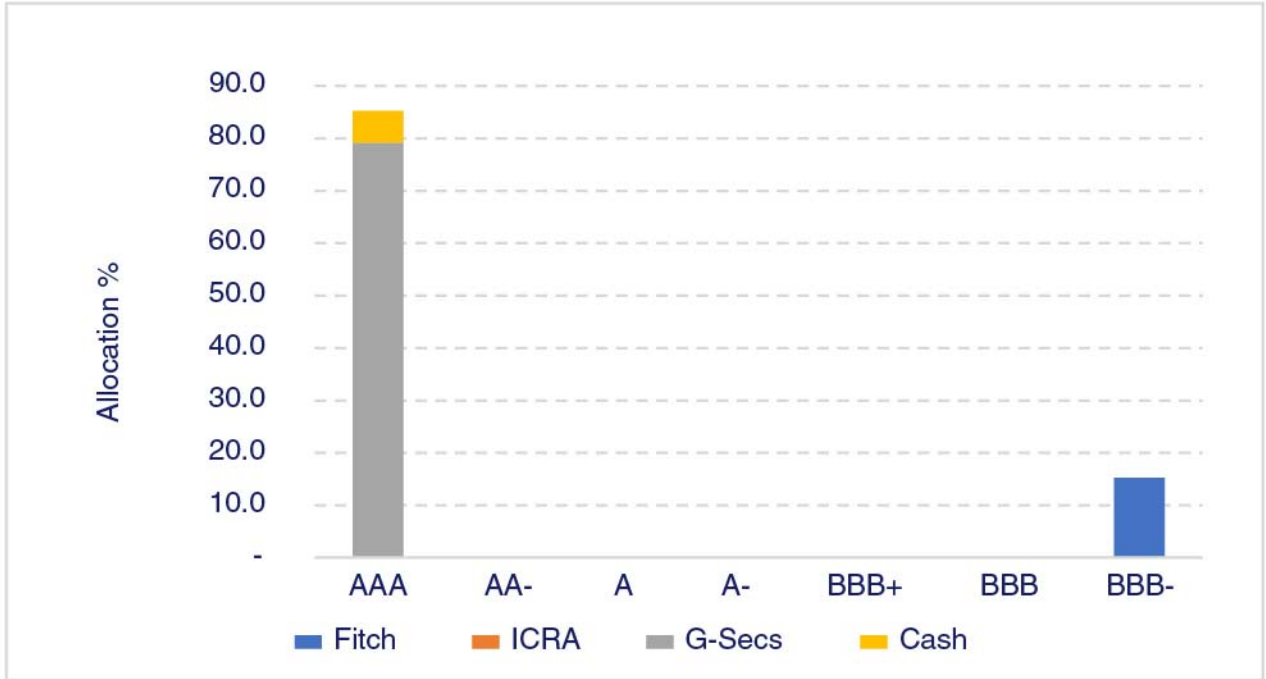
In addition to the substantial increase in policy interest rates, market interest rates were influenced by the surge in G-sec yields, which was driven by heightened risk premiums and a persistent liquidity deficit in the domestic money market.

Given the prevailing circumstances and the need for liquidity being a major concern, the fund decided to prematurely withdraw a few fixed deposits. This action resulted in a slight decrease in the unit price of the fund from April 2022 to September 2022. This decline in unit price can be considered analogous to the penalty costs incurred when an investor prematurely terminates their own fixed deposit. Furthermore, the fund undertook a rebalancing exercise to address the underlying risks. Despite the short-term impact on returns, we believe this exercise was necessary to ensure the fund's uncompromised quality. However, once the outflows stabilized, the fund primarily focused on investing in G-secs due to their attractive yields and enhanced liquidity.

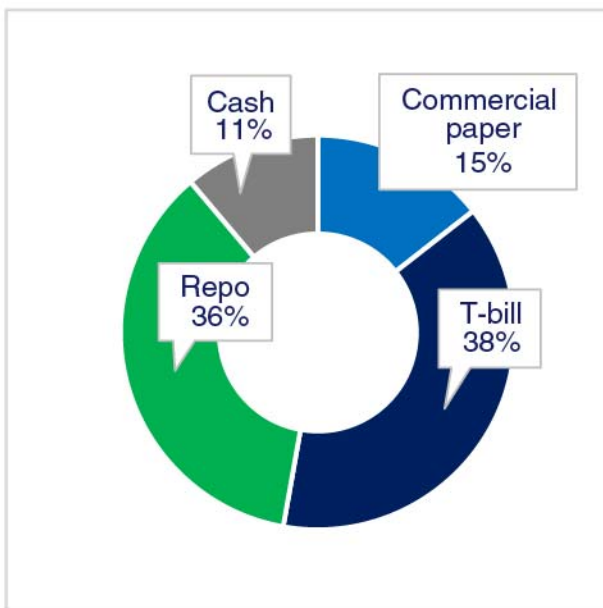
ASIA SECURITIES MONEY MARKET FUND REVIEW

Key Facts of the Fund

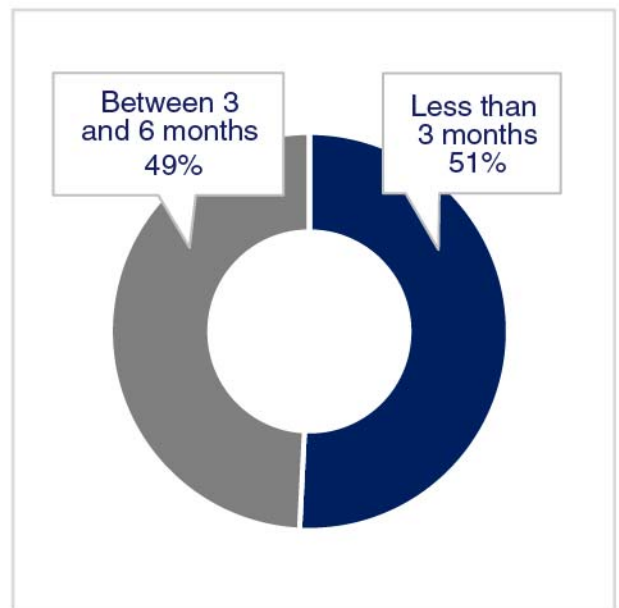
Fund Credit Quality -% of NAV



Asset Allocation



Maturity Profile



ASIA SECURITIES MONEY MARKET FUND
AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2023

INDEPENDENT AUDITOR'S REPORT
To the Unitholders of Asia Securities Money Market Fund



Report on the audit of the financial statements

Our opinion

In our opinion, the financial statements give a true and fair view of the financial position of Asia Securities Money Market Fund (“the Fund”) as at 31 March 2023, and of its financial performance and its cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

What we have audited

The Fund’s financial statements comprise:

- the statement of financial position as at 31 March 2023;
- the statement of profit or loss for the year then ended;
- the statement of changes in unitholders’ funds for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include significant accounting policies and other explanatory information.

Basis for opinion

We conducted our audit in accordance with Sri Lanka Auditing Standards (SLAuSs). Our responsibilities under those standards are further described in the Auditor’s responsibilities for the audit of the financial statements section of our report.

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

Independence

We are independent of the Fund in accordance with the Code of Ethics for Professional Accountants issued by the Institute of Chartered Accountants of Sri Lanka (“CA Sri Lanka Code of Ethics”). We have fulfilled our other ethical responsibilities in accordance with the CA Sri Lanka Code of Ethics.

Other information

Management is responsible for the other information. The other information comprises the annual report to the unitholders (but does not include the financial statements and our auditor’s report thereon.) The annual report to the unitholders is expected to be made available to us after the date of this auditor’s report.

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

In connection with our audit of the financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

When we read the annual report of the board, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

INDEPENDENT AUDITOR'S REPORT
To the Unitholders of Asia Securities Money Market Fund



Report on the audit of the financial statements (Contd.)

Responsibilities of management and those charged with governance for the financial statements

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

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

INDEPENDENT AUDITOR'S REPORT
To the Unitholders of Asia Securities Money Market Fund



Auditor's responsibilities for the audit of the financial statements (Contd.)

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Manager.
- Conclude on the appropriateness of Manager's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Fund to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

A handwritten signature in black ink that reads 'PricewaterhouseCoopers'. The signature is written in a cursive, flowing style.

CHARTERED ACCOUNTANTS
COLOMBO
06 July 2023

Asia Securities Money Market Fund
STATEMENT OF PROFIT OR LOSS
(All amounts in Sri Lanka Rupees)

Income	Note	For the year ended	For the period from
		31 March 2023	23 December 2020 to 31 March 2022
		LKR	LKR
Interest income	05	114,330,776	325,623,559
Total income		114,330,776	325,623,559
Operating expenses			
Management fees		(3,067,644)	(20,365,302)
Trustee fees		(1,800,665)	(6,598,358)
Custodian fees		(274,305)	(328,793)
Audit fees		(433,846)	(342,954)
WHT expense		(1,112,975)	Nil
Other expenses		(206,133)	(93,784)
Total operating expenses		(6,895,569)	(27,729,191)
Other income	06	2,398,654	16,772,425
Finance cost			
Interest expense		(43,124,828)	(10,066,911)
Total finance cost		(43,124,828)	(10,066,911)
Profit for the period		66,709,033	304,599,882
Increase in net assets attributable to unit holders		66,709,033	304,599,882

Figures in brackets indicate deductions.

The accounting policies and notes from pages 8 to 25 form an integral part of these financial statements.

Asia Securities Money Market Fund
STATEMENT OF FINANCIAL POSITION
(All amounts in Sri Lanka Rupees)

		31 March 2023	31 March 2022
Assets	Note	LKR	LKR
Cash and cash equivalents	07	43,687,694	12,012,164
Financial assets at amortised cost	08	334,932,766	6,118,436,492
Other receivable		174,407	Nil
Total assets		378,794,867	6,130,448,656
Liabilities			
Borrowings	09	Nil	689,732,542
Other payables	10	595,991	5,577,915
Total liabilities		595,991	695,310,457
Net assets attributable to unit holders		378,198,876	5,435,138,199
Unitholders' funds			
Net assets attributable to unit holders		378,198,876	5,435,138,199

The Fund Management Company and the Trustee are responsible for the preparation and presentation of these financial statements in accordance with Sri Lanka Accounting Standards. These financial statements were approved by the Fund Management Company and the Trustee on 06 July 2023.

Director
 Asia Securities Wealth Management (Private) Limited
 Fund Management Company

Trustee
 Hatton National Bank

Director
 Asia Securities Wealth Management (Private) Limited
 Fund Management Company

Figures in brackets indicate deductions.

The accounting policies and notes from pages 8 to 25 form an integral part of these financial statements.

Asia Securities Money Market Fund
STATEMENT OF CHANGES IN UNITHOLDERS' FUND
(All amounts in Sri Lanka Rupees)

	No of units	Unitholders' fund LKR
Creation of units	1,543,086,443	16,384,854,537
Increase in net assets attributable to unitholders	Nil	304,599,882
Redemption of units	(1,047,570,534)	(11,254,316,220)
Unitholders' funds as at 31 March 2022 (Note 16)	495,515,909	5,435,138,199

	No of units	Unitholders' fund LKR
Unitholders' funds as at 31 March 2022	495,515,909	5,435,138,199
Creation of units	162,617,678	1,839,522,706
Increase in net assets attributable to unitholders	Nil	66,709,033
Redemption of units	627,671,100	(6,963,171,062)
Unitholders' funds as at 31 March 2023 (Note 16)	30,462,487	378,198,876

Figures in brackets indicate deductions.

The accounting policies and notes from pages 8 to 25 form an integral part of these financial statements.

