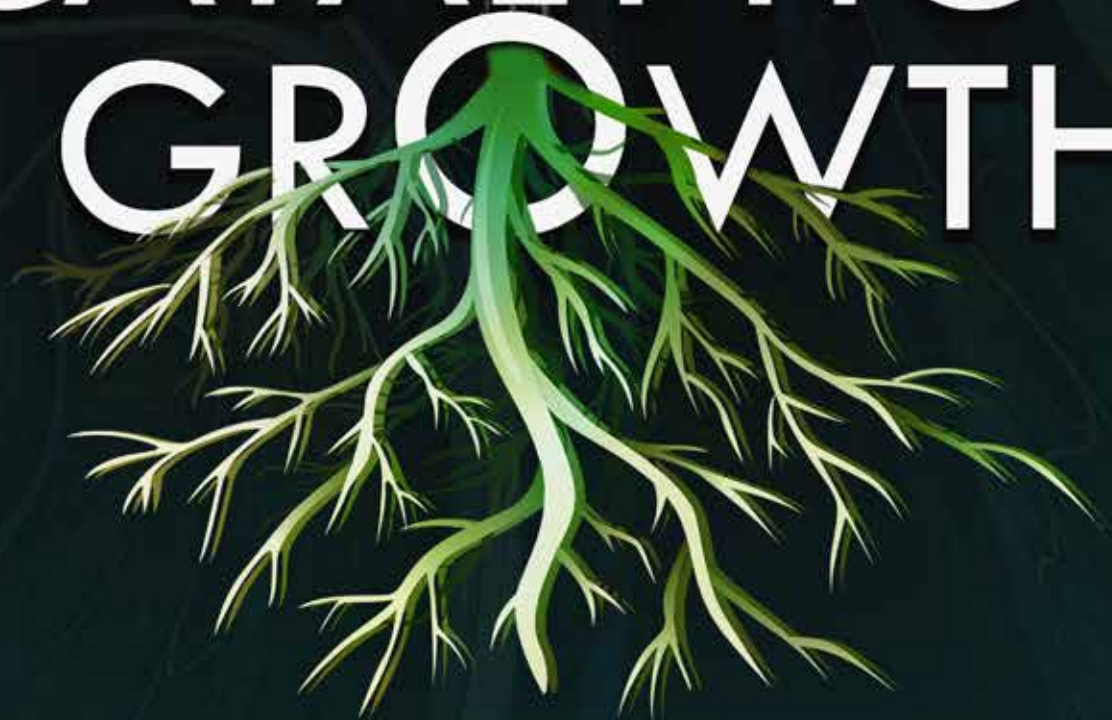




FIRST CAPITAL MONEY MARKET FUND



CATALYTIC GROWTH



ANNUAL REPORT 2023/24



In today's dynamic business landscape, change is inevitable. Pursuing opportunities for catalytic growth, we converge each prospective venture into the Fund's collective focus – bringing together our diverse interests into maximising potential. Acting as a catalyst, we converge the strengths of our Fund in optimising wealth for our Unitholders while contributing to our Group vision to improve the lives of all Sri Lankans through financial solutions.

In the face of mounting challenges stemming from economic, social, and political turbulence, we have fortified our commitment to caring for our customers. Learning and growing together, we continue to pursue sustainable progress - making our Money Market Fund formidable in the face of challenges.

CONTENTS

ABOUT THE FUND

First Capital Money Market Fund in Context	4
Group Structure	5
Historical Milestones	6

LEADERSHIP

Managing Director/ Chief Executive Officer's Statement	8
Review by Head of Asset Management	10
Board of Directors of the Fund Management Company	11
Fund Management Team	14

STRATEGY AND VALUE CREATION

Financial Highlights	16
Operational Highlights	18
Digitalisation	19
Risk Management Report	20

MANAGEMENT DISCUSSION AND ANALYSIS

Operating Environment	26
Fund Manager's Report	27

GOVERNANCE AND STEWARDSHIP

Annual Report of the Board of Directors	30
Statement of Director's Responsibility	33
Declaration of Compliance by Trustee & Management Company	34
Corporate Governance	35
Compliance Disclosures	45
Audit Committee Report	49
Investment, Asset and Liability Committee Report	51
Enterprise Risk Management Committee Report	53

FINANCIAL INFORMATION

Financial Calendar	57
Financial Performance Highlights	58
Independent Auditors' Report	59
Statement of Profit or Loss and Other Comprehensive Income	61
Statement of Financial Position	62
Statement of Changes in Unitholders' Funds	63
Statement of Cash Flows	64
Notes to the Financial Statements	65

SUPPLEMENTARY INFORMATION

Semi Annual Results	93
Five Year Summary	94
Glossary of Financial and Business Terms	95
Corporate Information	Inner back cover



ABOUT THE FUND

FIRST CAPITAL MONEY MARKET FUND IN CONTEXT

First Capital Asset Management Limited, distinguishes itself as a frontrunner in the unit trust industry by offering a diverse selection of funds covering all regulated asset classes. First Capital Money Market Fund has been the flagship fund (Unit trust) of First Capital Asset Management Limited in 2023/24, which delivered attractive returns, while recording significant fund inflows.

First Capital Asset Management Limited, a subsidiary of First Capital Holdings PLC (via First Capital Limited), acts as the Fund Management Company of First Capital Money Market Fund, limited liability company incorporated and domiciled in Sri Lanka on 26 October 1998.

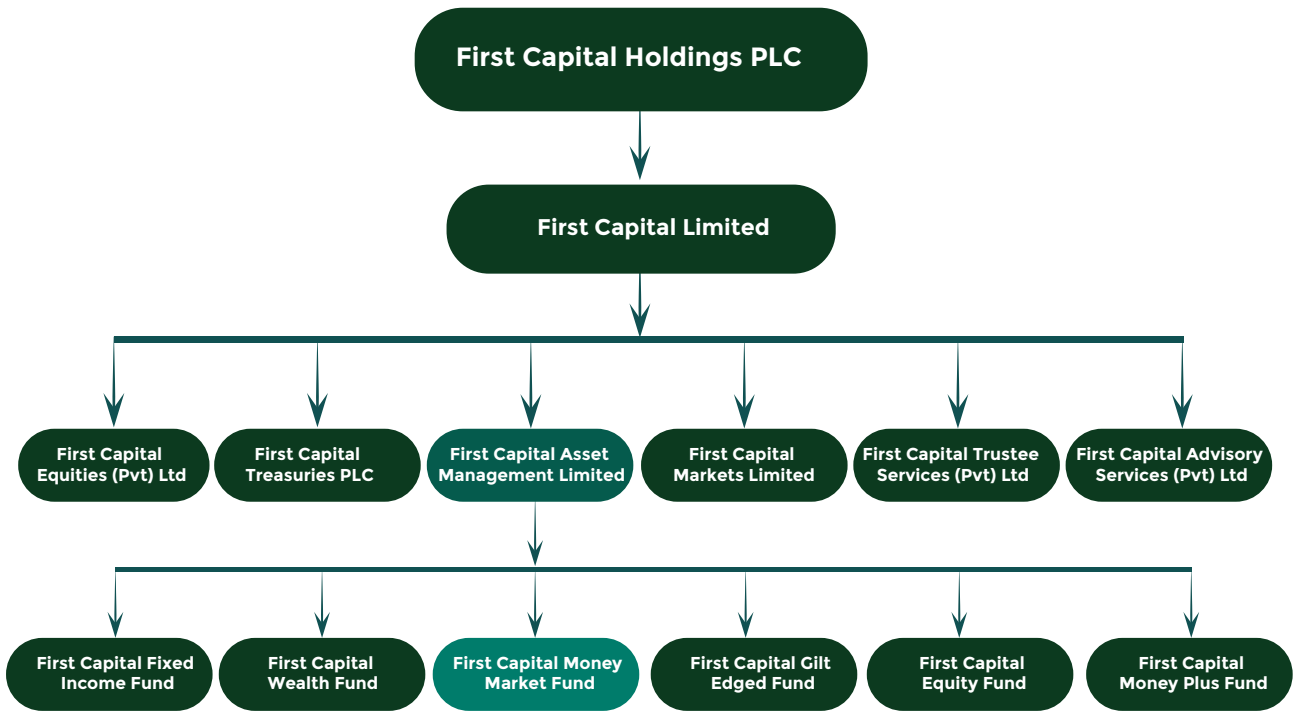
First Capital Money Market Fund (FCMMF), “the fund”, is approved by the Securities and Exchange Commission of Sri Lanka (SEC) under the Securities and Exchange Commission Act No. 36 of 1987 and subsequent amendments thereto. FCMMF is structured as an “Open-ended Unit Trust” approved by the SEC on 16 September 2014, where the investments made by Unitholders are placed exclusively in a portfolio of Fixed Income Securities under the guidelines and rules of Collective Investment Scheme (CIS) Code - 2022.

Functioning as a collective investment scheme, the FCMMF strategically pools resources from diverse investors to invest in a varied portfolio of securities, which are eligible under the CIS Code 2022, Trust Deed and Key Investor Information Document (KIID). This approach brings notable advantages, including improved diversification, effective risk management, and promising yield prospects.

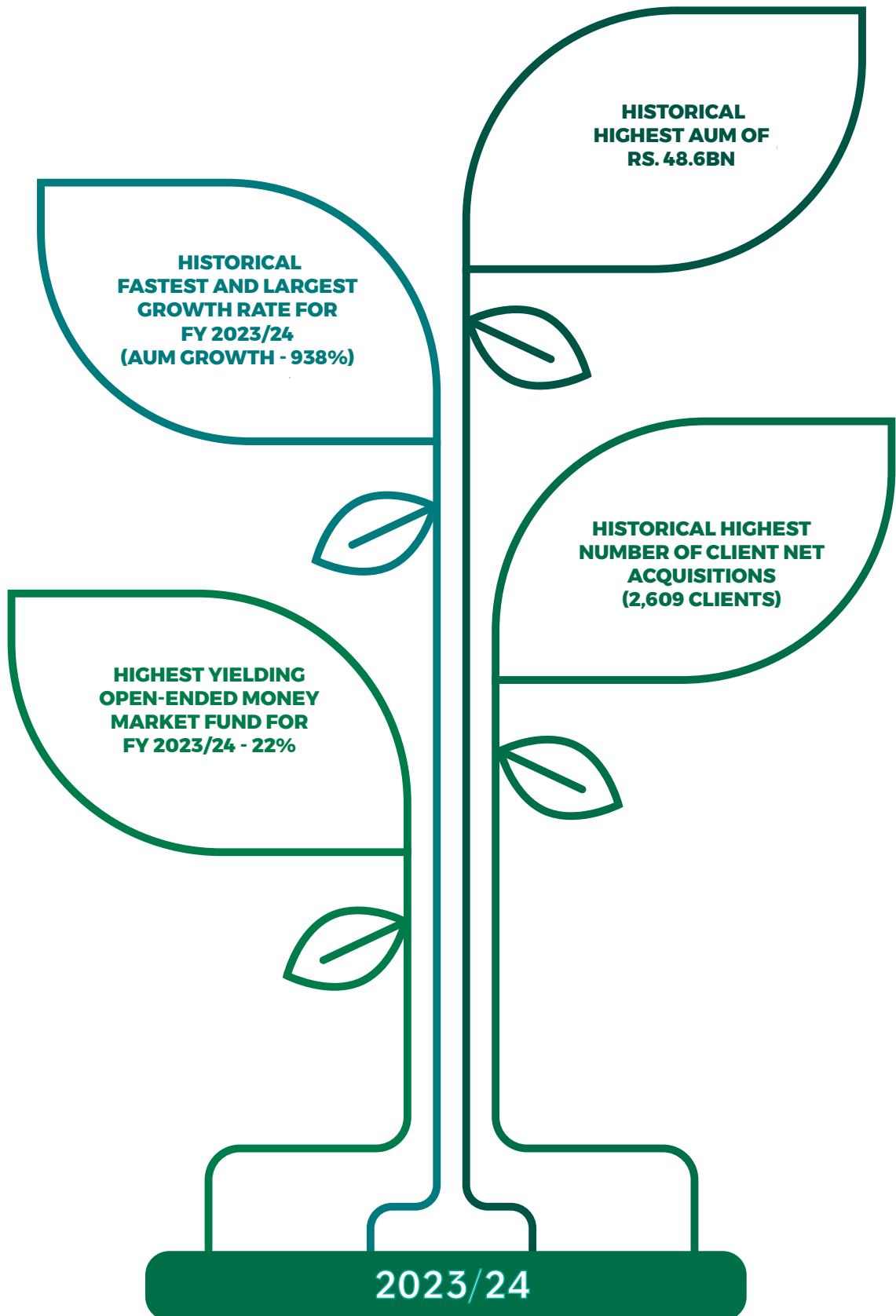
The success of FCMMF stems from a meticulously planned strategy since its inception. First Capital understands the importance of empowering individuals with knowledge, and endeavours to provide essential insights, tools, and expert guidance, aiming to foster sustainable wealth-building strategies. The focus extends beyond short-term financial stability to developing enduring financial literacy, equipping individuals to thrive in the complex landscape of personal finance.