Asia Securities Money Market Fund
STATEMENT OF CASH FLOWS
(All amounts in Sri Lanka Rupees)

	For the year ended 31 March 2023	For the period from 23 December 2020 to 31 March 2022
	LKR	LKR
Interest received	345,711,561	96,346,724
Interest expenses paid	(43,124,828)	(10,066,911)
Other expenses paid	(7,081,713)	5,138,759
Management fees and trustee fees paid	(8,375,672)	(23,884,549)
Investment in repurchase agreements	(11,027,158,870)	(54,441,632,226)
Investment in commercial papers	(460,661,262)	(4,331,701,507)
Investment in fixed deposits	(150,094,000)	(3,277,000,000)
Investment in trust certificates	Nil	(749,000,000)
Investment in T-Bills	(174,490,853)	(408,973,120)
Maturity proceed from repurchase agreements	10,933,727,425	54,395,063,671
Maturity proceed from commercial papers	2,930,661,262	1,814,561,507
Maturity proceed from fixed deposits	2,437,094,000	990,000,000
Maturity proceed from trust certificates	660,000,000	89,000,000
Maturity proceed from T-Bills	403,616,836	49,121,500
Net cash used in operating activities	5,839,823,887	(5,803,026,152)
Cash flows from financing activities		
Amounts received on unit creations	1,839,522,706	16,384,854,537
Amounts paid on unit redemptions	(6,963,171,062)	(11,254,316,220)
Loans obtained against fixed deposits	980,687,047	Nil
Loans paid	(1,665,187,047)	6 84,500,000
Net cash generated from financing activities	(5,808,148,356)	5,815,038,317
Net increase in cash and cash equivalents during the period	31,675,530	12,012,164
Cash and cash equivalents at the beginning of the period	12,012,164	Nil
Cash and cash equivalents at the end of the period (Note 7)	43,687,694	12,012,164

Figures in brackets indicate deductions.

The accounting policies and notes from pages 8 to 25 form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1. General Information

1.1 General

Asia Securities Money Market Fund (“the Fund”) is an open-ended investment fund approved by the Securities and Exchange Commission of Sri Lanka. The Fund had been granted its license on 12th of October 2020 and operations started on 23rd December 2020. The Fund is managed by Asia Securities Wealth Management (Private) Limited which is incorporated and domiciled in Sri Lanka. The registered office of the fund management company is located 4th Floor, Lee Hedges Tower, No, 349, Galle Road, Colombo 03. The trustee and custodian of the fund is Hatton National Bank PLC having its place of business at No 479, T.B. Jayah Mawatha, Colombo 10.

The investment objective of the Fund is to generate a high interest income while preserving capital and providing liquidity. The Fund will invest into high quality money market instruments with a residual maturity of less than 366-days.

1.2 Date of authorization for issue

The financial statements of the Fund for the period ended 31 March 2023 were authorized for issue by the fund management company and the trustee on 6 July 2023.

2. Summary of significant accounting policies

The principal accounting policies adopted in the preparation of these financial statements are set out below.

2.1 Basis of preparation

The financial statements of the Fund have been prepared in accordance with Sri Lanka Accounting Standards, which comprise Sri Lanka Financial Reporting Standards (“SLFRS”s), Sri Lanka Accounting Standards (“LKAS”s), relevant interpretations of the Standing Interpretations Committee (“SIC”) and International Financial Reporting Interpretations Committee (“IFRIC”). Sri Lanka Accounting Standards further comprises of Statements of Recommended Practices (SoRPs), Statements of Alternate Treatments (SoATs) and Financial Reporting Guidelines issued by the Institute of Chartered Accountants of Sri Lanka. These financial statements have been prepared under the historical cost convention. The preparation of financial statements in conformity with Sri Lanka Accounting Standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Fund's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the Fund's financial statements are disclosed in note 4 to the financial statements. The statement of financial position is presented on a liquidity basis and assets and liabilities are presented in decreasing order of liquidity and are not distinguished between the current and non-current. The financial statements are presented in Sri Lankan rupees (LKR).

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after the Fund's inception, and have not been early adopted in preparing these financial statements. None of these are expected to have a material effect on the financial statements of the Fund.

Statement of Compliance

The financial statements which comprise the Statement of financial position as at 31 March 2023, Statement of profit or loss, Statement of changes in unitholders' fund and Statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information have been prepared and presented in accordance with Sri Lanka Accounting Standards and the requirements of the Unit Trust Deed and Unit Trust Code of the Securities and Exchange Commission of Sri Lanka.

NOTES TO THE FINANCIAL STATEMENTS

2. Summary of significant accounting policies (Contd.)

2.2 Amendments to the Sri Lanka Accounting Standards

The following amendments to the Sri Lanka Accounting Standards that are relevant for the preparation of financial statements have been adopted by the Fund which are effective for the first time for periods commencing on or after 01 April 2022.

(a) New standards and amendments – applicable 1 January 2022

The Fund has applied the following standards and amendments for the first time for their annual reporting periods commencing 1 January 2022:

(i) Amendment to LKAS 16, Property, Plant and Equipment

Proceeds before intended use – this amendment prohibits an entity from deducting from the cost of an item of PP&E any proceeds received from selling items produced while the entity is preparing the asset for its intended use. It also clarifies that an entity is ‘testing whether the asset is functioning properly’ when it assesses technical and physical performance of the asset. The financial performance of the asset is not relevant to this assessment. Entities must disclose separately the amounts of proceeds and costs relating to items produced that are not an output of the entity’s ordinary activities.

(ii) Amendments to SLFRS 3, Reference to the Conceptual Framework

Minor amendments were made to SLFRS 3 Business Combinations to update the references to the Conceptual Framework for Financial Reporting and to add an exception for the recognition of liabilities and contingent liabilities within the scope of LKAS 37 Provisions, Contingent Liabilities and Contingent Assets and Interpretation 21 Levies. The amendments also confirm that contingent assets should not be recognised at the acquisition date.

(iii) Amendments to LKAS 37, Onerous Contracts – Cost of Fulfilling a Contract

The amendment to LKAS 37 clarifies that the direct costs of fulfilling a contract include both the incremental costs of fulfilling the contract and an allocation of other costs directly related to fulfilling contracts. Before recognising a separate provision for an onerous contract, the entity recognises any impairment loss that has occurred on assets used in fulfilling the contract.

(iv) Annual Improvements to SLFRS Standards 2018–2020

The following improvements were finalised in May 2020:

- SLFRS 9 Financial Instruments – clarifies which fees should be included in the 10% test for derecognition of financial liabilities.
- SLFRS 16 Leases – amendment of illustrative example 13 to remove the illustration of payments from the lessor relating to leasehold improvements, to remove any confusion about the treatment of lease incentives.
- SLFRS 1 First-time Adoption of International Financial Reporting Standards – allows entities that have measured their assets and liabilities at carrying amounts recorded in their parent’s books to also measure any cumulative translation differences using the amounts reported by the parent. This amendment will also apply to associates and joint ventures that have taken the same SLFRS 1 exemption.

Most of the amendments listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

These Standard and amendments are effective for the annual periods beginning on or after 1 January 2022.

NOTES TO THE FINANCIAL STATEMENTS

2. Summary of significant accounting policies (Contd.)

2.2 Amendments to the Sri Lanka Accounting Standards (Contd)

(b) New accounting standards, amendments and interpretations issued but not yet effective and adopted in 2022.

The following standards and interpretations had been issued by IASB, but not mandatory for reporting period ending 31 December 2022. Further, the Fund has not early adopted these new standards and/or amendments.

(i) SLFRS 17, 'Insurance contracts'

SLFRS 17 was issued in May 2017 as replacement for SLFRS 4 Insurance Contracts. It requires a current measurement model where estimates are remeasured in each reporting period. Contracts are measured using the building blocks of:

- discounted probability-weighted cash flows
- an explicit risk adjustment, and
- a contractual service margin (CSM) representing the unearned profit of the contract which is recognised as revenue over the coverage period.

The standard allows a choice between recognising changes in discount rates either in the statement of profit or loss or directly in other comprehensive income. The choice is likely to reflect how insurers account for their financial assets under SLFRS 9. An optional, simplified premium allocation approach is permitted for the liability for the remaining coverage for short duration contracts, which are often written by non-life insurers. There is a modification of the general measurement model called the 'variable fee approach' for certain contracts written by life insurers where policyholders share in the returns from underlying items. When applying the variable fee approach, the entity's share of the fair value changes of the underlying items is included in the CSM. The results of insurers using this model are therefore likely to be less volatile than under the general model. The new rules will affect the financial statements and key performance indicators of all entities that issue insurance contracts or investment contracts with discretionary participation features.

Targeted amendments made in July 2020 aimed to ease the implementation of the standard by reducing implementation costs and making it easier for entities to explain the results from applying SLFRS 17 to investors and others. The amendments also deferred the application date similar to SLFRS 17. This amendment will be effective from 01 January 2025 in Sri Lanka.

Further amendments made in December 2021 added a transition option that permits an entity to apply an optional classification overlay in the comparative period(s) presented on initial application of SLFRS 17. The classification overlay applies to all financial assets, including those held in respect of activities not connected to contracts within the scope of SLFRS 17. It allows those assets to be classified in the comparative period(s) in a way that aligns with how the entity expects those assets to be classified on initial application of SLFRS 9. The classification can be applied on an instrument-by-instrument basis. This standard will be effective from 01 January 2025 in Sri Lanka.

(ii) Classification of Liabilities as Current or Non-current – Amendments to LKAS 1

The narrow-scope amendments to LKAS 1 Presentation of Financial Statements clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the expectations of the entity or events after the reporting date (eg the receipt of a waiver or a breach of covenant). The amendments also clarify what LKAS 1 means when it refers to the 'settlement' of a liability.

The amendments could affect the classification of liabilities, particularly for entities that previously considered management's intentions to determine classification and for some liabilities that can be converted into equity.

NOTES TO THE FINANCIAL STATEMENTS

2. Summary of significant accounting policies (Contd.)

2.2 Amendments to the Sri Lanka Accounting Standards (Contd)

(ii) Classification of Liabilities as Current or Non-current – Amendments to LKAS 1 (Contd)

They must be applied retrospectively in accordance with the normal requirements in LKAS 8 Accounting Policies, Changes in Accounting Estimates and Errors.

In May 2020, the IASB issued an Exposure Draft proposing to defer the effective date of the amendments to 1 January 2023.

(iii) Disclosure Initiative: Accounting Policies - Amendments to LKAS 1

The amendments to LKAS 1 require companies to disclose their material accounting policy information rather than their significant accounting policies.

The amendments to LKAS 1 will be effective for annual reporting periods beginning on or after 1 January 2023.

(iv) Definition of Accounting Estimates (Amendments to LKAS 8)

The amendments introduced the definition of accounting estimates and included other amendments to LKAS 8 to help entities distinguish changes in accounting estimates from changes in accounting policies. The amendments are effective for annual periods beginning on or after 1 January 2023.

(v) Amendment to LKAS 12 – Deferred tax related to assets and liabilities arising from a single transaction

LKAS 12 Income Taxes specifies how a company accounts for income tax, including deferred tax, which represents tax payable or recoverable in the future. In specified circumstances, companies are exempt from recognising deferred tax when they recognise assets or liabilities for the first time. Previously, there had been some uncertainty about whether the exemption applied to transactions such as leases and decommissioning obligations—transactions for which companies recognise both an asset and a liability. The amendments clarify that the exemption does not apply and that companies are required to recognise deferred tax on such transactions. The aim of the amendments is to reduce diversity in the reporting of deferred tax on leases and decommissioning obligations.

The amendments are effective for annual reporting periods beginning on or after 1 January 2023.

2.3 Functional and presentation currency

The Fund's investors are mainly from Sri Lanka, with all creation and redemption of units are denominated in Sri Lanka Rupees. The primary activity of the Fund is to invest in domestic securities and earn and offer unit holders a return. The performance of the Fund is measured and reported to the unitholders in Sri Lanka Rupees. The Trustee considers the rupees as the currency that most faithfully represents the economic effects of the underlying transactions, events and conditions. Accordingly, the financial statements are presented in Sri Lankan Rupees, which is the Fund's functional and presentation currency.

2.4 Financial assets

Classification and measurement of financial assets and financial liabilities

SLFRS 9 contains three principal classification categories of financial asset: measured at Amortised Cost, Fair Value through Other Comprehensive Income (FVOCI) and Fair Value through Profit or Loss (FVTPL). The classification of financial assets under SLFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics.

NOTES TO THE FINANCIAL STATEMENTS

2. Summary of significant accounting policies (Contd.)

2.4 Financial assets (Contd)

(i) Recognition and initial measurement

All financial assets are initially recognized on the date the fund becomes a party to the contractual provisions of the instrument. This includes purchases of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place.

(ii) Classification

On initial recognition, a financial asset is classified as measured at: Amortised Cost, FVOCI or FVTPL. Financial assets are not reclassified subsequent to their initial recognition unless the fund changes its business model for managing financial assets in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortised cost if it meets both of the following conditions:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows;

and

- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The fund's financial assets classified under amortised cost include money market savings deposits, fixed deposits, commercial papers, treasury bills, repurchase agreements, trust certificates.

A debt investment is measured at FVOCI if it meets both of the following conditions:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets;

and

- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses, if any. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

2.5 Financial liabilities – Classification, subsequent measurement and gains and losses

Financial liabilities are classified as measured at amortised cost. Financial liabilities are subsequently measured at amortised cost using the effective interest method.

Financial liabilities measured at amortised cost include borrowings, accrued expenses and other payables.

Derecognition

Financial assets

The Fund derecognizes 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 fund neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset. The Fund enters into transactions whereby it transfers assets recognised in its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognised.

NOTES TO THE FINANCIAL STATEMENTS

2. Summary of significant accounting policies (Contd.)

2.5 Financial liabilities – Classification, subsequent measurement and gains and losses (Contd)

Financial liabilities

The Fund derecognises a financial liability when its contractual obligations are discharged or cancelled or expire. The Fund also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value. On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset, and the net amount reported in the statement of financial position if, and only if:

- There is a currently enforceable legal right to offset the recognized amounts and
- There is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

2.6 Impairment

The Fund recognises loss allowances for expected credit losses (ECLs) on financial assets measured at amortised cost.

The Fund measures loss allowances at an amount equal to lifetime ECL, except for bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition which are measured as 12-month ECL. Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument. 12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months). The maximum period considered when estimating ECLs is the maximum contractual period over which the fund is exposed to credit risk.

Credit-impaired financial assets

At each reporting date, the Fund assesses whether financial assets carried at amortised cost are credit impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

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

- Significant financial difficulty of the borrower or issuer;
- A breach of contract such as a default or being more than 90 days past due.
- The restructuring of a loan or advance by the Fund on terms that the Fund would not consider otherwise.
- It is probable that the borrower will enter bankruptcy or other financial reorganization.

As of the statement of financial position date the fund has not observed any of the above thus no impairment provision has been recognized in the financial statements.

All of the funds' investments at amortised cost have low credit risk, and the loss allowance recognised during the period was therefore limited to 12 months expected losses.

The Fund's investments in Treasury bill repurchase agreements that are obtained from primary dealers are collateralized with government securities. Therefore, considered as low risk investments.

Presentation of allowance for ECL in the statement of financial position

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

Write-offs

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery.

NOTES TO THE FINANCIAL STATEMENTS

2. Summary of significant accounting policies (Contd.)

2.7 Interest income

For all financial instruments measured at amortized cost, interest income is recorded using the effective interest rate (EIR), which is the rate that exactly discounts the estimated future cash appropriate, to the net carrying amount of the financial asset.

2.8 Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise of cash at bank. The cash flow statement has been prepared using the direct method. For the purpose of the statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above.

2.9 Income tax

The Fund is not liable to pay income tax as of the reporting date in accordance with Inland Revenue No 24 of 2017 as amended by the Inland Revenue (Amendment) Act No 45 of 2022. However, the interest income is taxed at 5% as per the Inland Revenue (Amended) Act No 45 2022 with effect from 1 January 2023. The Fund's income generated through investment business is treated as "pass-through vehicles" under the provisions of Inland Revenue No 24 of 2017 as amended by the Inland Revenue (Amendment) Act No 45 of 2022.

2.10 Expenses

The management, trustee, and custodian fees of the Fund as per the trust deed is as follows,

Management fee	- 0.50% p.a. of net asset value of the fund calculated daily
Trustee fee	- 0.15% p.a. of net asset value of the fund calculated daily
Custodian fee	- Rs 240,000 per Annum

2.11 Accrued expenses

Accrued expenses are recognised initially at fair value and subsequently stated at amortised cost using the effective interest method.

2.12 Increase/(decrease) in net assets attributable to unitholders

Income not distributed is included in net assets attributable to unit holders. Movements in net assets attributable to unit holders are recognised in the statement of profit or loss.

2.13 Unitholders' funds

Unitholders' funds have been calculated as the difference between the carrying amounts of the assets and the carrying amounts of the liabilities, other than those due to unit holders as at the reporting date.

NOTES TO THE FINANCIAL STATEMENTS

3. Financial risk management

Risks arising from holding financial instruments are inherent in the Fund's activities, and are managed through a process of ongoing identification, measurement, and monitoring. The Fund is exposed to credit risk, market risk, and liquidity risk.

Financial instruments of the Fund comprise investments in treasury bills and repurchase agreements, fixed deposits, commercial papers, trust certificates and money market savings deposits for the purpose of generating a return on the investment made by unit holders, in addition to cash at bank and other financial instruments such as receivables and payables, which arise directly from its operations.

The fund manager is responsible for identifying and controlling the risk that arise from these financial instruments. The fund manager agrees on policies for managing each of the risks identified below.

The risks are measured using a method that reflects the expected impact on the statement of profit or loss and other comprehensive income and statement of financial position of the Fund from reasonably possible changes in the relevant risk variables. Information about these risk exposures at the reporting date, measured on this basis, is disclosed below.

The fund manager also monitors information about the total fair value of financial instruments exposed to risk, as well as compliance with established investment mandate limits. These mandate limits reflect the investment strategy and market environment of the fund, as well as the level of risk that the fund is willing to accept, with additional emphasis on selected industries. This information is prepared and reported to relevant parties within the fund manager on a regular basis as deemed appropriate, including the fund manager, other key management, the investment committee, and ultimately the trustee of the fund.

The concentration of risk arises when several financial instruments or contracts are entered into with the same counterparty, or where a number of counterparties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economics, political or other conditions.

NOTES TO THE FINANCIAL STATEMENTS

3. Financial risk management (Contd)

a) Credit risk

Credit risk is the risk that the counterparty to the financial instruments will fail to discharge an obligation and cause the Fund to incur a financial loss of interest and/or principal. The Fund's exposure to credit risk from its financial assets arises from default of the counterparty, with the current exposure equal to the carrying amount of financial assets as at the reporting date. It is the fund's policy to enter contracts with reputable counterparties. The Fund is also subject to credit risk on its bank balances and investment in commercial papers. The credit risk exposure on these instruments is not deemed to be significant.

The funds' maximum exposure to credit risk is the carrying amount of the financial assets are set out below;

Instrument	31 March 2023 LKR	31 March 2022 LKR
Commercial papers (Note 8.1)	56,007,034	2,632,537,868
Fixed deposits (Note 8.2)	Nil	2,383,725,101
Trust certificates (Note 8.3)	Nil	686,747,427
Repurchase agreements (Note 8.4)	140,095,342	46,577,933
Treasury Bills (Note 8.5)	138,830,390	365,569,648
Fixed deposit placement fee receivable (Note 8)	Nil	3,278,515
Cash at the bank (Note 7)	43,687,694	12,012,164
Total	378,620,460	6,130,448,656

The analysis below summarises the credit quality of the Fund's debt portfolio at 31 March 2023.

2023 Counterparty	Investment value as at 31 March 2023 (LKR)	% of investment	Credit rating	Rating agency
Asia Securities (Private) Limited	56,007,034	14.79%	BBB-	Fitch Rating
First Capital Holdings PLC	120,072,329	31.71%	A	Lanka Rating
Capital Alliance PLC	20,023,014	5.29%	Not rated	
Hatton National Bank	43,687,694	11.54%	A(lka)	Fitch Rating
Wealth Trust Securities	138,830,390	36.67%	Not rated	
Total	378,620,460			

Debt securities by rating category.

Rating	2023
A	163,760,023
BBB-	56,007,034
BBf (lka)	20,023,014
Not rated	138,830,390
Total	378,620,460

NOTES TO THE FINANCIAL STATEMENTS

3. Financial risk management (Contd)

a) Credit risk (Contd)

The analysis below summarises the credit quality of the Fund's debt portfolio at 31 March 2022.

2022 Counterparty	Investment	% of	Credit rating	Rating agency
Siyapatha Finance PLC	155,758,12	2.54%	A	Fitch Rating
Singer Finance Lanka PLC	430,208,246	7.02%	A	Fitch Rating
Abans Finance PLC	104,386,986	1.70%	A-	Fitch Rating
LB Finance PLC	103,812,603	1.69%	A-	Fitch Rating
Hatton National Bank	12,012,164	0.20%	AA-	Fitch Rating
Richard Pieris Finance Ltd	312,708,383	5.10%	AA-	Fitch Rating
Ideal Finance Ltd	291,433,014	4.75%	AA-	Fitch Rating
Mercantile Investments & Finance PLC	158,724,247	2.59%	AA-	Fitch Rating
Asia Securities (Pvt) Ltd	154,783,724	2.52%	BBB-	Fitch Rating
LOLC Holdings PLC	1,013,953,288	16.54%	A	ICRA
First Capital Holdings PLC	26,093,151	0.43%	A	ICRA
LOLC Development Finance PLC	506,304,875	8.26%	A-	ICRA
Merchant Bank of Sri Lanka & Finance PLC	52,281,521	0.85%	A-	ICRA
Asia Asset Finance PLC	165,387,261	2.70%	A-	ICRA
Vallibel Finance PLC	354,700,849	5.79%	BBB+	ICRA
Softlogic Holdings PLC	590,689,144	9.64%	BBB+	ICRA
Commercial Credit & Finance PLC	436,588,085	7.12%	BBB	ICRA
Prime Finance PLC	105,843,836	1.73%	BBB-	ICRA
Janashakthi Ltd	742,631,575	12.11%	BBB-	ICRA
Wealth Trust Securities	46,577,933	0.76%	Not rated	
Government Securities	365,569,648	5.96%	Risk free investments	
Total	6,130,448,656			

Debt securities by rating category.

Rating	2022
A	1,626,012,808
A-	932,173,246
AA-	774,877,808
BBB+	945,389,994
BBB	436,588,084
BBB-	1,003,259,135
Not rated	46,577,933
Other	365,569,648
Total	6,130,448,656

b) Market risk

Market risk represents the risk that the value of the fund's investments portfolios will fluctuate because of changes in market prices and rates. However, the fund's exposure to price risk and foreign exchange risk are deemed negligible as all its investments are short term fixed income securities denominated in Sri Lankan Rupees and the financial instruments are subsequently measured on an amortised cost basis. While market risk cannot be eliminated the fund manager will attempt to reduce this risk by diversifying the fund's investment portfolio in line with investment objectives of the fund.

NOTES TO THE FINANCIAL STATEMENTS

3. Financial risk management (Contd)

b) Market risk

Interest rate risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates. The Fund's interest-bearing financial assets expose it to risks associated with the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. The risk is measured using sensitivity analysis. Since the Fund had not held financial instruments with variable interest rates as of 31 March 2023, it was not exposed to interest rate risk. Hence a sensitivity analysis has not been presented.

The table below summarises the fund's exposure to interest rate risk

31 March 2023	Floating interest rate	Fixed interest rate	Non-interest bearing	Total
	Rs.	Rs.	Rs.	Rs.
<i>Financial assets</i>				
Cash and cash equivalents	Nil	43,662,694	25,000	43,662,694
Financial assets at amortised cost	Nil	334,932,766	Nil	334,932,766
<i>Financial liabilities</i>				
Borrowings	Nil	Nil	Nil	Nil
Total exposure	Nil	378,595,460	25,000	378,620,460

31 March 2022	Floating interest rate	Fixed interest rate	Non-interest bearing	Total
	Rs.	Rs.	Rs.	Rs.
<i>Financial assets</i>				
Cash and cash equivalents	Nil	11,987,164	25,000	12,012,164
Financial assets at amortised cost	Nil	6,118,436,492	Nil	6,118,436,492
<i>Financial liabilities</i>				
Borrowings	Nil	Nil	Nil	Nil
Total exposure	Nil	5,440,691,114	25,000	5,440,716,114

c) Liquidity risk

Liquidity risk is the risk that the Fund may not be able to generate sufficient cash resources to settle its obligations in full as they fall due or can only do so on terms that are materially disadvantageous. Exposure to liquidity risk arises because of the possibility that the Fund could be required to pay its liabilities or redeem its units earlier than expected. Units are redeemable at the unitholder's options based on the fund's net asset value per unit at the time of redemption.