GROUP STRUCTURE

GROUP STRUCTURE OF FIRST CAPITAL ASSET MANAGEMENT LIMITED (MANAGEMENT COMPANY OF FIRST CAPITAL MONEY MARKET FUND)



HISTORICAL MILESTONES





LEADERSHIP

MANAGING DIRECTOR/CHIEF EXECUTIVE OFFICER'S STATEMENT

Throughout the past year, the First Capital Money Market Fund has demonstrated remarkable stability and consistent returns, reflecting our commitment to prudent investment strategies and strong risk management practices.

I am pleased to present an overview of the performance of the First Capital Money Market Fund for the year 2023/24.

Throughout the past year, the First Capital Money Market Fund has demonstrated remarkable stability and consistent returns, reflecting our commitment to prudent investment strategies and strong risk management practices.

Having commenced the year amidst the backdrop of the 2022 economic crisis, we found ourselves faced with a subdued investment appetite. Conditions were further exacerbated owing to widespread speculation surrounding the Domestic Debt Optimisation (DDO) programme. In a deliberate attempt to stimulate investor appetite, we undertook a comprehensive market analysis to assist in steering investment decisions amidst the evolving landscape. Leveraging on a blend of quantitative models, qualitative assessments, and expert insights, our team meticulously evaluated market dynamics, industry trends, and macroeconomic indicators to identify opportunities and mitigate risks. We closely monitored the impact of the DDO on various sectors, assessing their resilience and adaptability over the short to medium term. Additionally, we scrutinised broader geopolitical developments, regulatory changes, and CBSL policy measures to gauge their potential implications on financial markets. Our analysis led us to focus on liquidity and capital preservation and tandemly focused our efforts to strengthen risk fundamentals to capture opportunities to bolster yields while withstanding broader market uncertainty.

We also made a conscious effort to improve our market bandwidth. To that end, we accelerated our customer outreach strategies with the aim of popularising unit trusts through Business-to-Consumer (B2C) and Business-to-Business (B2B) channels. Recognising the severe lack of awareness in the B2C segment, we focused on customer education through seminars, webinars, and workshops designed to enhance financial literacy. These efforts were complemented by continuous and ongoing publication of market data and insights to demonstrate the potency of unit trusts as an investment vehicle. Additionally, we leveraged various channels, including social media platforms to engage with a broader audience. One such event was the "Thought Leadership" session on mass media, which I am pleased to say garnered considerable interest from mainstream investors.

In testament to the success of these efforts, our e-onboarding platform - DigiFirst reported 1,000+ new customers on-boarded within the year, an unprecedented achievement that helped to double our client base year on year.

In a bid to further democratise access to unit trusts in the retail market, we partnered with Hatton National Bank PLC (HNB) to launch the First Capital Money Plus Fund specifically geared to meet the needs of the retail investors. The first such investment proposition of this nature to be unveiled in Sri Lanka, the new innovative fund empowers Unit Trust account holders to use the EMV-enabled card to instantly access their investments through any Bank's island-wide network of ATM's.

This groundbreaking initiative with its advanced features reinforces our status quo as the innovator in the local unit trust space.

I am also very pleased to note that our conscious strategies to widen our institutional client base, also delivered excellent results. A key development was the launch of a dedicated new WhatsApp channel to enable institutional investors to deliver timely and accurate market insights and research data to support informed decision making regarding their portfolio positions.

OUTLOOK AND PROSPECTS

With Sri Lanka's economy seemingly on the road to recovery, I am quite optimistic about the future. The prospects for unit trusts appear promising, driven by increasing investor awareness, evolving financial literacy, and a growing middle class seeking diversified investment opportunities. As economic reforms and digital advancements take hold, unit trusts are poised to become a more integral part of personal and institutional investment strategies. This favourable environment is expected to stimulate demand for professionally managed funds that offer liquidity, diversification, and relatively low risk, compared to direct investments in equities or other volatile asset classes.

For the First Capital Money Market Fund, this evolving landscape presents significant growth opportunities. As more investors turn to unit trusts to navigate economic uncertainties and achieve stable returns, our fund is well-positioned to capitalise on these diverse requirements. By continuing

to offer risk managed, liquid, and high-performing investment options, coupled with the commitment to investor education and robust risk management, the First Capital Money Market Fund will aim to attract a broader investor base, enhance market share, and reinforce its leadership position in Sri Lanka's flourishing unit trust market in the years ahead.

APPRECIATIONS

We take this opportunity to thank our valued unitholders for the confidence placed in us. We also place on record our appreciation for the unstinted support extended by the Securities and Exchange Commission of Sri Lanka and our Trustee, Bank of Ceylon.

(Sgd.)

Dilshan Wirasekara

Managing Director/
Chief Executive Officer

27 May 2024

REVIEW BY HEAD OF ASSET MANAGEMENT

The Fund reported an Annualised Return of 22.12% for the year ended 31 March 2024 compared to the Average Weighted Deposit Rate of 13.04%, underscoring the position that the FCMMF is a significantly more attractive option compared to traditional interest-bearing deposit products.

The First Capital Money Market Fund (FCMMF) ended the year in a strong position, with Funds under Management as of 31 March 2024 reaching an all-time high of Rs. 48.6Bn, representing a 10-fold increase from the Rs. 4.7Bn at the end of the previous year. This phenomenal growth is a testament of First Capital's strong presence in the fixed income market through multi layered research, leading to accurately forecasting the interest rate environment, and driving digitalisation initiatives to enhance customer convenience and bolster returns.

CONTEXT AND STRATEGY

The first half of 2023 was marred by widespread speculation surrounding the Domestic Debt Optimisation programme, giving rise to considerable uncertainty among the investor community with most expressing strong resistance against increasing their exposure to long tenures. Against this backdrop, we leveraged our strong analytical capabilities to deepen our understanding of the potential implications of the DDO under alternate scenarios, while moving simultaneously to increase market awareness as part of a tactical approach to stimulate investor appetite for unit trusts.

With more clarity on the DDO helping to restore investor confidence, we seized the opportunity to capitalise on the renewed interest in unit trusts.

On the investment side, our focus was predominantly on Government securities. Capitalising on the high

interest rate environment during the early part of the year, we strategically extended the investment duration to maximise returns while prudently managing the maturity profile. This approach involved a deliberate shift towards higher allocations in Treasury bills and Treasury bonds to enhance the overall yield of the portfolio while upholding the high credit quality.

In the current year, roughly 61% of the fund's overall investments were designated within the maturity span of 31 days to 396 days, serving as a buffer against reinvestment risk amid market interest rate fluctuations. The remaining 39% of holdings were held in investments with a maturity cycle of less than 31 days, including regulatory minimum liquidity requirement of 20% of the fund

FUND PERFORMANCE

The First Capital Money Market Fund demonstrated remarkable growth, reporting a Profit after Tax of Rs. 4.18Bn for FY 2023/24, a massive 6-fold jump from the Rs. 703Mn tabled in the previous financial year. This exponential increase in profit after tax can be attributed to the substantial improvement in interest income on financial assets, which soared from Rs. 671Mn to Rs. 4Bn on a year-on-year basis, on the back of healthy expansion in funds under management.

Meanwhile the Fund reported an Annualised Return of 22.12% for the year ended 31 March 2024 compared to the Average Weighted Deposit Rate of 13.04%, underscoring the position that the FCMMF is a significantly more attractive option

compared to traditional interest-bearing deposit products. In further testament to its validity as an investment proposition, the First Capital Money Market Fund was ranked among Sri Lanka's top three high yielding funds for FY 2023/24.

FUTURE OUTLOOK

The interest rate outlook remains stable, with rates expected to remain at single digit levels across all tenors. Liquidity levels in the market are also set to remain high, on the back of a slow revival in credit demand. Consequently, investment options for fund managers will likely be limited, requiring more intense focus on the timing of investment decisions in order to achieve the desired performance objectives of the fund.

(Sgd.)

Kavin Karunamoorthy
Head of Asset Management

27 May 2024

BOARD OF DIRECTORS OF THE FUND MANAGEMENT COMPANY



NISHAN FERNANDO
Non- Executive Chairman

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

He counts over 33 years of experience, during which period he has held the position of CFO/ Head of Finance at leading corporates in Sri Lanka. Nishan is a Past President of the Institute of Chartered Accountants of Sri Lanka. Nishan was a Commission Member of the Securities and Exchange Commission of Sri Lanka and serves on the Dispute Resolution Board of the Colombo Stock Exchange. He has also served on the Accounting and Auditing Standards Monitoring Board and on the Governing Boards of the Postgraduate Institute of Management and the National Institute of Business Management.

He has also served as the Chair of the Asian-Oceanian Standards Setters Group, Sri Lanka Accounting Standards Committee and of the Sri Lanka Financial Reporting Standards Interpretation Committee. He has served on the International Accounting Education Standards Board of the International Federation of Accountants and its Consultative Advisory Board and on the Board of the South Asian Federation of Accountants.

Other principal appointments:

Managing Director: BDO Consulting (Private) Limited,
Chairman: First Capital Holdings PLC



MANJULA MATHEWS
Non-Executive Director/ Deputy Chairperson

Manjula Mathews has over three decades of experience in finance, marketing, and general management, both in Sri Lanka and the United Kingdom. She was appointed as the Chairperson of First Capital Treasuries PLC with effect from January 2024. She is a former finance director of Janashakthi Insurance PLC and until 2021 served in the capacity of a non-executive director. Ms. Mathews’s former business positions include that of Managing Director and subsequently Chairperson of Dunamis Capital PLC and its several subsidiaries.

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

More recently Manjula has focused her energies on civic-minded endeavours working as a counsellor in private practice and as a lecturer at the Colombo Theological Seminary. She is a fellow member of the Chartered Institute of Management Accountants in the UK, and holds a Master’s degree in Business Administration from the University of Cambridge, UK.

Other principal appointments:

Chairperson: Habitat for Humanity Sri Lanka
Deputy Chairperson: First Capital Holdings PLC
Director : Janashakthi Limited, Habitat for Humanity International
Custodian: Alzheimer’s Association of Sri Lanka

BOARD OF DIRECTORS OF THE FUND MANAGEMENT COMPANY



DILSHAN WIRASEKARA

Managing Director/ Chief Executive Officer

Dilshan Wirasekara is a financial sector professional with over 28 years of diverse experience in banking, treasury and investment management, capital market strategy and corporate advisory. Having joined First Capital in 2013, Dilshan steered the Company, a full-service investment and advisory services provider in Government Securities, Corporate Finance and Advisory, Asset Management and Stock brokering complemented by an industry-leading Research unit, to establish itself as a significant contributor to the local capital market industry.

He spearheaded the execution of key debt structuring deals with internationally based development financial institutions and strategic partnership formation with foreign institutions focusing on emerging markets such as Sri Lanka. He was the former General Manager of Softlogic Capital PLC guiding investment and trading portfolio management across subsidiaries inclusive of the Group's Licensed Finance Company, Composite Insurer and Equity Brokerage; prior to which he was the Head of Treasury at Nations Trust Bank PLC.

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

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

Other principal appointments:

Chairman: Colombo Stock Exchange
Managing Director/ CEO: First Capital Holdings PLC



MINETTE PERERA

Non-Executive Director

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

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

Ms. Perera is a Fellow Member of the Institute of Chartered Accountants of Sri Lanka, the Chartered Institute of Management Accountants of UK and the Association of Chartered Certified Accountants of UK. She has over 40 years working experience as a Finance Professional having worked in leading local and international companies as the CFO and Finance Director.