The Fund manages its obligation when required to do so and its overall liquidity risk by:

- Investing primarily in financial instruments, which under normal market conditions are readily convertible to cash.
- The fund will also make the Investments within the parameters set out by the Commission in accordance with the Unit Trust Code and the Deed to ensure there is no concentration of risk.
- Maintaining sufficient cash and cash equivalents to meet normal operating requirements and expected redemption requests. The unit trust code requires a minimum of 3% of the deposited property to be maintained in cash or near cash. (Near cash means investments such as bank/call deposits, repurchase agreements with maturities of less than 3 months, commercial paper endorsed or guaranteed by a Licensed Commercial Bank or Licensed Specialized Bank with maturities of less than 3 months and government securities including government bonds with maturities of less than one year which can be readily convertible into cash.)
- Requiring at least 14 days prior written notice for unitholder redemption equal to or greater than 3% of the net asset value of the fund
- Continually search for new investors.

NOTES TO THE FINANCIAL STATEMENTS

3. Financial risk management (Contd)

c) Liquidity risk (Contd)

The time frame for return of cash to investors is five business days in which time investments may be recalled for redemption payouts. Further, the fund is also permitted to borrow up to 15% of the deposited property for redemption payouts. Other financial liabilities have no contractual maturities. Due to the short-term nature of these financial instruments, carrying value approximates fair value.

The table below precises the fund's non derivative financial assets and liabilities with contractual maturities into relevant maturity groupings based on the remaining period at the end of the reporting period. The amounts in the table are the contractual undiscounted cash flows

31 March 2023	Less than 30 days	31 - 90 days	91 – 180 days	181 – 365 days	Total
	Rs.	Rs.	Rs.	Rs.	Rs.
<i>Financial Assets</i>					
Commercial Papers	Nil	Nil	61,918,39	Nil	61,918,390
Treasury Bills	Nil	Nil	150,000,000	Nil	150,000,000
Repurchase agreements	140,803,836	Nil	Nil	Nil	140,803,836
Total	140,803,836	Nil	2 11,918,390	Nil	352,722,226
<i>Financial Liabilities</i>					
Management fee payable	111,390	Nil	Nil	Nil	111,390
Trustee fee payable	39,415	Nil	Nil	Nil	39,415
Custody fee payable	24,042	Nil	Nil	Nil	24,042
Total	174,847	Nil	Nil	Nil	174,847

31 March 2022	Less than 30 days	31 - 90 days	91 – 180 days	181 – 365 days	Total
	Rs.	Rs.	Rs.	Rs.	Rs.
<i>Financial Assets</i>					
Commercial Papers	Nil	1,563,974,829	751,310,431	387,250,000	2,702,535,260
Fixed deposits	64,266,000	3 66,533,200	1,812,639,515	219,760,000	2,463,198,715
Treasury Bills	70,000,000	250,000,000	Nil	50,000,000	370,000,000
Trust certificates	53,875,000	142,859,096	407,117,904	110,750,000	714,602,000
Repurchase agreements	46,577,933	Nil	Nil	Nil	46,577,933
Total	234,718,933	2,323,367,125	2,971,067,850	767,760,000	6,296,913,908
<i>Financial Liabilities</i>					
Management fee payable	2,557,319	Nil	Nil	Nil	2,557,319
Trustee fee payable	828,571	Nil	Nil	Nil	828,571
Custody fee payable	22,014	Nil	Nil	Nil	22,014
Borrowings	Nil	Nil	689,732,542	Nil	689,732,542
Total	3,407,904	Nil	689,732,542	Nil	693,140,446

NOTES TO THE FINANCIAL STATEMENTS

3. Financial risk management (Contd.)

d) Capital risk management

The Fund considers its net assets attributable to unitholders as capital, notwithstanding that net asset attributable to unitholders are classified as a liability. The amount of net assets attributable to unitholders can change significantly daily as the Fund is subject to daily applications and redemptions at the discretion of unitholders. Daily applications and redemptions are reviewed relative to the liquidity of the Fund's underlying assets daily by the Management Company. Under the terms of the Unit Trust Code, the Management Company has the discretion to reject an application for units and to defer redemption of units if the exercise of such discretion is in the best interests of unitholders.

The Fund's objective when managing capital is to safeguard the Fund's ability to continue as a going concern in order to provide returns for unitholders, provide benefits for other stakeholders and maintain a strong capital base to support the development of the investment activities of the Fund. The Board of Directors and Investment Manager monitor capital on the basis of the value of net assets attributable to unit holders. All the assets and liabilities are measured at amortised cost. Please refer to the Note 2 for more details. Disclosures relevant to unitholders' funds are as follows.

The movement in the unitholders' funds for the period ended 31 March 2023

I. In terms of value

	2023 (LKR)
Unit holders' funds as at the beginning of the Period	-
Creations during the period	5,435,138,199
Redemptions during the period	1,839,522,706
Increase in net assets attributable to unit holders during the period	(6,963,171,062)
Unit holders' funds as at 31 March 2023	66,709,033
	378,198,876

	2022 (LKR)
Unit holders' funds as at the beginning of the Period	-
Creations during the period	16,384,854,537
Redemptions during the period	(11,254,316,220)
Increase in net assets attributable to unit holders during the period	304,599,882
Unit holders' funds as at 31 March 2022	5,435,138,199

I. In terms of numbers of units

	2023
Opening number of units	495,515,909
Unit creations during the period	162,617,678
Unit redemptions during the period	(627,671,100)
Closing number of units as at 31 March 2023	30,462,487

	2022
Opening number of units	Nil
Unit creations during the period	1,543,086,443
Unit redemptions during the period	(1,047,570,534)
Closing number of units as at 31 March 2022	495,515,909

NOTES TO THE FINANCIAL STATEMENTS

4. Critical accounting estimates and judgements

The preparation of financial statements in conformity with Sri Lanka Accounting Standards requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income, and expenses. In the selection and application of the Fund's accounting policies, which are described below, the fund management company is required to make judgements and assumptions and use assumptions in measuring items reported in the financial statements.

Estimates and judgements are continually evaluated. They are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances. Actual results may differ from such estimates and judgements. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates were revised if the revision affects only that period or in the period of the revision and future periods as well if the revision affects both the current and future periods.

NOTES TO THE FINANCIAL STATEMENTS

5 Interest income

	2023 LKR	2022 LKR
5.1 Interest on		
Fixed deposits	25,622,389	132,692,860
Commercial papers	27,532,103	139,686,287
Treasury bills	13,820,167	6,596,528
Repurchase agreements	11,631,460	13,992,075
Trust certificates	27,855,103	30,869,473
Money market bank accounts	7,869,553	1,786,335
	114,330,776	325,623,559

6 Other income

	2023 LKR	2022 LKR
Gain on disposal of treasury bills	34,113	Nil
Fixed deposits placement fee income	2,364,541	16,772,425
	2,398,654	16,772,425
Total investment income	116,729,430	342,395,984

6.1 Income is recognised on accrual basis using the effective interest rate method.

6.2 Notional tax is not applicable as per the new Inland Revenue Act No. 24 of 2017. Effective from 1st January 2023, withholding tax at the rate of 5% has been reintroduced on service fee payments which has a source in Sri Lanka and paid to a resident individual who is not an employee of the payer of such service fee.

7 Cash and cash equivalents

	2023 LKR	2022 LKR
HNB current account	25,000	25,000
HNB money market account	43,662,694	11,987,164
	43,687,694	12,012,164

7.1 Cash and cash equivalents for the purpose of the statement of cash flows.

	2023 LKR	2022 LKR
Cash and cash equivalents	43,687,694	12,012,164

NOTES TO THE FINANCIAL STATEMENTS

8 Financial assets at amortised cost

	31 March 2023 LKR	31 March 2022 LKR
Commercial papers (Note 8.1)	56,007,034	2,632,537,868
Fixed deposits (Note 8.2)	Nil	2,383,725,101
Trust certificates (Note 8.3)	Nil	686,747,427
Repurchase agreements (Note 8.4)	140,095,342	46,577,933
Treasury bills (Note 8.5)	138,830,390	365,569,648
Fixed deposit placement fee receivable	Nil	3,278,515
	334,932,766	6,118,436,492

	31 March 2023 LKR	31 March 2022 LKR
8.1 Commercial papers		
Abans Finance PLC	Nil	104,386,986
Asia Securities (Private) Ltd	56,007,034	154,783,724
First Capital Holdings PLC	Nil	26,093,151
Janshakthi PLC	Nil	742,631,575
LOLC Holdings PLC	Nil	1,013,953,288
Softlogic Holdings PLC	Nil	590,689,144
	56,007,034	2,632,537,868

8.2 Fixed deposits		
Asia Asset Finance PLC	Nil	113,177,014
Ideal Finance Limited	Nil	291,433,014
LB Finance PLC	Nil	103,812,603
Mercantile Investments & Finance PLC	Nil	104,513,288
LOLC Development Finance PLC	Nil	506,304,875
Merchant Bank of Sri Lanka & Finance PLC	Nil	52,281,521
Prime Finance PLC	Nil	105,843,836
Richards Peries Finance PLC	Nil	311,654,329
Singer Finance Lanka PLC	Nil	285,826,274
Siyapatha Finance PLC	Nil	155,758,123
Vallibel Finance PLC	Nil	353,120,224
	Nil	2,383,725,101

8.3 Trust certificates		
Asia Asset Finance PLC	Nil	52,210,246
Singer Finance Lanka PLC	Nil	144,381,972
Mercantile Investments	Nil	53,567,123
Commercial Credit & Finance PLC	Nil	436,588,086
	Nil	686,747,427

8.4 Repurchase agreements		
Capital Alliance PLC	20,023,014	Nil
First Capital Treasuries PLC	120,072,329	Nil
Wealth Trust Securities Limited	Nil	46,577,933
	140,095,342	46,577,933

8.5 Treasury Bills		
First Capital Treasuries PLC	Nil	295,569,648
JB short term guilt fund	Nil	70,000,000
Wealth Trust Securities Limited	138,830,390	Nil
	138,830,390	365,569,648

NOTES TO THE FINANCIAL STATEMENTS

9 Borrowings

	31 March 2023	31 March 2022
	LKR	LKR
Loans received against fixed deposits (Note 9.1)	Nil	689,732,542
	Nil	689,732,542

9.1 Loans received against fixed deposits

	31 March 2023	31 March 2022
	LKR	LKR
Singer Finance PLC	Nil	130,906,884
LOLC Development Finance PLC	Nil	355,202,987
Siyapatha Finance PLC	Nil	112,684,329
LB Finance PLC	Nil	90,938,342
	Nil	689,732,542

10 Other payables

	31 March 2023	31 March 2022
	LKR	LKR
Management fees payable	111,390	2,557,319
Trustee fees payable	39,415	828,571
Custodian fees payable	24,042	22,014
Audit and tax consultancy fees payable	421,145	342,955
Placement fee income received in advance	Nil	1,827,056
	595,991	5,577,915

11 Contingencies

There were no significant contingencies existing as at the reporting date that required adjustments to or disclosures in the financial statements (2022 - Nil).

12 Events occurring after reporting date

No other events have occurred since the statement of financial position date which would require adjustments to or disclosure in the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

13 Commitments

There were no significant capital and financial commitments as at the reporting date (2022 - Nil)

14 Units in issue and unit price

The number of units in issue as at 31 March 2023 was 30,462,487 (2022 - 495,515,909) and the net assets value per unit as at 31 March 2023 was LKR 12.41 (2022 - 10.97). Refer to Note 16.

The creation price was at LKR 10.9686 per unit and the redemption price was at LKR 10.9686 per unit as at 31st March 2022.

15 Related party disclosure

15.1 Management company and trustee

The Management Company is Asia Securities Wealth Management (Private) Limited. Hatton National Bank had been appointed as trustee with effect from 15 October 2020.

15.2 Key management personnel

Key management personnel includes persons who were directors of Asia Securities Wealth Management (Private) Limited at any time during the financial period.

Directors

Mr. Dumith Fernando

Mr. Avancka Herat

15.3 Key management personnel compensation

There were no payments made to the directors of Asia Securities Wealth Management (Private) Limited during the period by the fund.

15.4 Other transactions within the Fund

Apart from those details disclosed in notes 15.5 and 15.6, key management personnel has not entered into any other transactions involving the Fund during the financial period.

NOTES TO THE FINANCIAL STATEMENTS

15 Related party disclosure (Contd.)

15.5 Related party unit holding transactions and balances

The following are the units held by related parties.

	Relationship	No. of units	Value of units held (Rs.)	Total interest held as a % of NAV
As at 31 March 2023				
Unit holders				
Asia Securities Wealth Management (Pvt) Ltd	Management Company	1,500,263	18,626,060	4.92%
Asia Securities (Pvt) Ltd	Affiliate	20,163,168	250,329,759	66.19%
As at 31 March 2023				
Unit holders				
Asia Securities Wealth Management (Pvt) Ltd	Management Company	2,503,039	27,454,834	0.51%
Dumith Fernando	Chairman	4,126,187	45,258,499	0.83%
Mr.Avancka Herat	Director	3,848	42,208	0.00%

The following are the units transactions by related parties for the period ended 31 March 2023.

	Relationship	Creation of units		Redemption of units	
		No. of units	Value	No. of units	Value
Asia Securities Wealth Management (Pvt) Ltd	Management Company	1,687,447	19,000,000	(2,690,224)	30,000,000
Asia Securities (Pvt) Ltd	Affiliate	74,531,957	835,000,000	(54,368,789)	616,000,000
Mr.Dumith Fernando	Chairman	842,765	9,595,021	(4,968,952)	55,021,341
Mr.Avancka Herat	Director	Nil	Nil	(3,848)	45,028

NOTES TO THE FINANCIAL STATEMENTS

15 Related party disclosure (Contd.)

	Relationship	Creation of units		Redemption of units	
		No. of units	Value	No. of units	Value
Asia Securities Wealth Management (Pvt) Ltd	Management Company	3,825,702	39,800,000	(1,322,663)	14,000,000
Asia Securities (Pvt) Ltd	Affiliate	43,362,480	455,000,000	(43,362,480)	(458,295,701)
Asia Securities Advisors (Pvt) Ltd	Affiliate	1,408,266	15,000,000	(1,408,266)	(15,237,959)
Mr.Dumith Fernando	Chairman	7,387,267	78,800,000	(3,261,079)	(35,000,000)
Mr.Avancka Herat	Director	610,880	6,200,000	(607,032)	(6,400,000)

15.6 Transactions and balances related to the service provided by related parties

Fees were charged by the management company and trustee for services provided during the period and the balances outstanding related to such services as at period end are as disclosed below:

	2023 LKR	2022 LKR
Charges for the period with related parties		
Management fees by Asia securities Wealth Management (Private) Limited	3,067,644	20,365,302
Trustee fees by Hatton National Bank PLC	1,800,665	6,598,358
Custodian fee by Hatton National Bank PLC	274,305	328,793
Balances with related parties		
Bank balance held at Hatton National Bank PLC as at 31 March	25,000	25,000
Money market account balance held at Hatton National Bank PLC as at 31 March	43,662,694	11,987,164
Management fees payable to Asia securities Wealth Management (Private) Limited	111,390	2,557,319
Trustee fees payable to Hatton National Bank PLC	39,415	828,571
Custodian fees payable to Hatton National Bank PLC	24,042	22,014

16 Reconciliation between the net asset value as per financial statements and the published net asset value

	2023 LKR	2022 LKR
Net asset value as per financial statements	378,198,876	5,435,138,199
Published net asset value	378,198,876	5,435,138,199
Published number of units as at 31 March	30,462,487	495,515,909
Net asset value per unit	12.4152	10.9686

ASIA SECURITIES INCOME FUND

ASIA SECURITIES INCOME FUND REVIEW

Fund Manager

Nadarajah Gowthaman

Fund Objective and Benchmark

The Fund is an open-ended unit trust fund that primarily invests in government securities and fixed income instruments with an investment-grade rating of BBB- or above. These fixed income securities have medium to long-term maturities. The investment objective of the fund is to generate a competitive interest income for its investors while ensuring that best efforts are made to grow capital and provide liquidity.

Fund Return

Period	ASIF Return	Benchmark Return
2022-23	29.65% (Annualized)	35.93%
CAGR Since inception	32.90% (Annualized)	40.74%
YTD Return	7.41% (non-Annualized)	9.28%

Commentary

Since launch on 15th Dec 2022, the Asia Security Income Fund delivered an annualized return of 29.65% to its investors. The fund primarily focuses on government securities and repos.

Throughout 2022/23, interest rates experienced an upward trajectory, driven by the Central Bank's aggressive monetary policy tightening measures. Collectively, policy rates were raised by 900 basis points in the 2022/23 period. In September 2022, inflation reached a historically high level of 69.8% due to the depreciation of the local currency, supply shortages, significant monetary financing, and global energy and food inflation. Additionally, the Average Weighted Prime Rate (AWPR) reached an unprecedented high of 29.7% in November 2022. Consequently, yields on

government securities soared to extraordinarily high levels.

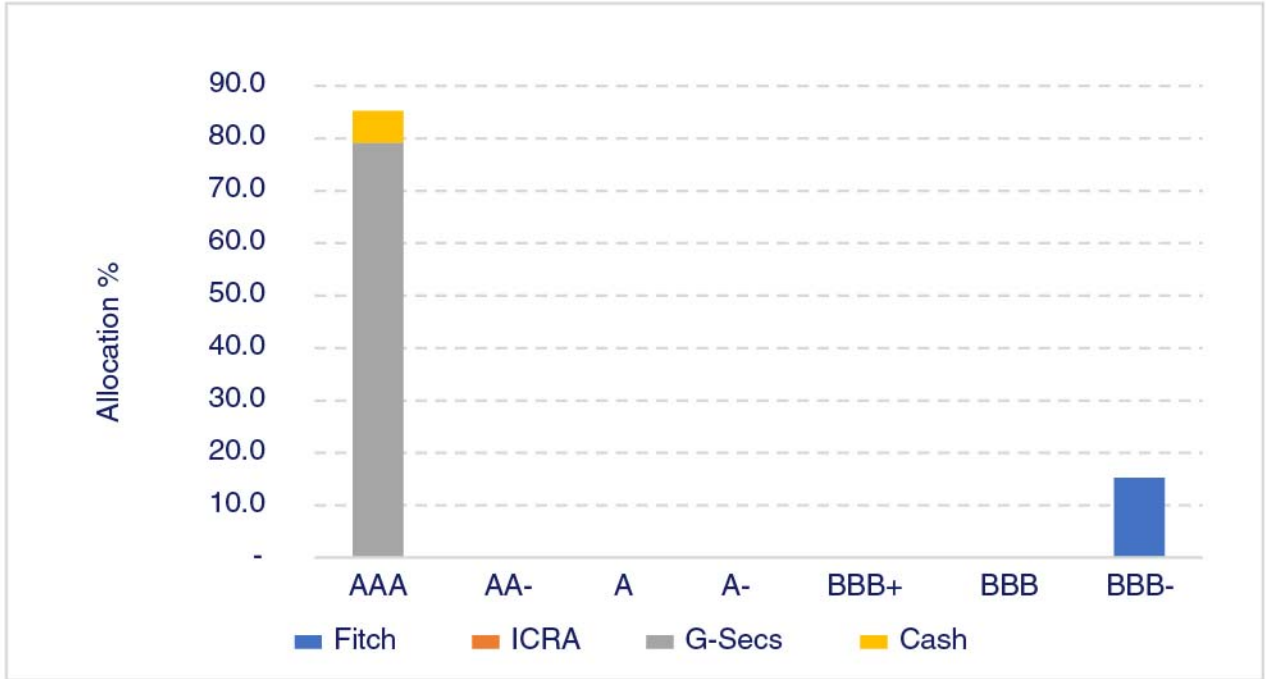
In addition to the substantial increase in policy interest rates, market interest rates were influenced by the surge in G-sec yields, which was driven by heightened risk premiums and a persistent liquidity deficit in the domestic money market.

In response to the current market conditions and the prevailing higher yield environment, we have successfully launched the Asia Securities Income Fund on December 15th, 2022. The primary objective of this fund is to generate a competitive interest income for its investors while ensuring that best efforts are made to grow capital and provide liquidity.

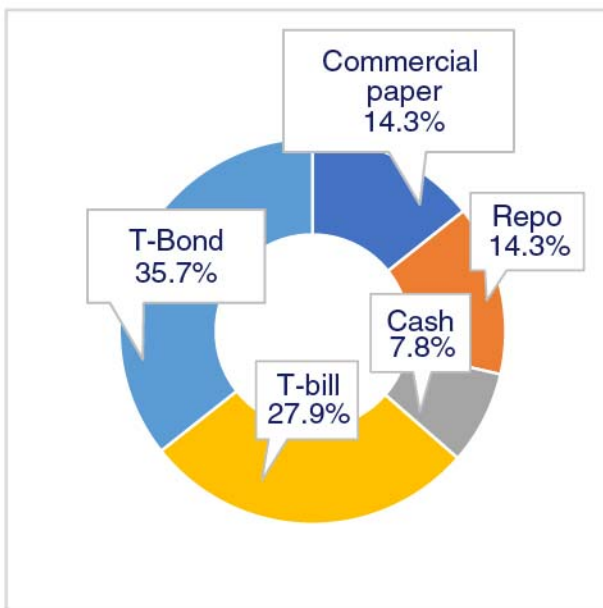
ASIA SECURITIES INCOME FUND REVIEW

Key Facts of the Fund

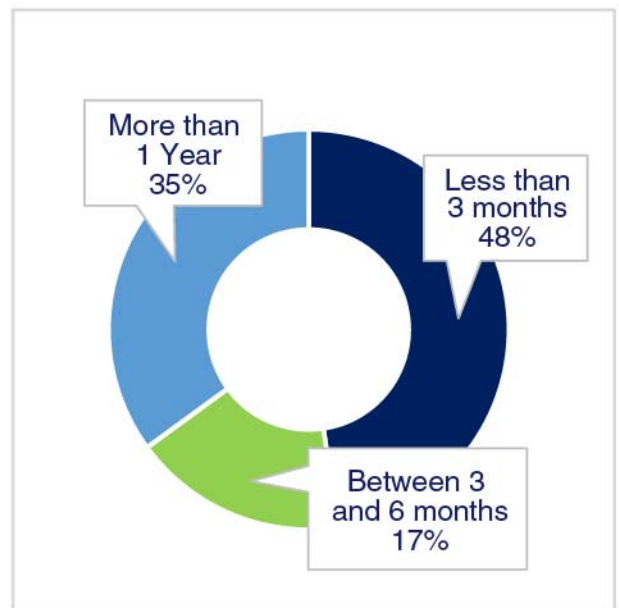
Fund Credit Quality -% of NAV



Asset Allocation



Maturity Profile



ASIA SECURITIES INCOME FUND
AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2023

INDEPENDENT AUDITOR'S REPORT
To the Unitholders of Asia Securities Income Fund



Report on the audit of the financial statements

Our opinion

In our opinion, the financial statements give a true and fair view of the financial position of Asia Securities Income Fund (“the Fund”) as at 31 March 2023, and of its financial performance and its cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

What we have audited

The Fund’s financial statements comprise:

- the statement of financial position as at 31 March 2023;
- the statement of profit or loss for the period from 15 December 2022 to 31 March 2023;
- the statement of changes in unitholders’ funds for the period then ended;
- the statement of cash flows for the period then ended; and
- the notes to the financial statements, which include significant accounting policies and other explanatory information.

Basis for opinion

We conducted our audit in accordance with Sri Lanka Auditing Standards (SLAuSs). Our responsibilities under those standards are further described in the Auditor’s responsibilities for the audit of the financial statements section of our report.

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

Independence

We are independent of the Fund in accordance with the Code of Ethics for Professional Accountants issued by the Institute of Chartered Accountants of Sri Lanka (“CA Sri Lanka Code of Ethics”). We have fulfilled our other ethical responsibilities in accordance with the CA Sri Lanka Code of Ethics.

Other information

Management is responsible for the other information. The other information comprises the annual report to the unitholders (but does not include the financial statements and our auditor’s report thereon.) The annual report to the unitholders is expected to be made available to us after the date of this auditor’s report.