Other principal appointments:

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



CHANDANA DE SILVA
Non-Executive Director

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

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

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

Other principal appointments:

Chairman: Janashakthi Limited, Asia Siyaka Commodities
 Director: Eureka Technologies (Private) Limited, 24/7 Techies (Private) Limited, Centre for Policy Alternatives, First Capital Holdings PLC



NISHAN DE MEL
Non-Executive Director

Nishan is an economist with extensive academic and policy experience. Nishan completed his undergraduate at Harvard University, and his masters and PhD at the University of Oxford, where he also lectured in economics for four years. He is the Executive Director and Head of Research of Verité Research, a leading think tank that provides research and advisory services on Sri Lankan and Asian policy and societal issues. Nishan also serves on several Presidential Task Forces in Sri Lanka, including the Presidential Task Force on Health Sector Reform, the Presidential Committee on Tobacco, Alcohol and Dangerous Drug Regulation, and the National Steering Committee on Social Security. He also sits on multiple private sector boards in the finance, insurance and technology sectors.

Other principal appointments:

Director: Eureka Technology Partners (Private) Limited, Verite Research (Pvt) Limited

FUND MANAGEMENT TEAM



KAVIN KARUNAMOORTHY
Head of Asset Management

Bringing over 22 years of comprehensive expertise in Treasury and Investment Banking as a Licensed Investment Advisor (CSE), Kavin possesses extensive proficiency in various domains including fixed income dealing, foreign exchange, asset and liability management, corporate finance, and fund management. His seasoned insights span both local and international landscapes, honed through collaborations with esteemed banking institutions such as Nations Trust Bank, DFCC, and National Savings Bank.

Kavin's educational background includes a Master of Business Administration earned from Cardiff Metropolitan University, UK, supplemented by a Dealing Certificate conferred by the ACI Financial Markets Association, Paris. These qualifications underscore his commitment to continuous learning and mastery within the financial domain.



KUMARAVARAN KANAGASOORIAR
Assistant Vice President - Asset Management

Kumaravaran Kanagasooriar, an Assistant Vice President in Asset Management, brings a wealth of knowledge and experience to the team. With over 8 years of dedicated experience in capital markets, Kumaravaran possesses a deep understanding of financial intricacies and a proven track record of success in asset management.

With a BBA in Finance from the University of Colombo, Kumaravaran also holds the esteemed CFA Charter from the CFA Institute, USA, and is an associate member of CIMA, UK. His expertise and dedication render him an invaluable addition to the unit trust funds.



RAHUL SAMARAKOON
Associate - Asset Management

Rahul Samarakoon, an Associate in Asset Management, brings a robust blend of education and experience to the table with more than 4 years of practical involvement in capital markets. Rahul has refined his skills in maneuvering through the intricacies of asset management, rendering him an invaluable addition to the team.

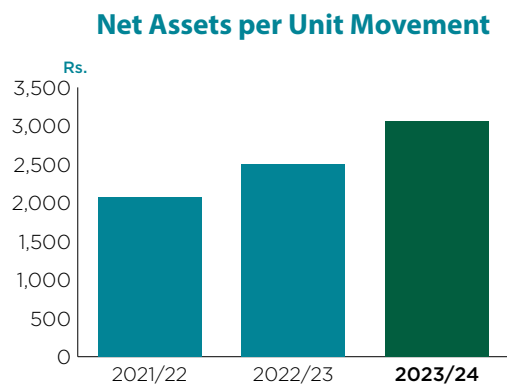
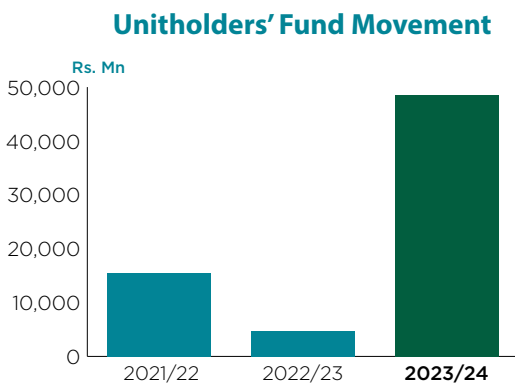
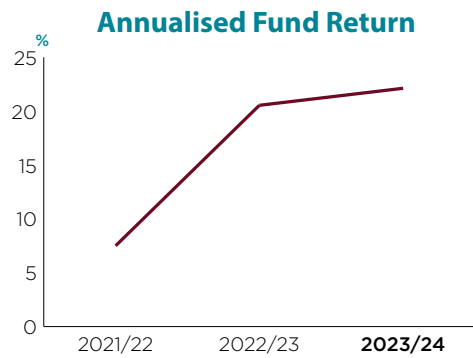
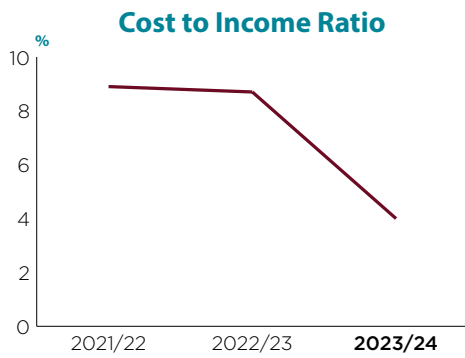
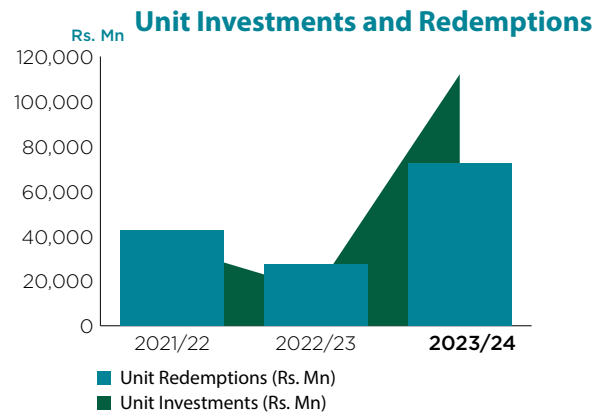
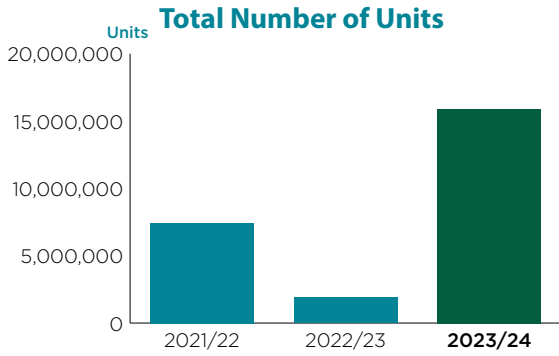
Armed with an M.Sc. in Business Analytics from Robert Gordon University of Aberdeen and having completed examinations with CIMA, UK, Rahul demonstrates a solid foundation in both theoretical knowledge and practical skills.

A hand is shown in silhouette, moving a chess piece (a king) from its starting position on a chessboard. The background is a dark blue world map. The chessboard and pieces are also in silhouette, with the king piece being the central focus of the hand's action.

STRATEGY AND VALUE CREATION

FINANCIAL HIGHLIGHTS

Indicator	2023/24	2022/23	Change %
Results for the Year (Rs. Mn)			
Direct income	4,064	694	485%
Net trading income	4,059	653	522%
Profit for the year	4,181	703	495%
Assets and Liabilities (Rs. Mn)			
Financial assets at FVTPL	29,691	3,456	759%
Financial assets at amortised cost	21,065	1,236	1,605%
Securities sold under re-purchase agreements	1,026	-	-
Net assets attributable to unitholders	48,589	4,682	938%
Profitability and Efficiency Ratios			
Net trading income margin	99.88%	94.03%	6%
Net profit margin	102.89%	101.26%	2%
Return on Assets	15.07%	6.98%	116%
Return on Equity	15.70%	6.99%	125%
Annualised fund return	22.12%	20.54%	8%
Cost to income ratio	4.00%	8.72%	54%
Investor Indicators/ Measures			
Total number of units	15,895,599	1,870,544	750%
Total redemptions (Rs. Mn)	72,338	27,411	164%
Total unit investments (Rs. Mn)	112,063	15,960	602%
Net assets value per unit (Rs.)	3,056.73	2,503.13	22%
Total assets per unit (Rs.)	3,195.37	2,511.10	27%
Equity/ Debt Ratios and Risk Measures			
Equity Assets ratio (times)	0.96	1.00	-4%
Debt to Equity ratio (times)	0.02	-	-
Debt to Asset Ratio (times)	0.02	-	-
Cash Flow generated from/ (used in) - (Rs. Mn)			
Operating activities	(39,699)	11,449	-447%
Financing activities	39,725	(11,452)	447%



Total number of units, Unitholders' fund movement and Net asset per unit movement graphs represent year-end position.

OPERATIONAL HIGHLIGHTS

Net Assets attributable to Unitholders (YoY Growth)

938% ▲

Net Trading Income (YoY Growth)

522% ▲

Total Asset (YoY Growth)

981% ▲

Total Number of Units (YoY Growth)

750% ▲

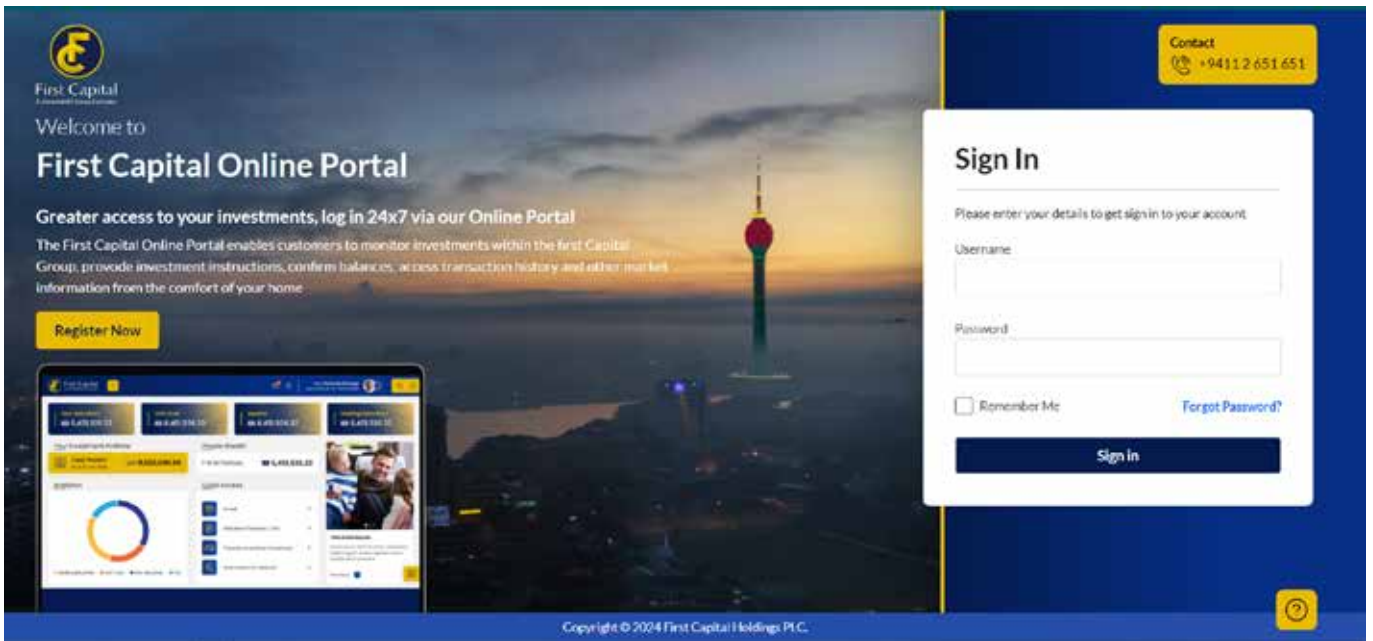
Profit for the year (YoY Growth)

495% ▲

Number of Unitholders (31.03.2024)

3,900 ▲
1,291 (31.03.2023)

DIGITALISATION



In line with the FCH Group’s focus on technology adoption, the First Capital Money Market Fund embarked on a transformative journey to drive broad-based digitalisation across its operations.

Recognising technology is at the heart of the approach to generate sustainable returns over time, while supporting innovating and enhancing operational efficiency, to deepen technology integration to transform both back-end workflow systems as well as front-end customer interfaces. This strategic shift aimed to not only optimise performance and reduce costs but also to provide customers with market insights as well as seamless, real-time access to their portfolios.

Key developments during FY2023/24 include the launch of a dedicated Whatsapp channel to deliver research insights and market data regularly.