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

We conducted our audit in accordance with Sri Lanka Auditing Standards (SLAuSs). Our responsibilities under those standards are further described in the Auditor’s responsibilities for the audit of the financial statements section of our report.

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

INDEPENDENT AUDITOR'S REPORT
To the Unitholders of Asia Securities Income Fund



Report on the audit of the financial statements (Contd.)

Responsibilities of management and those charged with governance for the financial statements

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

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

INDEPENDENT AUDITOR'S REPORT
To the Unitholders of Asia Securities Income Fund



Auditor's responsibilities for the audit of the financial statements (Contd.)

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Funds's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Fund to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

A handwritten signature in blue ink that reads 'PricewaterhouseCoopers'. The signature is stylized and cursive, with a large 'P' at the beginning.

CHARTERED ACCOUNTANTS
COLOMBO
06 July 2023

Asia Securities Income Fund
STATEMENT OF PROFIT OR LOSS
(All amounts in Sri Lanka Rupees)

For the period from
15 December 2022 to
31 March 2023

Income	Note	LKR
Interest income	05	25,537,746
Fair value gain	06	1,296,483
Total income		26,834,229
Operating expenses		
Management fees		(454,291)
Trustee fees		(160,749)
Custodian fees		(82,209)
Audit fees		(258,146)
WHT expense		(179,141)
Other expenses		(14,180)
Total operating expenses		(1,148,716)
Other income	07	15,275
Profit for the period		25,700,789
Increase in net assets attributable to unit holders		25,700,789

Figures in brackets indicate deductions.

The accounting policies and notes from pages 8 to 24 form an integral part of these financial statements.

Asia Securities Income Fund
STATEMENT OF FINANCIAL POSITION
(All amounts in Sri Lanka Rupees)

	Note	31 March 2023 LKR
Assets		
Cash and cash equivalents	08	27,439,314
Financial assets at FVTPL	09	222,368,493
Financial assets at amortised cost	10	100,061,370
Total assets		349,869,177
Liabilities		
Accrued expenses	11	525,784
Total liabilities		525,784
Net assets attributable to unit holders		349,343,393
Unitholders' funds		
Net assets attributable to unit holders		349,343,393

The Fund Management Company and the Trustee are responsible for the preparation and presentation of these financial statements in accordance with Sri Lanka Accounting Standards. These financial statements were approved by the Fund Management Company and the Trustee on 06 July 2023.

Director
 Asia Securities Wealth Management (Private) Limited
 Fund Management Company

Trustee
 Hatton National Bank

Director
 Asia Securities Wealth Management (Private) Limited
 Fund Management Company

Figures in brackets indicate deductions.

The accounting policies and notes from pages 8 to 24 form an integral part of these financial statements.

Asia Securities Income Fund
STATEMENT OF FINANCIAL POSITION
(All amounts in Sri Lanka Rupees)

	No of units	Unitholders' fund LKR
Creation of units	48,171,872	497,070,644
Increase in net assets attributable to unitholders	Nil	25,700,789
Redemption of units	(16,007,434)	(173,428,040)
Unitholders' funds as at 31 March 2023 (Note 10)	32,164,439	349,343,393

Figures in brackets indicate deductions.

The accounting policies and notes from pages 8 to 24 form an integral part of these financial statements.

Asia Securities Income Fund
STATEMENT OF CASH FLOWS
(All amounts in Sri Lanka Rupees)

For the period from
15 December 2022 to
31 March 2023

LKR

Cash flows from operating activities

Interest received	14,513,037
Gain on disposal of treasury bills	15,275
Other expenses paid	(193,320)
Management fees and trustee fees paid	(429,613)
Investment in repurchase agreements	(618,308,767)
Investment in commercial papers	(549,610,545)
Investment in treasury bills	(239,844,750)
Investment in treasury bonds	(118,166,250)
Maturity proceed from repurchase agreements	568,308,767
Maturity proceed from commercial papers	499,610,545
Maturity proceed from treasury bills	147,902,330
Net cash used in operating activities	(296,203,290)

Cash flows from financing activities

Amounts received on unit creations	497,070,644
Amounts paid on unit redemptions	(173,428,040)
Net cash generated from financing activities	323,642,604

Net increase in cash and cash equivalents during the period	27,439,314
Cash and cash equivalents at the beginning of the period	Nil
Cash and cash equivalents at the end of the period (Note 8)	27,439,314

Figures in brackets indicate deductions.

The accounting policies and notes from pages 8 to 24 form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1. General Information

1.1 General

Asia Securities Income Fund (“the Fund”) is an open-ended fund approved by the Securities and Exchange Commission of Sri Lanka. The Fund was launched in 15th December 2022. The Fund is managed by Asia Securities Wealth Management (Private) Limited which is incorporated and domiciled in Sri Lanka. The registered office of the Fund management company is located at 4th Floor, Lee Hedges Tower, No 349, Galle Road, Colombo 03. The trustee and custodian of the Fund is Hatton National Bank having its place of business at No 481, T.B. Jayah Mawatha, Colombo 10.

The investment objective of the fund is to generate a high interest income while preserving capital and providing liquidity. The Fund will invest into high quality corporate debt instruments, government securities and securities issued by banks and financial institutions. This also includes both short term (<397 days) and long term fixed income instruments with a residual maturity of more than 397 days.

1.2 Date of authorization for issue

The financial statements of the Fund for the period ended 31 March 2023 were authorized for issue by the fund management company and the trustee on 6 July 2023.

2. Summary of significant accounting policies

The principal accounting policies adopted in the preparation of these financial statements are set out below.

2.1 Basis of preparation

The financial statements of the Fund have been prepared in accordance with Sri Lanka Accounting Standards, which comprise Sri Lanka Financial Reporting Standards (“SLFRS”s), Sri Lanka Accounting Standards (“LKAS”s), relevant interpretations of the Standing Interpretations Committee (“SIC”) and International Financial Reporting Interpretations Committee (“IFRIC”). Sri Lanka Accounting Standards further comprises of Statements of Recommended Practices (SoRPs), Statements of Alternate Treatments (SoATs) and Financial Reporting Guidelines issued by the Institute of Chartered Accountants of Sri Lanka. These financial statements have been prepared under the historical cost convention. The preparation of financial statements in conformity with Sri Lanka Accounting Standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Fund’s accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the Fund’s financial statements are disclosed in note 4 to the financial statements. The statement of financial position is presented on a liquidity basis and assets and liabilities are presented in decreasing order of liquidity and are not distinguished between the current and non-current. The financial statements are presented in Sri Lankan rupees (LKR).

These are the Fund’s first financial statements prepared in accordance with LKASs and SLFRSs as this is the first period of its operation.

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after the Fund’s inception, and have not been early adopted in preparing these financial statements. None of these are expected to have a material effect on the financial statements of the Fund.

Statement of Compliance

The financial statements which comprise the statement of financial position as at 31 March 2023, statement of profit or loss and other comprehensive income, statement of net assets attributable to unit holders and statement of cash flows for the period from 15 December 2022 to 31 March 2023 and a summary of significant accounting policies and other explanatory information have been prepared and presented in accordance with Sri Lanka Accounting Standards and the requirements of the Unit Trust Deed and Unit Trust Code of the Securities and Exchange Commission of Sri Lanka.

NOTES TO THE FINANCIAL STATEMENTS

2. Summary of significant accounting policies (Contd.)

2.2 Amendments to the Sri Lanka Accounting Standards

The following amendments to the Sri Lanka Accounting Standards that are relevant for the preparation of the financial statements have been adopted by the Fund which are effective for the first time for periods commencing on or after 01 January 2022.

(a) New standards and amendments – applicable 1 January 2022

The Fund has applied the following standards and amendments for the first time for their reporting period commencing 15 December 2022:

(i) Amendment to LKAS 16, Property, Plant and Equipment

Proceeds before intended use – this amendment prohibits an entity from deducting from the cost of an item of PP&E any proceeds received from selling items produced while the entity is preparing the asset for its intended use. It also clarifies that an entity is ‘testing whether the asset is functioning properly’ when it assesses technical and physical performance of the asset. The financial performance of the asset is not relevant to this assessment. Entities must disclose separately the amounts of proceeds and costs relating to items produced that are not an output of the entity’s ordinary activities.

(ii) Amendments to SLFRS 3, Reference to the Conceptual Framework

Minor amendments were made to SLFRS 3 Business Combinations to update the references to the Conceptual Framework for Financial Reporting and to add an exception for the recognition of liabilities and contingent liabilities within the scope of LKAS 37 Provisions, Contingent Liabilities and Contingent Assets and Interpretation 21 Levies. The amendments also confirm that contingent assets should not be recognised at the acquisition date.

(iii) Amendments to LKAS 37, Onerous Contracts – Cost of Fulfilling a Contract

The amendment to LKAS 37 clarifies that the direct costs of fulfilling a contract include both the incremental costs of fulfilling the contract and an allocation of other costs directly related to fulfilling contracts. Before recognising a separate provision for an onerous contract, the entity recognises any impairment loss that has occurred on assets used in fulfilling the contract.

(iv) Annual Improvements to SLFRS Standards 2018–2020

The following improvements were finalised in May 2020:

- SLFRS 9 Financial Instruments – clarifies which fees should be included in the 10% test for derecognition of financial liabilities.
- SLFRS 16 Leases – amendment of illustrative example 13 to remove the illustration of payments from the lessor relating to leasehold improvements, to remove any confusion about the treatment of lease incentives.
- SLFRS 1 First-time Adoption of International Financial Reporting Standards – allows entities that have measured their assets and liabilities at carrying amounts recorded in their parent’s books to also measure any cumulative translation differences using the amounts reported by the parent. This amendment will also apply to associates and joint ventures that have taken the same SLFRS 1 exemption.

Most of the amendments listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

These Standard and amendments are effective for the annual periods beginning on or after 1 January 2022.

NOTES TO THE FINANCIAL STATEMENTS

2. Summary of significant accounting policies (Contd.)

2.2 Amendments to the Sri Lanka Accounting Standards (Contd)

(b) New accounting standards, amendments and interpretations issued but not yet effective and adopted in 2022.

The following standards and interpretations had been issued by IASB, but not mandatory for annual reporting periods ending 31 December 2022. Further, the Fund has not early adopted these new standards and/or amendments.

(i) SLFRS 17, 'Insurance contracts'

SLFRS 17 was issued in May 2017 as replacement for SLFRS 4 Insurance Contracts. It requires a current measurement model where estimates are remeasured in each reporting period. Contracts are measured using the building blocks of:

- discounted probability-weighted cash flows
- an explicit risk adjustment, and
- a contractual service margin (CSM) representing the unearned profit of the contract which is recognised as revenue over the coverage period.

The standard allows a choice between recognising changes in discount rates either in the statement of profit or loss or directly in other comprehensive income. The choice is likely to reflect how insurers account for their financial assets under SLFRS 9. An optional, simplified premium allocation approach is permitted for the liability for the remaining coverage for short duration contracts, which are often written by non-life insurers. There is a modification of the general measurement model called the 'variable fee approach' for certain contracts written by life insurers where policyholders share in the returns from underlying items. When applying the variable fee approach, the entity's share of the fair value changes of the underlying items is included in the CSM. The results of insurers using this model are therefore likely to be less volatile than under the general model. The new rules will affect the financial statements and key performance indicators of all entities that issue insurance contracts or investment contracts with discretionary participation features.

Targeted amendments made in July 2020 aimed to ease the implementation of the standard by reducing implementation costs and making it easier for entities to explain the results from applying SLFRS 17 to investors and others. The amendments also deferred the application date similar to SLFRS 17. This amendment will be effective from 01 January 2025 in Sri Lanka.

Further amendments made in December 2021 added a transition option that permits an entity to apply an optional classification overlay in the comparative period(s) presented on initial application of SLFRS 17. The classification overlay applies to all financial assets, including those held in respect of activities not connected to contracts within the scope of SLFRS 17. It allows those assets to be classified in the comparative period(s) in a way that aligns with how the entity expects those assets to be classified on initial application of SLFRS 9. The classification can be applied on an instrument-by-instrument basis. This standard will be effective from 01 January 2025 in Sri Lanka.

(ii) Classification of Liabilities as Current or Non-current – Amendments to LKAS 1

The narrow-scope amendments to LKAS 1 Presentation of Financial Statements clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the expectations of the entity or events after the reporting date (eg the receipt of a waiver or a breach of covenant). The amendments also clarify what LKAS 1 means when it refers to the 'settlement' of a liability.

The amendments could affect the classification of liabilities, particularly for entities that previously considered management's intentions to determine classification and for some liabilities that can be converted into equity.

They must be applied retrospectively in accordance with the normal requirements in LKAS 8 Accounting Policies, Changes in Accounting Estimates and Errors.

NOTES TO THE FINANCIAL STATEMENTS

2. Summary of significant accounting policies (Contd.)

2.2 Amendments to the Sri Lanka Accounting Standards (Contd)

(i) **New accounting standards, amendments and interpretations issued but not yet effective and adopted in 2022 (Contd)**

(ii) **Classification of Liabilities as Current or Non-current – Amendments to LKAS 1 (Contd)**

In May 2020, the IASB issued an Exposure Draft proposing to defer the effective date of the amendments to 1 January 2023.

(iii) **Disclosure Initiative: Accounting Policies - Amendments to LKAS 1**

The amendments to LKAS 1 require companies to disclose their material accounting policy information rather than their significant accounting policies.

The amendments to LKAS 1 will be effective for annual reporting periods beginning on or after 1 January 2023.

(iv) **Definition of Accounting Estimates (Amendments to LKAS 8)**

The amendments introduced the definition of accounting estimates and included other amendments to LKAS 8 to help entities distinguish changes in accounting estimates from changes in accounting policies. The amendments are effective for annual periods beginning on or after 1 January 2023.

(v) **Amendment to LKAS 12 – Deferred tax related to assets and liabilities arising from a single transaction**

LKAS 12 Income Taxes specifies how a company accounts for income tax, including deferred tax, which represents tax payable or recoverable in the future. In specified circumstances, companies are exempt from recognising deferred tax when they recognise assets or liabilities for the first time. Previously, there had been some uncertainty about whether the exemption applied to transactions such as leases and decommissioning obligations—transactions for which companies recognise both an asset and a liability.

The amendments clarify that the exemption does not apply and that companies are required to recognise deferred tax on such transactions. The aim of the amendments is to reduce diversity in the reporting of deferred tax on leases and decommissioning obligations.

The amendments are effective for annual reporting periods beginning on or after 1 January 2023.

2.3 Functional and presentation currency

The Fund's investors are mainly from Sri Lanka, with all creation and redemption of units are denominated in Sri Lanka Rupees. The primary activity of the Fund is to invest in domestic securities and earn and offer unit holders a return. The performance of the Fund is measured and reported to the unitholders in Sri Lanka Rupees. The Trustee considers the rupees as the currency that most faithfully represents the economic effects of the underlying transactions, events and conditions. Accordingly, the financial statements are presented in Sri Lankan Rupees, which is the Fund's functional and presentation currency.

2.4 Financial assets

Classification and measurement of financial assets and financial liabilities

SLFRS 9 contains three principal classification categories of financial asset: measured at Amortised Cost, Fair Value through Other Comprehensive Income (FVOCI) and Fair Value through Profit or Loss (FVTPL). The classification of financial assets under SLFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics.

NOTES TO THE FINANCIAL STATEMENTS

2. Summary of significant accounting policies (Contd.)

2.4 Financial assets (Contd)

(i) Recognition and initial measurement

All financial assets are initially recognized on the date the Fund becomes a party to the contractual provisions of the instrument. This includes purchases of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place.

(ii) Classification

On initial recognition, a financial asset is classified as measured at: Amortised Cost, FVOCI or FVTPL. Financial assets are not reclassified subsequent to their initial recognition unless the Fund changes its business model for managing financial assets in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortised cost if it meets both of the following conditions:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows;
- and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The Fund's financial assets classified under amortised cost include commercial papers, repurchase agreements, and money market savings.

A debt investment is measured at FVTPL if it meets both of the following conditions:

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

Financial assets at amortised cost are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses, if any, Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

2.5 Financial liabilities – Classification, subsequent measurement and gains and losses

Financial liabilities are classified as measured at amortised cost. Financial liabilities are subsequently measured at amortised cost using the effective interest method.

Financial liabilities measured at amortised cost include borrowings, accrued expenses and other payables.

Derecognition

Financial assets

The Fund derecognizes 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 Fund neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset. The Fund enters into transactions whereby it transfers assets recognised in its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognised.

NOTES TO THE FINANCIAL STATEMENTS

2. Summary of significant accounting policies (Contd.)

2.5 Financial liabilities – Classification, subsequent measurement and gains and losses (Contd)

Financial liabilities

The Fund derecognises a financial liability when its contractual obligations are discharged or cancelled or expire. The Fund also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value. On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset, and the net amount reported in the statement of financial position if, and only if:

- There is a currently enforceable legal right to offset the recognized amounts and
- There is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

2.6 Impairment

The Fund recognises loss allowances for expected credit losses (ECLs) on financial assets measured at amortised cost.

The Fund measures loss allowances at an amount equal to lifetime ECL, except for bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition which are measured as 12-month ECL. Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument. 12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months). The maximum period considered when estimating ECLs is the maximum contractual period over which the fund is exposed to credit risk.

Credit-impaired financial assets

At each reporting date, the Fund assesses whether financial assets carried at amortised cost are credit impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

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

- Significant financial difficulty of the borrower or issuer;
- A breach of contract such as a default or being more than 90 days past due.
- The restructuring of a loan or advance by the Fund on terms that the Fund would not consider otherwise.
- It is probable that the borrower will enter bankruptcy or other financial reorganization.

As of the statement of financial position date the fund has not observed any of the above thus no impairment provision has been recognized in the financial statements.

All of the funds' investments at amortised cost have low credit risk, and the loss allowance recognised during the period was therefore limited to 12 months expected losses.

The Fund's investments in Treasury bill repurchase agreements that are obtained from primary dealers are collateralized with government securities. Therefore, considered as low risk investments.

Presentation of allowance for ECL in the statement of financial position

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

Write-offs

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery.

NOTES TO THE FINANCIAL STATEMENTS

2. Summary of significant accounting policies (Contd.)

2.7 Interest income

For all financial instruments measured at amortized cost, interest income is recorded using the effective interest rate (EIR), which is the rate that exactly discounts the estimated future cash appropriate, to the net carrying amount of the financial asset.

2.8 Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise of cash at bank. The cash flow statement has been prepared using the direct method. For the purpose of the statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above.

2.9 Income tax

The Fund is not liable to pay income tax as of the reporting date in accordance with Inland Revenue No 24 of 2017 as amended by the Inland Revenue (Amendment) Act No 45 of 2022. However, the interest income is taxed at 5% as per the Inland Revenue (Amended) Act No 45 2022 with effect from 1 January 2023. The Fund's income generated through investment business is treated as "pass-through vehicles" under the provisions of Inland Revenue No 24 of 2017 as amended by the Inland Revenue (Amendment) Act No 45 of 2022.

2.10 Expenses

The management, trustee, and custodian fees of the Fund as per the trust deed is as follows,

Management fee	- 0.50% p.a. of net asset value of the fund calculated daily
Trustee fee	- 0.15% p.a. of net asset value of the fund calculated daily
Custodian fee	- Rs 240,000 per Annum

2.11 Accrued expenses

Accrued expenses are recognised initially at fair value and subsequently stated at amortised cost using the effective interest method.

2.12 Increase/(decrease) in net assets attributable to unitholders

Income not distributed is included in net assets attributable to unit holders. Movements in net assets attributable to unit holders are recognised in the statement of profit or loss.

2.13 Unitholders' funds

Unitholders' funds have been calculated as the difference between the carrying amounts of the assets and the carrying amounts of the liabilities, other than those due to unit holders as at the reporting date.

NOTES TO THE FINANCIAL STATEMENTS

3. Financial risk management

Risks arising from holding financial instruments are inherent in the Fund's activities, and are managed through a process of ongoing identification, measurement, and monitoring. The Fund is exposed to credit risk, market risk, and liquidity risk.

Financial instruments of the Fund comprise investments in treasury bills and repurchase agreements, fixed deposits, commercial papers, trust certificates and money market savings deposits for the purpose of generating a return on the investment made by unit holders, in addition to cash at bank and other financial instruments such as receivables and payables, which arise directly from its operations.

The fund manager is responsible for identifying and controlling the risk that arise from these financial instruments. The fund manager agrees on policies for managing each of the risks identified below.

The risks are measured using a method that reflects the expected impact on the statement of profit or loss and other comprehensive income and statement of financial position of the Fund from reasonably possible changes in the relevant risk variables. Information about these risk exposures at the reporting date, measured on this basis, is disclosed below.

The fund manager also monitors information about the total fair value of financial instruments exposed to risk, as well as compliance with established investment mandate limits. These mandate limits reflect the investment strategy and market environment of the fund, as well as the level of risk that the fund is willing to accept, with additional emphasis on selected industries. This information is prepared and reported to relevant parties within the fund manager on a regular basis as deemed appropriate, including the fund manager, other key management, the investment committee, and ultimately the trustee of the fund.

The concentration of risk arises when several financial instruments or contracts are entered into with the same counterparty, or where a number of counterparties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economics, political or other conditions.

NOTES TO THE FINANCIAL STATEMENTS

3. Financial risk management (Contd)

a) Credit risk

Credit risk is the risk that the counterparty to the financial instruments will fail to discharge an obligation and cause the Fund to incur a financial loss of interest and/or principal. The Fund's exposure to credit risk from its financial assets arises from default of the counterparty, with the current exposure equal to the carrying amount of financial assets as at the reporting date. It is the fund's policy to enter contracts with reputable counterparties. The Fund is also subject to credit risk on its bank balances and investment in commercial papers. The credit risk exposure on these instruments is not deemed to be significant.

The funds' maximum exposure to credit risk is the carrying amount of the financial assets are set out below;

Instrument	31 March 2023 LKR
Commercial papers (Note 10.1)	50,031,233
Repurchase agreements (Note 10.2)	50,030,137
Treasury bills (Note 9.1)	97,630,148
Treasury bonds (Note 9.2)	124,738,345
Cash at the bank (Note 8)	27,439,314
Total	349,869,177

The analysis below summarises the credit quality of the Fund's debt portfolio at 31 March 2023.

2023 Counterparty	Investment value as at 31 March 2023 (LKR)	% of investment	Credit rating	Rating agency
Asia Securities (Private) Limited	50,031,23	14.30%	BBB-	Fitch Rating
First Capital Holdings PLC	50,030,137	14.30%	A	Lanka Rating
Capital Alliance PLC	77,619,153	22.19%	Not rated	
Wealth Trust Securities Limited	144,749,340	41.37%	Not rated	
Hatton National Bank	27,439,314	7.84%	A(lka)	Fitch Rating
Total	349,869,177			

Debt securities by rating category.

Rating	2023
A	77,469,451
BBB-	50,031,233
BBf (lka)	77,619,153
Not rated	144,749,340
Total	349,869,177

NOTES TO THE FINANCIAL STATEMENTS

3. Financial risk management (Contd)

b) Market risk

Market risk represents the risk that the value of the Fund's investments portfolios will fluctuate because of changes in market prices and rates. While market risk cannot be eliminated the fund manager will attempt to reduce this risk by diversifying the Fund's investment portfolio in line with investment objectives of the Fund.

Interest rate risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates. The Fund's interest-bearing financial assets expose it to risks associated with the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows.

The table below summarises the fund's exposure to interest rate risk

31 March 2023	Floating interest rate Rs.	Fixed interest rate Rs.	Non-interest bearing Rs.	Total Rs.
<i>Financial assets</i>				
Cash and cash equivalents	Nil	27,414,314	25,000	27,439,314
Financial assets at FVTPL	222,368,493	Nil	Nil	222,368,493
Financial assets at amortised cost	Nil	100,061,370	Nil	100,061,370
Total exposure	222,368,493	127,475,684	25,000	349,869,177

c) Liquidity risk

Liquidity risk is the risk that the Fund may not be able to generate sufficient cash resources to settle its obligations in full as they fall due or can only do so on terms that are materially disadvantageous. Exposure to liquidity risk arises because of the possibility that the Fund could be required to pay its liabilities or redeem its units earlier than expected. Units are redeemable at the unitholder's options based on the Fund's net asset value per unit at the time of redemption.