Meanwhile, to streamline and enhance customer relationship management across both B2C and B2B segments, phase 1 of the state-of-the-art Customer Relationship Management (CRM) system was undertaken in the current financial year. This new CRM system will fully automate and seamlessly integrate all

customer-related workflows, replacing manual processes and ensuring each customer segment benefits from a best-in-class experience. The rollout of this advanced CRM system is currently underway, marking a significant leap towards improved efficiency and superior customer service. As aggressive customer acquisition gained good traction, digital on-boarding efforts were also significantly intensified. Testifying the success of these efforts, the DigiFirst e-onboarding recorded a substantial increase in the new customers on-boarded during the year, well in excess of initial estimates.



RISK MANAGEMENT REPORT

APPROACH TO RISK MANAGEMENT

Risk management lies at the heart of First Capital's operational framework. Given the role as a leading player in the local capital market space, robust and proactive risk management is vital for continued growth and value creation.

First Capital has adopted an Enterprise Risk Management (ERM) approach based on the ISO 31000-2018 standard, to provide a systematic and comprehensive framework to manage all key risks. The Board-approved risk appetite statement stands as the overarching mandate of the ERM approach. A comprehensive risk process for the identification, assessment, and mitigation along with monitoring and reporting of all types of risks present in the Group's risk universe, in line with the risk appetite. The effectiveness of the ERM framework is further underscored by a clearly defined risk governance structure and further supported by a strong risk culture to ensure risks are properly embedded in all planning and decision-making processes across the Group.

First Capital Asset Management Limited (the Management company of First Capital Money Market Fund), a subsidiary of First Capital Group, has adopted the risk culture and the framework related to Risk management as the main pillar when managing risks related to the Management Company function.

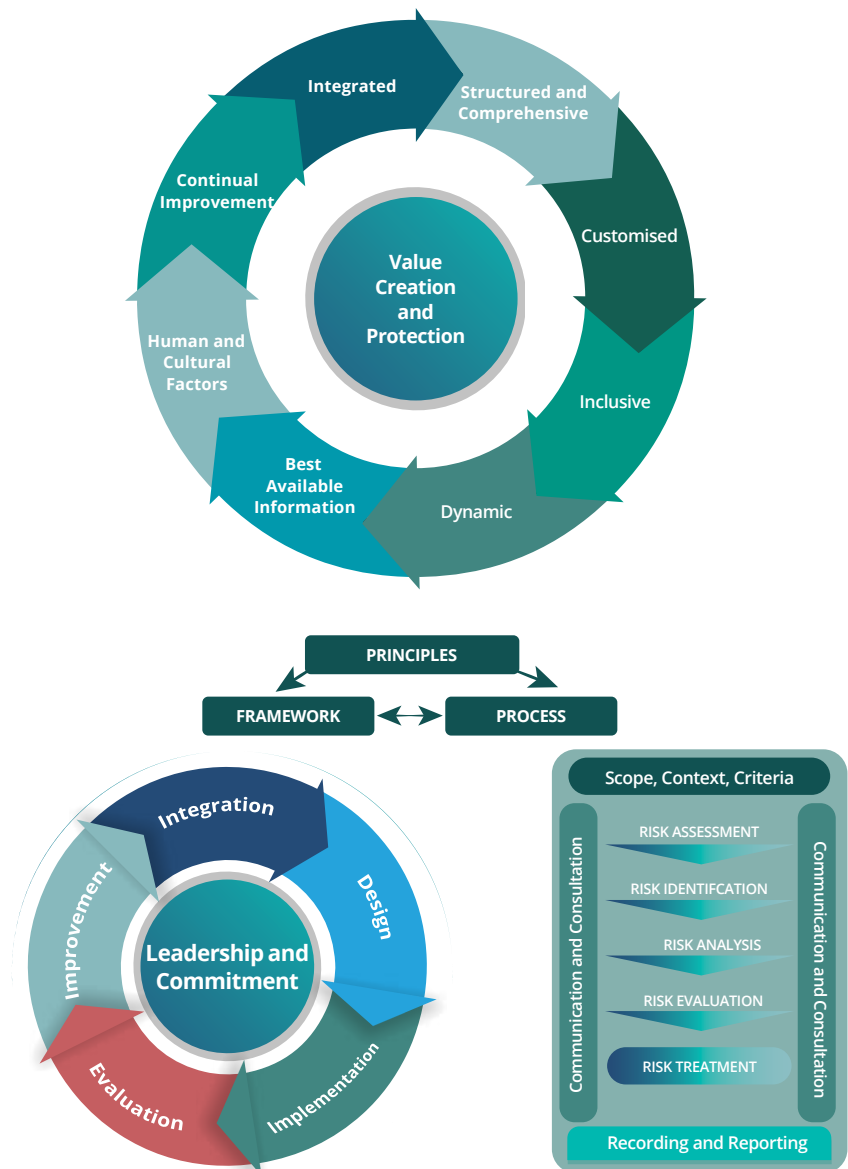
RISK APPETITE

Risk appetite is designed to inform business units about the maximum level of risk that the Board is prepared to accept to deliver its business objectives.

As an approved Collective Investment Scheme (Unit Trust) managed by First Capital Asset Management Limited, First Capital Money Market Fund has designed the risk appetite

based on the direction given by the Board of Directors and the guidelines provided by the regulator, Securities and Exchange Commission of Sri Lanka, based on the nature of the scheme and the restrictions related to risk exposures.

Components of the Risk Management Framework



As an approved Collective Investment Scheme (Unit Trust) managed by First Capital Asset Management Limited, First Capital Money Market Fund has designed the risk appetite

Risk Process	
Identification	Risks are identified mainly by the 1st line of defense. Risks are also identified by the environmental scans conducted by the Risk and Compliance Division (R&C).
Assessment	Risk assessments are conducted by the R&C to evaluate the scope and scale of the impact on the scheme. Various analysis techniques, including stress testing and scenario analysis are performed as part of the risk assessment process. Risks are further analysed using the impact and likelihood matrix, to enable each risk category to be assigned a risk score.
Mitigation	Risk treatment is based on the Board-approved risk appetite and associated tolerance limits. Accordingly, appropriate risk treatment measures are established to either mitigate, avoid, transfer, or accept risk.
Monitoring and Reporting	The R&C undertakes to proactively monitor risk tolerance limits for all risk categories, with findings documented in the Risk Register. The Risk Register is a comprehensive document that captures details of ongoing risk identification, assessment, and treatment efforts. The Risk Register is also the main tool used to support risk reporting to risk committees and the Board.

SECOND LINE OF DEFENCE:

Risk and Compliance division - embeds risk management in the risk culture, providing assurance on regulatory compliance and risk tolerance.

Middle office - validates transactions, escalating exceptions for higher approval.

Investment, Asset and Liability Management Committee - directs strategy, determining limits and controls for market risks.

THIRD LINE OF DEFENCE:

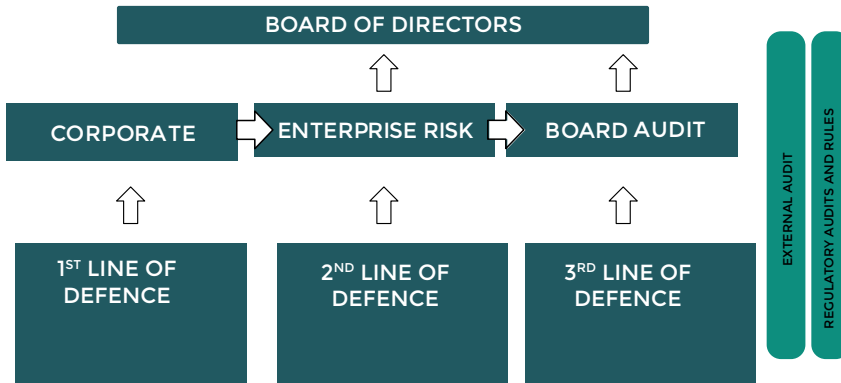
Internal Audit - conduct due diligence to provide independent assurance regarding the efficacy of the scheme’s risk and control systems.

RISK CULTURE

The Board of Directors takes the lead in fostering a robust risk awareness culture to empower employees in aligning their actions with the scheme’s risk tolerance. Recognising the pivotal role of a strong risk awareness culture, the Board promulgates the three-lines-of-defense to ensure that all staff members understand and fulfil their duties diligently in line with Board approved policies, procedures and regulatory directives.

Under the guidance of the Board and the Board Committees, specifically the Enterprise Risk Management Committee and the Board Audit Committee along with the Risk and Compliance Department, conduct regular training workshops to reinforce the importance of risk awareness among staff, mainly the first-line-of-defense.

RISK GOVERNANCE STRUCTURE





FIRST LINE OF DEFENCE:


Front-line business units, operations, and processes supported by centralised functions. These units manage risk exposures through well-documented procedures, internal controls, and established limits. Front and back office staff ensure compliance with regulatory requirements and internal policies, contributing to an updated Risk Register, fostering a culture of risk awareness.


RISK MANAGEMENT REPORT


MANAGING KEY RISKS AND OPPORTUNITIES


REINVESTMENT RISK - Potential interest losses on scheme's fixed income security and deposit portfolios			
Risk Context for FY 2023/24	High degree of speculation regarding the rate of government securities owing to the uncertainty of DDO at the beginning of the year followed by greater rate stability as a consequence of the conclusion of the DDO in mid 2023/24.		
Impact to Scheme	Scale - Medium	Probability - Possible	Risk Score - Moderate 
Monitoring and Mitigation	Advanced forecasting models to improve the accuracy of predicting interest rate movements in order to proactively respond to changing market conditions.		
	The capability of inhouse research division to provide reliable forecasts on interest rate movements.		
Opportunities derived and the response	Leveraged the Group's research and forecasting capabilities to capitalise on optimal rate movements to maintain optimum durations while adhering to regulatory guidelines, to substantially bolster income growth for the current financial year.		


CREDIT RISK - Potential losses owing to the failure of borrowers and issuers of corporate debt instruments and deposit instruments to settle their dues in a timely manner			
Risk Context for FY 2023/24	The weak economic environment at the first half of the year was followed by a gradually improving conditions in the latter part of the year, supported by improved economic activity across all major sectors of the economy.		
Impact to Scheme	Scale - Low	Probability - Low	Risk Score - Low 
Monitoring and Mitigation	Selective engagement in corporate debt securities based on stringent analysis of the credit customers' worthiness.		
	Frequent analysis of quality and value of collaterals.		
	Remote probability due to the duration limits imposed by the regulator.		


LIQUIDITY RISK - Potential losses as a result of inadequate cash flows to conduct daily operations and meet regulatory obligations			
Risk Context for FY 2023/24	Funds under management decreased at the beginning of the year due to the attractive rates offered by alternative investment products (e.g: Government securities and Corporate debt) which adversely impacted on the liquidity levels. Consequently, with the market rate decrease, the asset under management improved, and the liquidity position also progressively improved.		
Impact to Scheme	Scale - Medium	Probability - Low	Risk Score - Low 
Monitoring and Mitigation	Expanded the stress testing model to assess the scheme's ability to manage and maintain sufficient liquidity amid adverse market conditions or unexpected events.		

REGULATORY AND COMPLIANCE RISK - Potential losses owing to non-compliance of regulations			
Risk Context for FY 2023/24	Changes to the regulatory framework resulting in the interdiction of a range of additional compliance requirements, including the directions issued under SEC Act and AML/CFT Rules by CBSL-FIU.		
Impact to Scheme	Scale - Medium	Probability - Low	Risk Score - Low 
Monitoring and Mitigation	Continuous and ongoing monitoring of regulatory requirements by the Risk and Compliance department and reporting to the Board to ensure timely compliance.		
	Automation of compliance monitoring requirements against regulatory thresholds.		
Opportunities derived and the response	Automation of transaction monitoring and client screening processes through the new AML system.		

BUSINESS CONTINUITY RISK - Potential losses owing to business disruptions attributed to the failure of back end systems or inadequate human resources			
Risk Context for FY 2023/24	The gradual improvement in economic conditions in 2023 created an environment for the resumption of “business as usual”.		
Impact to Scheme	Scale - High	Probability - Low	Risk Score - Moderate 
Monitoring and Mitigation	Conducting routine BCP Drills in the presence of an independent observer to provide additional assurances.		
	A robust Board-approved human capital strategy aimed at attracting and retaining the best in-class team.		
	Implementing IT infrastructure to facilitate remote working in a secure environment.		
	Implementing and maintaining a strong succession and backup plan.		

REPUTATION RISK - Potential losses owing to service failures			
Risk Context for FY 2023/24	Drive the client acquisition process by improving awareness on Unit Trust and driving the same mainly through digital channels.		
Impact to Scheme	Scale - Medium	Probability - Possible	Risk Score - Moderate 
Monitoring and Mitigation	Continuous and ongoing monitoring of service quality parameters.		
	Regular training of staff dealing with clients on customer service.		
	Monitoring and promptly addressing customer complaints.		
Opportunities derived and the response	Implement a CRM system to enhance end-to-end services provided to customers.		

STRATEGIC RISK - Potential losses owing to actual results being significantly different from the strategy and business plan			
Risk Context for FY 2023/24	Delays to the dependency on external service providers (mainly the system vendors) .		
Impact to Scheme	Scale - Low	Probability - Possible	Risk Score - Low 
Monitoring and Mitigation	Continuous and ongoing monitoring and follow up and regular reporting to the Board detailing actual performance against strategic objectives and targets, including through fortnightly Management Committee and monthly Board review meetings .		

INFORMATION AND CYBERSECURITY RISK - Potential losses owing arising as a result of the loss of information due to external or internal breach of IT systems			
Risk Context for FY 2023/24	Growing global threat of cybercrime targeting financial institutions.		
Impact to Scheme	Scale - High	Probability - Possible	Risk Score - High 
Monitoring and Mitigation	Comprehensive assessment of IT and Information Security (IT & IS) risks using local and international IT & IS benchmarks, with findings reported to the management and Board for necessary actions.		
	Vulnerability Assessment and Penetration Testing (VAPT) conducted by an independent third party specialist with findings reported to the Board.		
	Continuous education was provided to staff on cyber security risks.		

RISK MANAGEMENT REPORT

OPERATIONAL RISK - Potential losses owing to flawed and failed systems, policies, processes, or events that disrupt business operations			
Risk Context for FY 2023/24	Incidents and near-misses were identified as a consequence of the increased business and transaction volumes and customer onboarding.		
Impact to Scheme	Scale - Moderate	Probability - Low	Risk Score - Low ■
Monitoring and Mitigation	A robust framework of policies and processes in place that mitigates operational risk.		
	Incident and near-miss policies in place to escalate operational misconduct or control lapses to the Management and the Board of Directors.		
	Frequent risk assessments and gap analysis conducted to assess the efficiency of policies and processes.		

ESG RISK - Potential losses attributed to the lack of focus on environmental, social and governance best practices			
Risk Context for FY 2023/24	Growing concerns on ESG matters globally are pushing organisations to address key ESG aspects such as promoting gender diversity in the workplace and the adoption of sustainable business practices including more emphasis on climate action goals.		
Impact to Scheme	Scale - Low	Probability - Low	Risk Score - Low ■
Monitoring and Mitigation	Board focus on ESG integration across all levels of the business.		
	Improve ESG reporting transparency through the adoption of global frameworks such as IR, GRI, SASB and TCFD as well as the SDG's at the Group level.		

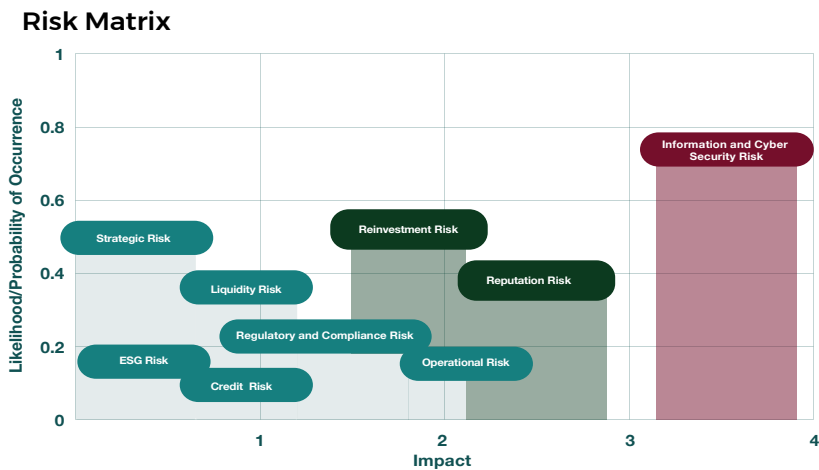
Risk and Opportunity Matrix

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

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

RISK RATING MATRIX

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





MANAGEMENT DISCUSSION AND ANALYSIS

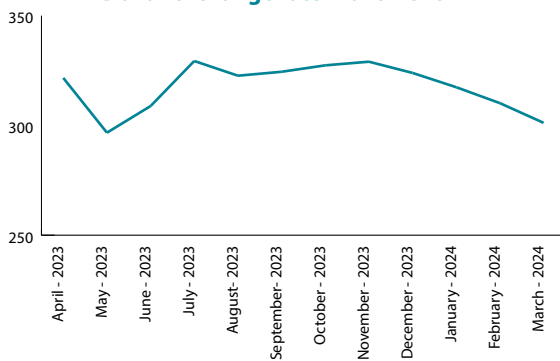
OPERATING ENVIRONMENT

ECONOMIC AND INDUSTRY OVERVIEW

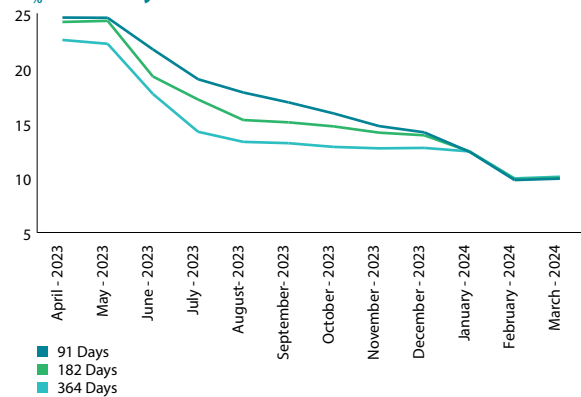
Having undergone a challenging year in 2022/23 filled with multiple Black Swan events such as declaration of default by the Government of Sri Lanka (GoSL) on its outstanding foreign debt, political turmoil, social unrest due to the shortages in essential items, foreign currency shortages and steep depreciation of the Rupee, which led to record high levels of inflation, Sri Lanka as a nation has shown great resilience during 2023 backed by timely measures taken by the GoSL and the Central Bank of Sri Lanka (CBSL).

Since its first downward adjustment of policy rates in June 2023, CBSL continued on the expansionary monetary policy direction by reducing policy rates on two separate occasions totaling 300 bps lowering the Standing Deposit Facility Rate (SDFR) and Standing Lending Facility Rate (SLFR) to 9.00% and 10.00%, respectively, which resulted in a significant reduction in yields of Government securities across the yield curve. Furthermore, the reduction in policy rates contributed towards the recovery of the overall economy which recorded a growth during the 3rd quarter of 2023, after 6 consecutive quarters of contraction.

LKR- Dollar exchange rate movement



Treasury Bill Rate

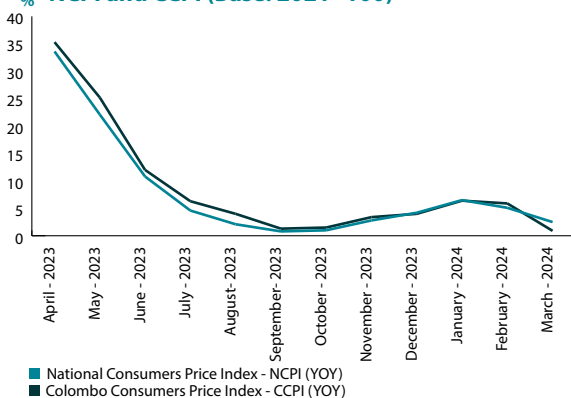


The appointment of the new CBSL governor in April 2022 augur well for the Sri Lankan economy whilst proactive steps taken by the GoSL together with the CBSL in terms of increasing policy rates, implementation of cost reflective pricing mechanisms for fuel, electricity and water, together with the floating of the LKR, enabled CBSL to curb the inflation rate back to mid-single digit levels compared to the record high prevailed in 2022. Having brought inflation below the CBSL guidance of 5%, CBSL commenced to reduce policy rates in June 2023 and announced the first rate cut of 250 bps in order to support the rebound in the economy from the unprecedented crisis encountered in 2022 and to lower the overall finance cost of the Government.

Meanwhile, since announcing default in April 2022, the policymakers have proactively worked with all key stakeholders in a combined effort to reach debt sustainability targets highlighted by the IMF. With the completion of local debt optimisation in September 2023, Sri Lanka completed the 1st milestone of reaching debt sustainability whilst the 2nd milestone of reaching an agreement with bilateral creditors and Paris Club was completed in December 2023. Presently, discussions are being held on the restructuring of the USD 12Bn of outstanding commercial debt.

During 2023/24, there were 16 licensed unit trust management companies with 76 funds in operation. Total assets under management of the industry reached Rs. 472Bn as at 31 March 2024 (Source: The Unit Trust Association of Sri Lanka).

NCPI and CCPI (Base: 2021=100)

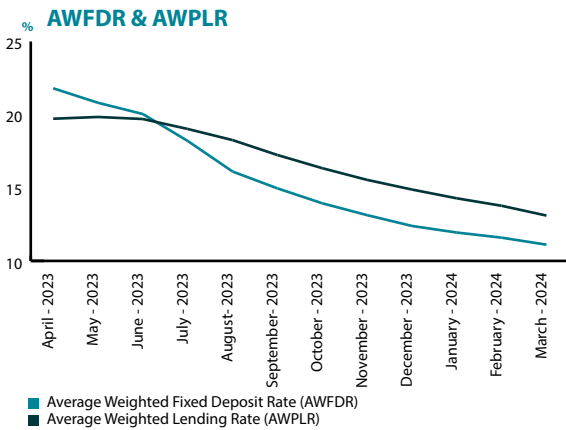


FUND MANAGER'S REPORT

FUND PERFORMANCE

First Capital Money Market Fund reported a Profit after Tax of Rs. 4.18Bn for the year ended 31 March 2024 compared to Rs. 703Mn in the previous year (2022/23). The increase in profit after tax is mainly due to the increase in interest income on financial assets from Rs. 671Mn to Rs. 4Bn (Year on Year Basis) which is due to the higher funds under management during the year.

The Fund reported an Annualised Return of 22.12% for the year ended 31 March 2024 compared to the Average Weighted Deposit Rate of 13.04% (Source: Central Bank of Sri Lanka - Monthly Economic Indicators; <https://www.cbsl.gov.lk/statistics/economic-indicators/monthly-indicators>). The Annualised Return reported in the previous year (2022/23) was 20.5% compared to the Average Weighted Deposit Rate of 11.3% (Source: Central Bank of Sri Lanka - Monthly Economic Indicators; <https://www.cbsl.gov.lk/statistics/economic-indicators/monthly-indicators>).

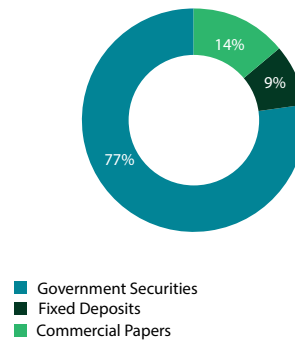


During the year, the fund was predominantly invested in Government securities, especially in Treasury bills, given the attractive yields that were on offer. Capitalising on the favorable interest rate environment early in the year, the fund strategically extended its investment duration to maximise returns while prudently managing the maturity profile. Moreover, there was a deliberate shift towards increasing allocations to Treasury bills and Treasury bonds, enhancing the overall yield of the portfolio while upholding the portfolio's high credit quality.

The Funds under Management of the First Capital Money Market Fund as at 31 March 2024 was Rs. 48.59Bn compared to Rs. 4.68Bn year ago (31 March 2023). The increase in Funds under Management (YoY basis) is due to significant attraction on yield of the fund during year.