The Fund manages its obligation when required to do so and its overall liquidity risk by:

- Investing primarily in financial instruments, which under normal market conditions are readily convertible to cash.
- The Fund will also make the Investments within the parameters set out by the Commission in accordance with the Unit Trust Code and the Deed to ensure there is no concentration of risk.
- Maintaining sufficient cash and cash equivalents to meet normal operating requirements and expected redemption requests. The unit trust code requires a minimum of 3% of the deposited property to be maintained in cash or near cash. (Near cash means investments such as bank/call deposits, repurchase agreements with maturities of less than 3 months, commercial paper endorsed or guaranteed by a Licensed Commercial Bank or Licensed Specialized Bank with maturities of less than 3 months and government securities including government bonds with maturities of less than one year which can be readily convertible into cash.)
- Requiring at least 14 days prior written notice for unitholder redemption equal to or greater than 3% of the net asset value of the Fund
- Continually search for new investors.

The time frame for return of cash to investors is five business days in which time investments may be recalled for redemption payouts. Further, the Fund is also permitted to borrow up to 15% of the deposited property for redemption payouts. Other financial liabilities have no contractual maturities. Due to the short-term nature of these financial instruments, carrying value approximates fair value.

NOTES TO THE FINANCIAL STATEMENTS

3. Financial risk management (Contd)

c) Liquidity risk (Contd)

The table below precises the Fund's non derivative financial assets and liabilities with contractual maturities into relevant maturity groupings based on the remaining period at the end of the reporting period. The amounts in the table are the contractual undiscounted cash flows

31 March 2023	Less than 30 days	31 - 90 days	91 – 180 days	181 – 365 days	Total
	Rs.	Rs.	Rs.	Rs.	Rs.
<i>Financial Assets</i>					
Commercial Papers	50,312,329	Nil	Nil	Nil	50,312,329
Treasury Bills	Nil	36,141,989	67,000,000	Nil	103,141,989
Treasury Bonds	Nil	Nil	Nil	150,000,000	150,000,000
Repurchase agreements	50,301,370	Nil	Nil	Nil	50,301,370
Total	1 00,613,699	36,141,989	67,000,000	150,000,000	353,755,688
<i>Financial Liabilities</i>					
Management fee	179,928	Nil	Nil	Nil	179,928
Trustee fee	63,667	Nil	Nil	Nil	63,667
Custody fee	24,042	Nil	Nil	Nil	24,042
Total	267,637	Nil	Nil	Nil	267,637

d) Capital risk management

The Fund considers its net assets attributable to unitholders as capital, notwithstanding that net asset attributable to unitholders are classified as a liability. The amount of net assets attributable to unitholders can change significantly daily as the Fund is subject to daily applications and redemptions at the discretion of unitholders. Daily applications and redemptions are reviewed relative to the liquidity of the Fund's underlying assets daily by the Management Company. Under the terms of the Unit Trust Code, the Management Company has the discretion to reject an application for units and to defer redemption of units if the exercise of such discretion is in the best interests of unitholders.

NOTES TO THE FINANCIAL STATEMENTS

3. Financial risk management (Contd.)

d) Capital risk management

The Fund's objective when managing capital is to safeguard the Fund's ability to continue as a going concern in order to provide returns for unitholders, provide benefits for other stakeholders and maintain a strong capital base to support the development of the investment activities of the Fund. The Board of Directors and Investment Manager monitor capital on the basis of the value of net assets attributable to unit holders. Please refer to the Note 2 for more details. Disclosures relevant to unitholders' funds are as follows.

The movement in the unitholders' funds for the period ended 31 March 2023

I. In terms of value

	2023 (LKR)
Unitholders' funds as at the beginning of the period	Nil
Creations during the period	497,070,644
Redemptions during the period	(173,428,040)
Increase in net assets attributable to unitholders during the period	25,700,789
Unit holders' funds as at 31 March 2023	349,343,393

I. In terms of numbers of units

	2023 (LKR)
Opening number of units	Nil
Unit creations during the period	48,171,872
Unit redemptions during the period	(16,007,434)
Closing number of units as at 31 March 2023	32,164,439

4. Critical accounting estimates and judgements

The preparation of financial statements in conformity with Sri Lanka Accounting Standards requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income, and expenses. In the selection and application of the company's accounting policies, which are described below, the Fund management company is required to make judgements and assumptions and use assumptions in measuring items reported in the financial statements.

These estimates are based on management's knowledge of current facts and circumstances, and assumptions based on such knowledge and expectations of future events. Actual results may differ from such estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates were revised if the revision affects only that period or in the period of the revision and future periods as well if the revision affects both the current and future periods. Management considers credit, liquidity and market risk and assesses the impact on valuation of investments when determining the fair value.

Fair value of the financial instruments are determined by observable market prices or rates where available.

NOTES TO THE FINANCIAL STATEMENTS

5	Interest income	2023
		LKR
	5.1 Interest on	
	Commercial papers	2,576,235
	Repurchase agreements	2,309,144
	Treasury bills	16,924,792
	Treasury bond	2,519,613
	Money market bank accounts	1,207,962
		<u>25,537,746</u>
	Total investment income	<u>25,537,746</u>

5.2 Income is recognised on accrual basis using the effective interest rate method.

5.3 Notional tax is not applicable as per the new Inland Revenue Act No. 24 of 2017. Effective from 1st January 2023, withholding tax at the rate of 5% has been reintroduced on service fee payments which has a source in Sri Lanka and paid to a resident individual who is not an employee of the payer of such service fee.

6 Fair value gain

Treasury bills	362,752
Treasury bonds	933,731
	<u>1,296,483</u>

Fair value gain arise from treasury bills and treasury bonds measured at FVTPL.

7 Other income

Gain on disposal of treasury bills	15,275
	<u>15,275</u>

8 Cash and cash equivalents

	2023
	LKR
HNB current account	25,000
HNB money market account	27,414,314
	<u>27,439,314</u>

8.1 Cash and cash equivalents for the purpose of the statement of cash flows.

	2023
	LKR
Cash and cash equivalents	27,439,314

NOTES TO THE FINANCIAL STATEMENTS

9	Financial assets at FVTPL	31 March 2023
		LKR
	Treasury bills (Note 9.1)	97,630,148
	Treasury bonds (Note 9.2)	124,738,345
		<u>222,368,493</u>

9.1 Treasury Bills

Capital Alliance PLC	77,619,153
Wealth Trust Securities Limited	20,010,995
	<u>97,630,148</u>

9.2 Treasury Bonds

Wealth Trust Securities Limited	124,738,345
	<u>124,738,345</u>

10	Financial assets at amortised cost	31 March 2023
		LKR
	Commercial papers (Note 10.1)	50,031,233
	Repurchase agreements (Note 10.2)	50,030,137
		<u>100,061,370</u>

31 March 2023
LKR

10.1 Commercial papers

Asia Securities (Private) Limited	50,031,233
	<u>50,031,233</u>

10.2 Repurchase agreements

First Capital Treasuries PLC	50,030,137
	<u>50,030,137</u>

11	Accrued expenses	31 March 2023
		LKR
	Management fees payable	179,928
	Trustee fees payable	63,667
	Custodian fees payable	24,042
	Audit and tax consultancy fees payable	258,147
		<u>525,784</u>

12 Contingencies

There were no significant contingencies existing as at the reporting date that required adjustments to or disclosures in the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

13 Events occurring after reporting date

No other events have occurred since the statement of financial position date which would require adjustments to or disclosure in the financial statements.

14 Commitments

There were no significant capital and financial commitments as at the reporting date.

15 Units in issue and unit price

The number of units in issue as at 31 March 2023 was 32,164,439 and the net assets value per unit as at 31 March 2023 was LKR 10.86. Refer to Note 17.

The creation price and the redemption price were at LKR 10.86 per unit as at 31st March 2023.

16 Related party disclosure

16.1 Management company and trustee

The Management Company is Asia Securities Wealth Management (Private) Limited. Hatton National Bank had been appointed as trustee with effect from 17 October 2022.

16.2 Key management personnel

Key management personnel includes persons who were directors of Asia Securities Wealth Management (Private) Limited at any time during the financial period.

Directors

Mr. Dumith Fernando

Mr. Avancka Herat

16.3 Key management personnel compensation

There were no payments made to the directors of Asia Securities Wealth Management (Private) Limited during the period by the Fund.

16.4 Other transactions within the Fund

Apart from those details disclosed in note 16.5 key management personnel have not entered in to any other transactions involving the Fund during the financial period.

NOTES TO THE FINANCIAL STATEMENTS

16 Related party disclosure (Contd)

16.5 Related party unit holding transactions and balances

The following are the units held by related parties.

	Relationship	No. of units	Value of units held (Rs.)	Total interest held as a % of NAV
As at 31 March 2023				
Unit holders				
Asia Securities Wealth Management (Pvt) Ltd	Management Company	2,762,533	30,004,144	8.59%
Asia Securities (Pvt) Ltd	Affiliate	549,869	5,972,185	1.71%

The following are the units transactions by related parties for the period ended 31 March 2023.

	Relationship	Creation of units		Redemption of units	
		No. of units	Value	No. of units	Value
Asia Securities Wealth Management (Pvt) Ltd	Management Company	2,762,533	30,000,000	Nil	Nil
Asia Securities (Pvt) Ltd	Affiliate	11,600,000	116,000,000	(11,050,131)	120,000,000

NOTES TO THE FINANCIAL STATEMENTS

16 Related party disclosure (Contd.)

16.6 Transactions and balances related to the service provided by related parties

Fees were charged by the management company and trustee for services provided during the period and the balances outstanding related to such services as at period end are as disclosed below:

	2023 LKR
Charges for the period with related parties	
Management fees by	
Asia securities Wealth Management (Private) Limited	454,291
Trustee fees by Hatton National Bank PLC	160,749
Custodian fee by Hatton National Bank PLC	82,209
Balances with related parties	
Bank balance held at Hatton National Bank PLC as at 31 March	25,000
Money market account balance held at Hatton National Bank PLC as at 31 March	27,414,314
Management fees payable to	
Asia securities Wealth Management (Private) Limited	179,928
Trustee fees payable to Hatton National Bank PLC	63,667
Custodian fees payable to Hatton National Bank PLC	24,042

Please refer to the Note 2.10 for terms and conditions

17 Reconciliation between the net asset value as per financial statements and the published net asset value

	2023 LKR
Net asset value as per financial statements	349,343,393
Published net asset value	349,343,393
Published number of units as at 31 March	32,164,439
Net asset value per unit	10.86

CORPORATE INFORMATION

MANAGEMENT COMPANY

Asia Securities Wealth Management (Pvt) Limited
4th Floor, Lee Hedges Tower,
349, Galle Road, Colombo 3

TRUSTEE & CUSTODIAN

Hatton National Bank PLC
479, T.B. Jaya Mawatha, Colombo 10

AUDITORS

Pricewaterhouse Coopers,
100, Braybrooke Place, Colombo 2

LAWYERS

Nithya Partners
97/A, Galle Main Road, Colombo 3

BANKERS

Hatton National Bank PLC
479, T.B. Jaya Mawatha, Colombo 10

DECLARATION BY THE TRUSTEES AND MANAGEMENT COMPANY

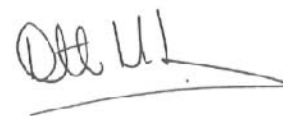
This declaration is issued in line with the SEC Circular No. 02/2009 on Guidelines for Trustees and Managing Companies of Unit Trusts Funds, by the Trustees and Management Company. Hatton National Bank PLC, the Trustee and Asia Securities Wealth Management (Pvt) Ltd, the Managers of the Asia Securities Money Market Fund hereby declare that;

1. the requirements of the Guidelines for Trustees and Managing Companies of Unit Trust Funds set by the Securities and Exchange Commission of Sri Lanka have been complied with during the year.

2. the transactions were and will be carried out at an arm's length basis and on terms which are best available for the fund, as well as act, at all times, in the best interest of the fund's unit holder.



Director
Management Company



Director
Management Company




Authorized Signatories
Trustee