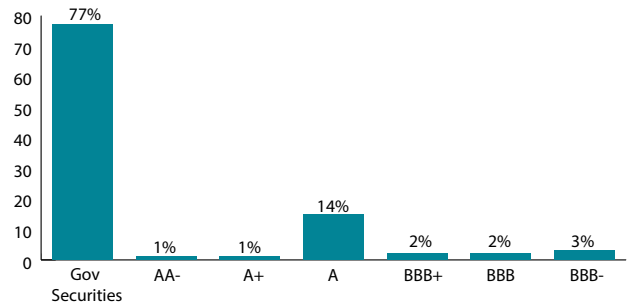
Period	Year to Date (1-Apr-2023 to 31-Mar-2024)	3 Months (1-Jan-2024 to 31-Mar-2024)	1 Month (1-Mar-2024 to 31-Mar-2024)
Annualised Fund Return	22.12%	18.30%	22.63%
Average Weighted Deposit Rate (AWDR)	13.04%	10.75%	10.30%

ASSET ALLOCATION AS AT 31 MARCH 2024



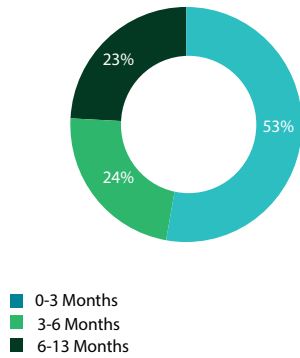
The asset allocation of the fund at the end of the reporting period, reflected a 78% allocation on Government securities, which comprise of Treasury bills, Treasury bonds, and Repo investments. The remaining allocation was invested in corporate debt instruments with credit ratings of investment grade and above, as shown in the credit profile chart provided below,

Credit Profile as at 31 March 2024



FUND MANAGER’S REPORT

Maturity Profile as at 31 March 2024



In light of the prevailing macroeconomic conditions and interest rate dynamics, our foremost objective is to optimise returns for the fund by strategically allocating investments across high-quality asset classes, considering their corresponding risk profiles. Additionally, being a money market fund, we are committed to upholding capital preservation and ensuring ample liquidity to accommodate client redemption requests efficiently.

Approximately 46% of the fund’s total investments are allocated within the maturity range of 3 to 13 months, effectively shielding the fund against reinvestment risk amidst fluctuations in market interest rates. Moreover, it’s noteworthy that investments maturing within 0 to 3 months encompass the regulatory liquidity mandate, accounting for 20% of a money market fund.

Future Outlook

Having entered the path of steady recovery from 2nd half of 2023, Sri Lanka is beginning to witness fruitful results of difficulties endured during the last 2 years. The economy is expected to gradually recover as the operating environment normalises amidst a backdrop of reducing interest rates, whilst Tourism and remittances are expected to contribute towards building foreign reserves of the country. However, successful completion of the foreign debt restructuring process with creditors coupled with implementing the much needed reforms and privatisation of loss making state-owned enterprises (SOE) are identified as key milestones in the IMF programme, which we believe are crucial to rebuild the economy.

Furthermore, year 2024 is also expected to be a politically significant year for Sri Lanka as for the world, given that elections are expected to be held in multiple countries around the world (64 countries, covering 49% of the world population). Sri Lanka is expected to face back-to-back elections from Presidential, Parliament to Local Government elections in the next 12 months.

The global economy is also expected to recover during 2024, with IMF projecting a growth of 3.1% and World Bank projecting a growth of 3.2%. Sri Lankan exports are expected to rise towards the latter part of 2024, with the easing of interest rates in US and the recovery of advanced economies. However, growing earnings from tourism and remittances, together with the inflows from multilateral agencies are expected to contribute towards a steady LKR.



GOVERNANCE AND STEWARDSHIP

ANNUAL REPORT OF THE BOARD OF DIRECTORS

The Directors of First Capital Asset Management Limited (the Management Company) have pleasure in presenting the Annual Report of First Capital Money Market Fund together with the Audited Financial Statements for the year ended 31 March 2024 which were approved by the Directors on 27 May 2024.

REVIEW OF OPERATIONS

The Fund reported profit after tax of Rs. 4.18Bn. A more comprehensive review of the operations of the Fund during the financial year and the results of those operations are contained in the Managing Director/ Chief Executive Officer's Statement on pages 8 to 9 of the Annual Report.

PRINCIPAL ACTIVITIES

The Fund engages in investment in short-term fixed income securities on behalf of its clients.

The objective of the Fund is to yield superior returns to unitholders while minimising their risk through investments in fixed income securities placed according to the parameters stated in the Collective Investment Scheme code (CIS code 2022) of the Securities and Exchange Commission of Sri Lanka.

There were no significant changes in the nature of the principal activities of the Fund during the year under review.

LEGAL STATUS

First Capital Money Market Fund is licensed and approved by the Securities and Exchange Commission of Sri Lanka (SEC) under the Securities and Exchange Commission Act No.36 of 1987 and its subsequent amendments.

FINANCIAL RESULTS

The Fund's profit after tax for the financial year 2023/24 was Rs. 4.18Bn compared to Rs. 703Mn in the previous year.

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

	2023/24 Rs. '000	2022/23 Rs. '000
Income	4,063,909	694,204
Profit after tax	4,181,433	702,935
Total comprehensive income (TCI)	4,181,433	702,935

The financial statements of the Fund are set out in pages 61 to 91 of the Annual Report.

BOARD OF DIRECTORS

The Directors of the Fund Management Company as at 31 March 2024 are as follows.

- Mr. Nishan Fernando
- Ms. Manjula Mathews
- Mr. Dilshan Wirasekara
- Ms. Minette Perera
- Dr. Nishan de Mel
- Mr. Chandana de Silva

The profiles of the Directors are given on pages 11 to 13 of the Annual Report.

OTHER DIRECTORSHIP/ SIGNIFICANT POSITIONS OF DIRECTORS

Information on the Other Directorships/ significant positions of the present Directors of the Fund Management Company is given on pages 11 to 13.

RELATED PARTY TRANSACTIONS

Related party transactions have been declared at meetings of the Directors and are detailed in Note 23 to the financial statements.

DIRECTORS' INTERESTS OF THE FUND MANAGEMENT COMPANY

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

The Fund carries out transactions in the ordinary course of business with entities in which a Director of the Management Company is a Director. The transactions with entities where a Director of the Management Company either has control or exercises significant influence have been classified as related party transactions and disclosed in Note 23 to the Financial Statements.

RISK AND INTERNAL CONTROL

The Board of Directors has satisfied itself that there exists an effective and comprehensive system of internal controls to monitor, control and manage the risks to which the Fund is exposed, to carry on its business in an orderly manner, to safeguard its assets and to secure as far as possible the reliability and accuracy of records. We have discussed exposure to risk in detail under "Risk Management Report" on pages 20 to 24.

CORPORATE GOVERNANCE

The Directors acknowledge their responsibility for the Fund's corporate governance and the system of internal control. The Directors of the Fund Management Company are responsible to the unitholders for providing strategic direction to the Fund and safeguarding the assets of the Fund. The Board is satisfied with the effectiveness of the system of internal control for the period up to the date of signing the financial statements. The compliance with recommended corporate governance practices are disclosed in pages 35 to 48 of the Annual Report.

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

MATERIAL ACCOUNTING POLICIES

The accounting policies adopted in the preparation of the financial statements are given on pages 65 to 91. There were no changes in the accounting policies adopted by the Fund during the year under review.

GOING CONCERN

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

UNITHOLDERS' FUND

The movements in unitholders' fund during the financial year 2023/24 have been presented in the Statement of Changes in Unitholders' Fund on page 63 of the Annual Report.

The unit holders' funds as at 31 March 2024 was Rs. 48.6Bn consisting of 3,900 unitholders.

ANNUAL REPORT OF THE BOARD OF DIRECTORS

EVENTS OCCURRING AFTER THE REPORTING DATE

There were no material events after the financial reporting period which requires an adjustment to or a disclosure in the financial statements other than those disclosed in Note 25 to the financial statements.

INDEPENDENT AUDITORS

During the period under review, the Fund's Auditors were Deloitte Associates, Chartered Accountants. The fees paid to auditors are disclosed in Note 11 to the financial statements.

INDEPENDENT AUDITOR'S REPORT

The independent auditor's report on the financial statements is given on pages 59 to 60 of the Annual Report.

AUDITORS' RIGHT TO INFORMATION

Each person who is a Director of the Management Company at the date of approval of this report confirms that:

As far as each Director is aware, there is no relevant audit information of which the Fund's auditors are unaware.

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

FUTURE DEVELOPMENTS

An overview of the future developments of the Fund is given in the Chief Executive Officer's Review and Head of Asset Management's Review on pages 8 to 10.

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

(Sgd.)

Dilshan Wirasekara

Managing Director/ CEO

(Sgd.)

Nishan Fernando

Chairman

27 May 2024

STATEMENT OF DIRECTOR'S RESPONSIBILITY

STATEMENTS OF DIRECTORS' RESPONSIBILITY

The Statement sets out the responsibility of the Board of Directors of the Management Company in relation to the Financial Statements of First Capital Money Market Fund.

The financial statements comprise of the Statements of Financial Position as at 31 March 2024, the Statement of Profit or Loss and Other Comprehensive Income, Statement of Changes in Unitholders' Funds, Statement of Cash Flows for the year ended and Notes thereto. The Directors are required to prepare these financial statements on a going concern basis unless it is not appropriate.

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

- The state of affairs of the Fund as of 31 March 2024 and
- The financial performance of the Fund for the financial year ended 31 March 2024

COMPLIANCE REPORT

The board of directors also wishes to confirm that;

- Appropriate accounting policies have been adopted in a consistent basis and appropriate estimates and judgements have been made to reflect the true substance and form of transactions.
- The financial statements of the Fund for the year ended 31 March 2024 incorporated in this report have been prepared in accordance with Sri Lanka Accounting Standards (LKAS/SLFRS).
- They accept responsibility for the integrity and objectivity of the financial statements presented.

- The financial statements of the Fund have been certified by the Chief Financial Officer of the Management Company who is responsible for the preparation of financial statements and signed by two Directors.
- They review and approve all internal financial statements prior to their release.
- They have taken reasonable measures to safeguard the assets of the Fund to prevent and detect frauds and other irregularities. In this regard, the Directors have laid down an effective and comprehensive internal control system.
- To the best of their knowledge, all statutory payments due in respect of the Fund as the financial reporting date have been paid or where relevant provided for.
- After considering the financial position, operating conditions and regulatory and other factors, they have a reasonable expectation that the Fund possesses adequate resources to continue in operation for the foreseeable future and that the Going Concern basis is the most appropriate in the preparation of these financial statements.
- The Auditors of the Fund, Deloitte Associates were provided with all necessary information required by them in order to carry out their audit and to express an opinion which is contained on pages 59 to 60 of this Annual Report.

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

By Order of the Board,

(Sgd).

Janashakthi Corporate Services Limited
Secretaries

27 May 2024

DECLARATION OF COMPLIANCE BY TRUSTEE & MANAGEMENT COMPANY

Declaration by Trustees and Management Company as per CIS code 2022, sub section 50 (1) (a).

Bank of Ceylon, the Trustee and First Capital Asset Management Limited, the Manager of the First Capital Money Market Fund hereby declare that,

- 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.
- 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 interests of the fund's unit holders.



Director
Management Company



Director
Management Company



Trustee of the Fund

27 May 2024

CORPORATE GOVERNANCE

CHAIRMAN'S INTRODUCTION

The Board of Directors of First Capital Asset Management Limited, the Management Company of First Capital Money Market Fund, acknowledges that good governance is an essential part of the way we undertake our business on a day-to-day basis. The Board as a whole holds itself responsible for the scheme's overall strategy and has made sure clearly defined structures are in place to support the delegation of responsibilities for strategy execution. Further, the Board remains strongly committed to continuously improving governance structures and processes in compliance with the latest regulatory compliance requirements and in line with good governance practices.

KEY GOVERNANCE HIGHLIGHTS FOR 2023/24

In the year under review, the Securities and Exchange Commission of Sri Lanka issued a directive related to the minimum governance requirements applicable to Market Intermediaries. First Capital Asset Management Limited is in the process of taking actions to comply with the said requirements and details of the same are given in pages 45 to 48.

DECLARATION

As Chairman of the Board, I wish to confirm that the Board remains firmly committed to observing the highest standards of corporate governance, integrity and professionalism throughout all operations. Furthermore, I declare that all the members of the Board and all employees have acted in compliance with the applicable regulatory and statutory requirements and have discharged their duties in accordance with the policies, procedures and standards set out under the Corporate Governance Framework, including the Code of Conduct and the Anti-Bribery and Corruption policy.

(Sgd.)

Nishan Fernando

Chairman

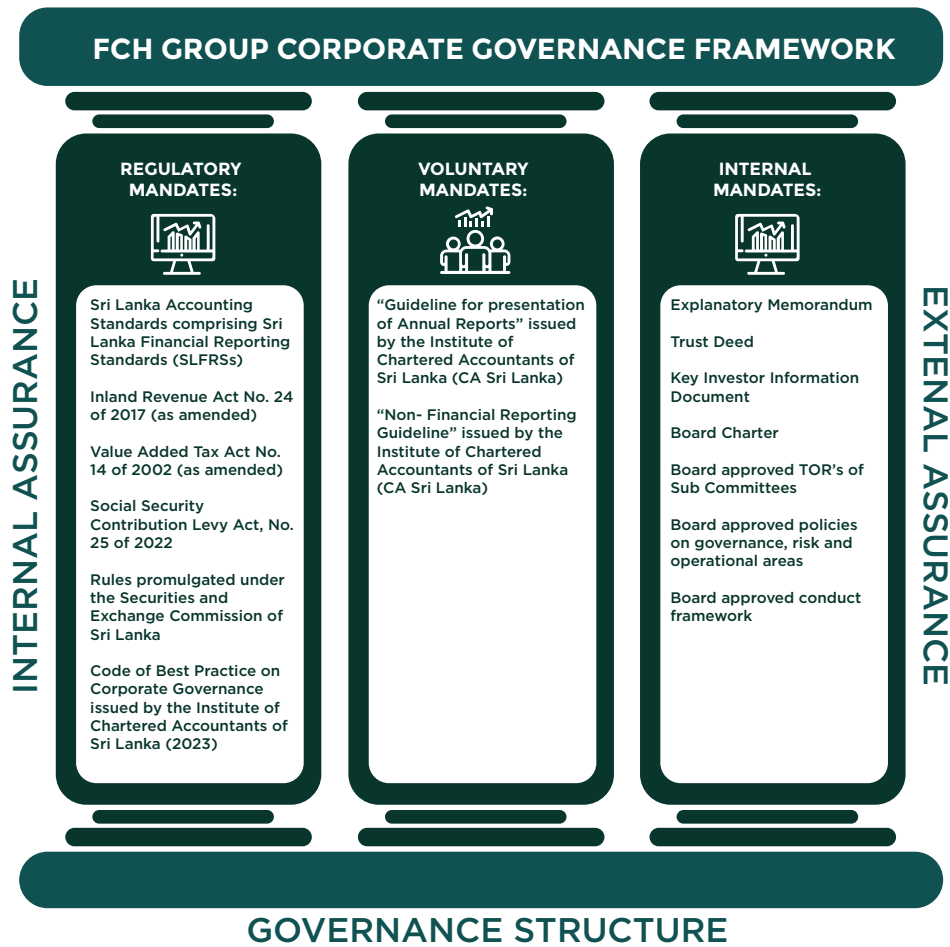
27 May 2024

CORPORATE GOVERNANCE

CREATING VALUE THROUGH CORPORATE GOVERNANCE

The Management Company’s Corporate Governance Framework provides the basis to support growth strategy by influencing how the objectives are set and achieved, how risk is monitored and assessed, and how performance is optimised with the principle aim of creating and sustaining stakeholder value.

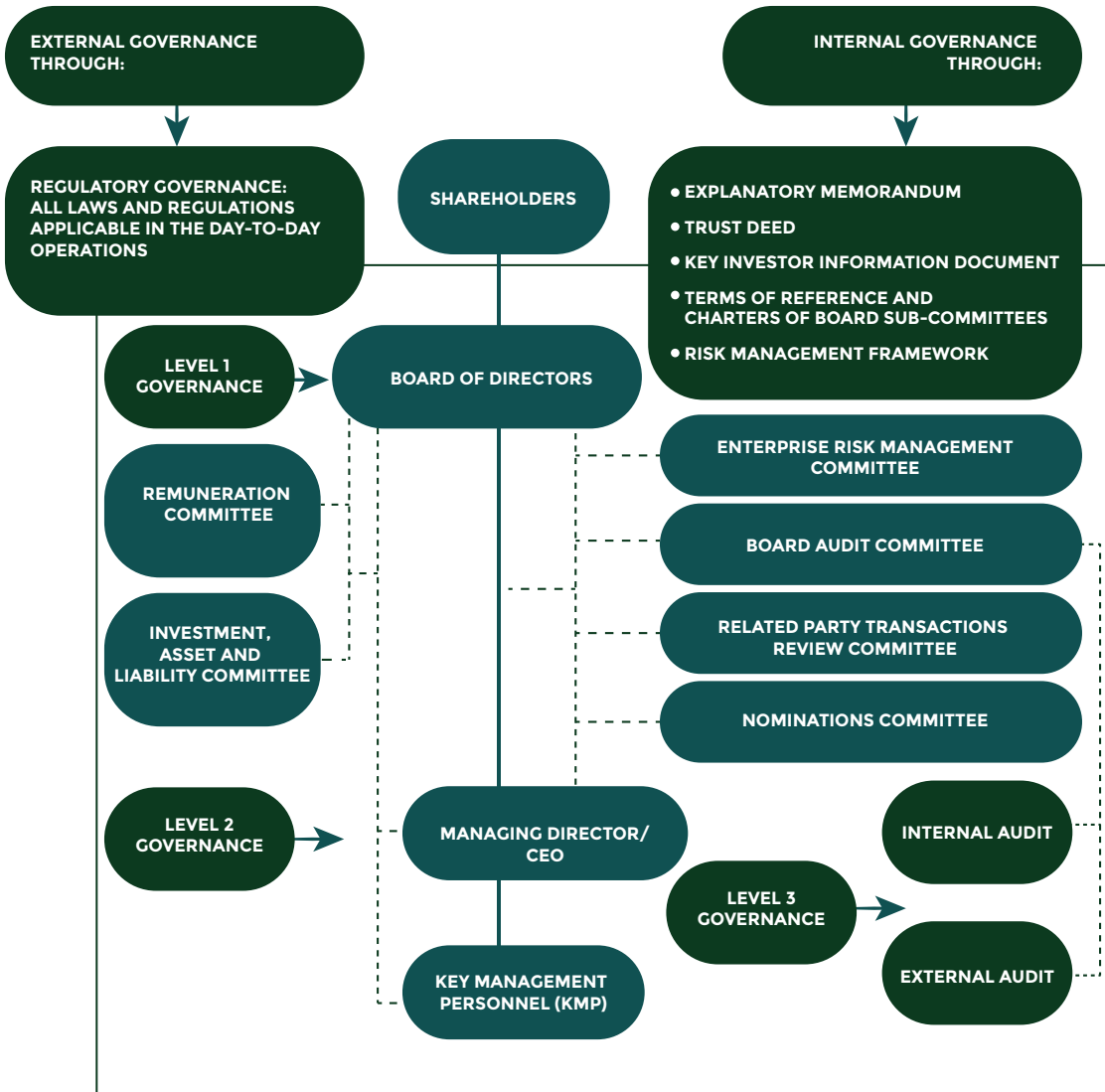
CORPORATE GOVERNANCE FRAMEWORK



GOVERNANCE STRUCTURE

The Management Company operates within a well defined governance structure that includes a clear segregation of roles and responsibilities to facilitate effective decision making and promote the principles of accountability, transparency, fairness and integrity at all levels of the business. The Board sub-committees of the holding company, First Capital Holdings PLC, operates as the sub-committees of First Capital Asset management Limited. The Board as the highest governing body, plays a fundamental role in anchoring the governance structure including through the selection and appointment of members of Board sub-committees and Key Management Personnel (KMP’s).

The Board is further responsible for reviewing and updating the governance structure to ensure necessary improvements are made in line with the growth strategy.



CORPORATE GOVERNANCE

THE BOARD

The Board of Directors of First Capital Asset Management Limited is the apex governing body and the key custodian in charge of embedding good governance principles.

BOARD COMPOSITION

First Capital Asset Management limited is led by a highly competent and a well balanced Board, comprising 01 Executive Director and 05 Non-Executive Directors.

Board Diversity

Structure



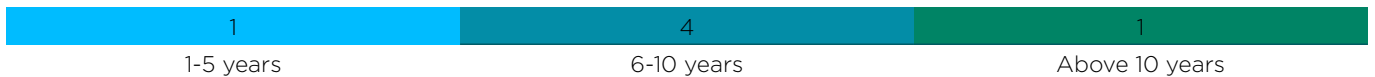
Age



Gender



Tenure



Diversity of Skills

**Accounting,
Finance & Banking**

Insurance

**General
Management**

Economics

**Risk
Management**

**Social
Entrepreneurship**

No.	Director Name	Directorship Status	Appointment Date	Tenure on the Board (years - approximately)	Skills and Expertise
1	Mr. Nishan Fernando	●	18.04.2012	12	Accounting & Finance, General Management
2	Ms. Manjula Mathews	●	27.12.2022	2	Accounting & Finance, General Management, Insurance & social entrepreneurship
3	Mr. Dilshan Wirasekara	●	01.05.2017	7	Asset and Liability Risk Management, Investment Banking, General Management
4	Mr. Chandana de Silva	●	02.10.2014	10	Finance & Management
5	Ms. Minette Perera	●	22.04.2015	9	Accounting & Finance, General Management
6	Dr. Nishan de Mel	●	24.11.2017	6	Economics, General Management

● Non-Executive

● Executive

Profiles of Board members are provided in a separate section of this Annual Report (pages 11 to 13).

RESPONSIBILITIES OF INDIVIDUAL DIRECTORS

All Directors are expected to be willing to allocate sufficient time and efforts towards executing their duties as a member of the Board, including by attending Board meetings and actively contributing their knowledge, expertise as an independent judgement on Board matters.

All Board members are also required to participate in the annual Board evaluation process.

MANAGING CONFLICTS OF INTEREST

All Directors are responsible for disclosing to the Board any actual or perceived Conflicts of Interest that could potentially compromise the Directors' ability to execute his/ her duties effectively. Such disclosures are periodically reviewed by the Related Party Transactions Review Committee to ensure such transactions or dealings made by the Directors with findings tabled at Board meetings.

Further, in the event, an item in which a Director has an interest is being discussed at a Board meeting, the Interested Director is expected to recuse himself from participating in any discussions on the matter.

CORPORATE GOVERNANCE

DIVISION OF RESPONSIBILITY BETWEEN THE CHAIRMAN AND CEO

The role of the Chairman is distinct and separate from that of the Managing Director/ CEO. The separation of responsibilities is designed to ensure that no single person has unfettered decision-making powers and that the appropriate balance of power and authority exists on the Board.

DUTIES AND RESPONSIBILITIES OF THE CHAIRMAN

The Chairman leads the Board by providing stewardship for the adoption of good governance practices and for overseeing the functioning of the Board to safeguard the best interest of the Company and its shareholders.

ROLE OF THE MANAGING DIRECTOR (MD)/ CEO

The MD/ CEO operates with the delegated authority of the Board and oversees the day-to-day management of the Company in accordance with the Board approved policies and procedures. The MD/ CEO provides leadership and direction to KMP's and senior managers, and for fostering relations with internal and external stakeholders. The MD/ CEO reports directly to the Board.

ROLE OF THE BOARD

The Board as the apex governance body, operates as per specific Terms of Reference set out under the Board Charter. As per the Board Charter, the Board is collectively accountable to stakeholders for the proper management of the business in keeping with good governance principles. To that end, the Board provides strategic direction and sets the strategic intent by establishing strategic objectives over the short, medium and long term time frame, and also ensuring appropriate resources, including necessary capital

investments and human resources are available to support the achievement of these strategic objectives.

COMPLIANCE

The Board is accountable to stakeholders for ensuring the Company complies with applicable laws, rules, codes and standards. In executing its duties, the Board closely monitors regulatory requirements to ensure all compliance requirements are fulfilled in a timely manner, while paying special attention to the early adoption of new regulations.

As part of its commitment to compliance, the Board also promotes voluntary adoption of global best practices.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board is responsible for the governance of risk, including determining the nature and extent of the significant risks which the Company is willing to take.

The Board oversees the company's risk management framework and policies, and ensures that Management maintains a sound system of risk management and internal controls. The Board may delegate responsibility for risk governance to a Board committee, such as the Audit Committee, Enterprise Risk Management Committee.

The Board, with the assistance of the Board Audit Committee and Enterprise Risk Management Committee reviews, at least annually, the adequacy and effectiveness of the Company's risk management and internal control systems considering the scope and scale of the business operations.

Please refer to the Risk Management Report on Pages 20 to 24 for more details.

POLICY FRAMEWORK

<p>Human Resources HR policy manual includes,</p> <ul style="list-style-type: none"> • Recruitment policy • Grievance Handling Policy • Whistleblowing policy • Leave Policy • Flexy Working Hours policy • Policy for Staff Loans • Employee separation/cessation policy • Job rotation policy • Remuneration and benefits policy 	<p>Technology & Digital IT policy manual includes,</p> <ul style="list-style-type: none"> • Password Policy • Electronic mail (email) Policy • Internet Policy • Hardware and Software Policy • Information Security Policy • User Privilege Policy • Anti-Virus Policy • Backup Policy • Mobile Devices Policy • Network Policy • Server Policy • Incident Response Policy • Application Service Provider (ASP) Policy • Change Management Policy • Green Computing Policy • Information Technology End User Acknowledgement Policy
<p>Ethics and Integrity</p> <ul style="list-style-type: none"> • Code of Conduct • Anti-bribery and Anti-corruption Policy • Whistleblowing policy • Policy on Outsourcing Services • Conflict of Interest policy • Anti-money Laundering and terrorist financing risk management policy and procedure • Sustainability Policy • Policy for Deceased customers 	<p>Risk Management</p> <ul style="list-style-type: none"> • Delegated Authority Manual that includes <ul style="list-style-type: none"> ◦ RACI framework ◦ Investment policy ◦ Operational DA farmwork • Enterprise risk management framework that includes <ul style="list-style-type: none"> ◦ Interest rate risk management framework ◦ Liquidity risk management framework ◦ Compliance risk management framework • Business continuity plan and risk management framework • Credit policy manual • Policy and Guidance Document for Impairment of Lending • Incident and near-miss management procedure
<p>Investment Policy</p> <ul style="list-style-type: none"> • Investment policy and procedure • Credit policy and procedure 	<p>Communication</p> <ul style="list-style-type: none"> • Complaint Handling policy • Communication policy

CONDUCT AND ETHICS

The Board is responsible for establishing a culture of fair dealing across the Company. In adherence with the Code of Conduct, the Board sets the tone from the top to promulgate strong business ethics and with the highest level of integrity at all times. To ensure these principles are cascaded down across the business, the Board has established the following conduct framework.

- **Code of Conduct for Directors and Employees** that sets clear expectations concerning the culture, values and behaviours required by directors and employees.
- **Anti-Bribery and Corruption policy**, explains the prohibitions against bribery, kickbacks, gifts and facilitation payments during the course of business and highlights the specific compliance requirements relating to these prohibitions. The Anti-Bribery and Corruption Policy applies to all Directors and employees without exception. Regular training is conducted to reinforce these principles among employees and Directors.
- **Whistleblowing Policy**, which serves as a channel for stakeholders to anonymously report possible financial irregularities, inappropriate financial reporting, internal controls or other issues that may require internal investigation. All Whistleblower complaints are reviewed by the Chairman of the Audit Committee. Throughout the investigation process, all reasonable steps are taken to ensure the whistleblower is kept apprised of the progress of the investigation. Employees can easily access the Whistleblower policy via the intranet, while special awareness sessions are also conducted regularly to educate employees on its proper use.

CORPORATE GOVERNANCE

The Board undertakes to review all conduct policies, at least annually to ensure appropriate amendments are made to reflect changes in business, rules, regulations and laws.

IT GOVERNANCE

The Board is responsible for setting the IT objectives to align with the strategic ambitions for the short, medium and long term. The Board undertakes to review the IT operations and makes proposals and recommendations for projects to support demand management and strategic alignment. In this regard the Board actively monitors external trends and latest global best practices in the IT and Cybersecurity sphere with a view to identifying IT risks and opportunities and promoting early adaptation of necessary frameworks to strengthen the IT resilience.

Accordingly, the Board approves the IT budget and establishes IT policies to support the business model and strategy. At an operational level, the responsibility for safeguarding IT infrastructure, and implementing IT policies comes under the purview of the IT Head. Meanwhile, to bring more focused oversight on cybersecurity risks, the Board has appointed the Chief Technology Officer (CTO) to oversee the IT governance activities and report back on a regular basis.

HR GOVERNANCE

The Board is responsible for ensuring appropriately skilled personnel are available to support all key functions. In order to attract the right talent, the Board gets involved in establishing remuneration structures and the formulation and implementation of workplace policies that comply with legal and regulatory requirements and align with global best practices. The Board executes these responsibilities through the Nominations Committee and the Head of HR. The Nominations Committee is responsible for policy formulation to reflect HR best practices, while the Head of HR is charged with policy implementation as well as aligning Human Capital development activities in tandem with the strategy.

STAKEHOLDER ENGAGEMENT

The Board acknowledges its responsibility to engage regularly with the stakeholders in order to obtain their insights, views and feedback.

SHAREHOLDER/ UNITHOLDER RELATIONS AND COMMUNICATION

The Board acknowledges the shareholders/ Unit holders right to receive timely and accurate information regarding the Company/ Fund and the schemes under management. To that end, the Board is committed to publish all shareholder/investor information in compliance with statutory requirements. All shareholder/investor information, including financial statements, the Annual Report and any other relevant disclosures are published in a timely manner with due consideration of the SEC rules.

All such information is also made available on the corporate website - www.firstcapital.lk

DIRECTORS TRAINING

All Board Directors are entitled to receive training. Directors are encouraged to undertake regular training to support continuous professional development and to stay informed on the latest developments in the financial services industry and on the regulatory front. Further, the Risk and Compliance division

together with the HR division analyse the training needs of the Board and recommend appropriate workshops for Directors to attend.

Directors Training - FY 2023/24	
Programme Focus	No. of Directors who participated
Negotiation Essentials Online, Harvard Law School	1
ASEAN Capital Markets Forum (ACMF) and International Sustainability Standards Board (ISSB) Joint Conference and Technical Training on the IFRS Sustainability Disclosure Standards	1
Seminar on Corporate Governance Rules	2
Awareness session on AML/CFT	6

Meanwhile new Directors receive an orientation pack encapsulating the Code of Conduct, policies and other important information. As part of their orientation, all new Directors are introduced to KMP's.

EVALUATING BOARD PERFORMANCE

The Board collectively evaluates its performance and functional effectiveness on an annual basis, wherein all Directors will be required to submit an annual self evaluation to the Nomination Committee. The Nomination Committee will then review these self evaluations in terms of the Board composition and balance and mix of skills, experience, independence and knowledge, the gender representation, with the Committee recommendations submitted to the Board for appropriate action.

EVALUATING THE PERFORMANCE OF THE MD/ CEO

The performance of the Managing Director/ CEO is assessed annually by the Board based on pre-agreed performance criteria linked to the strategic roadmap, with the findings used as the basis for the determination of adjustments to remuneration.

BOARD SUB COMMITTEES

Board Committees play an important role in assisting the Board in carrying out its oversight responsibilities. The following sub-committees established at the holding company level which act as the sub-committees for all subsidiaries including FCAM.

In the current financial year, the Group Level Board revised and formally approved the Terms of Reference (TOR) were drawn up for each Committee outlining the scope of work and duties and responsibilities of the respective Committee Chairman and its membership in accordance with the new corporate governance rules issued by the CSE for listed entities.

The Group Board also proposes to implement the new procedure being developed for the purpose of evaluating Board performance and effectiveness, for evaluating the performance and effectiveness of Board Sub Committees as well.

<p>Audit Committee</p> <p>Purpose: Oversight of financial reporting, internal controls, internal and external audits and compliance with legal and regulatory requirements</p> <p>Composition of the Committee: Chandana de Silva - Non-Executive Director (Chairman) Nishan Fernando - Non-Executive Director Ramesh Schaffter - Non-Executive Director</p> <p>Meeting Frequency: Quarterly</p>	<p>Related Party Transactions Review Committee</p> <p>Purpose: Ensuring that the Company takes the interest of shareholders as a whole into consideration in a manner that avoids conflict of interest.</p> <p>Composition of the Committee: Chandana de Silva - Non-Executive Director (Chairman) Nishan Fernando - Non-Executive Director Ramesh Schaffter - Non-Executive Director</p> <p>Meeting Frequency: Quarterly</p>
<p>Remuneration Committee</p> <p>Purpose: Evaluation and recommendation of the Company's remuneration structure in alignment with performance parameters.</p> <p>Composition of the Committee: Chandana de Silva - Non-Executive Director (Chairman) Manjula Mathews - Non-Executive Director Nishan De Mel - Non-Executive Director</p> <p>Meeting Frequency: Semi-annually</p>	<p>Nomination Committee</p> <p>Purpose: Reviewing the composition of the Board to ensure that the Board is properly constituted and balanced in terms of skills, experience and diversity.</p> <p>Composition of the Committee: Nishan Fernando - Non-Executive Director (Chairman) Ramesh Schaffter - Non-Executive Director Manjula Mathews - Non-Executive Director</p> <p>Meeting Frequency: As and when required</p>
<p>Investment, Asset and Liability Committee</p> <p>Purpose: Reviewing investment related analysis, liquidity positions and risks and approving investment decisions of the Group in the best interest of shareholders.</p> <p>Composition of the Committee: Nishan Fernando - Non-Executive Director (Chairman) Dilshan Wirasekara - Executive Director Manjula Mathews - Non-Executive Director</p> <p>Meeting Frequency: Bi-weekly</p>	<p>Enterprise Risk Management Committee</p> <p>Purpose: Establishing and maintaining a comprehensive enterprise risk management system.</p> <p>Composition of the Committee: Nishan Fernando - Non-Executive Director (Chairman) Dilshan Wirasekara - Executive Director</p> <p>Meeting Frequency: Monthly</p>

CORPORATE GOVERNANCE

ROLE OF THE COMPANY SECRETARY

The Company Secretary is responsible to the board for, inter alia, acting as a central source of information and advice to the board on its duties and responsibilities, adherence to good corporate governance principles, and compliance with procedures and applicable statutes and regulations. All directors have full access to the professional services and advice of the Company Secretary in all aspects of the Board's mandate and operations of the Company. In line with good governance practices, the appointment and removal of the Company Secretary is a board matter.

An assessment of the performance of the Company Secretary is undertaken annually as part of the Board evaluation process.

The assessment confirmed that – Janashakthi Corporate Services Limited has been Company Secretary:

- is competent, suitably qualified and experienced.
- has the requisite skills, knowledge and experience to advise the board on good governance.
- maintains an arm's length relationship with the board and directors.
- has discharged her responsibilities effectively in the year under review.

COMPLIANCE DISCLOSURES

MINIMUM GOVERNANCE REQUIREMENTS APPLICABLE TO MARKET INTERMEDIARIES

Section	Minimum Requirement	Compliance Status
Board composition	<ul style="list-style-type: none"> Board of directors of the Market intermediary shall comprise of a minimum of 3 Directors in total; of whom at least One (1) shall be a Non-executive Director. Where the Chairman is a Non-executive Director, the Non-executive Director shall be 'Independent'. In the event the Chairman and CEO roles are combined, the Board shall appoint the Independent Non-Executive Director to be the "Senior Independent Director" (SID) with powers equivalent to that of the Chairman, as specified in the Board Charter or terms of reference. 	<p>Complied</p> <p>Not complied The Company is in the process of regularising the same</p> <p>N/A</p>
Chief Executive Officer	<ul style="list-style-type: none"> The CEO shall be a full-time employee, dedicated to the entity and shall; <ul style="list-style-type: none"> possess a degree or a professional qualification from a recognised university/institute. or a minimum of ten (10) years of senior managerial experience. <p>However, where the entity holds more than one category of license issued by the SEC, a dedicated Business Head with adequate competence, reporting to the CEO shall be appointed for each license category; whilst ensuring appropriate processes are in place to have a clear demarcation of the different functions pertaining to such businesses.</p>	Complied

COMPLIANCE DISCLOSURES

COMPLIANCE STATUS WITH THE MARKET INTERMEDIARY RULES

Regulator Requirement	Compliance Status
<ul style="list-style-type: none"> Management Company shall provide the financial statements prepared monthly in conformity with the Sri Lanka Accounting Standards signed by a Director and the Chief Executive Officer to the Commission before the twentieth (20th) day of the following month. 	Complied
<ul style="list-style-type: none"> An interim report and unaudited accounts shall be produced for each Scheme for the first six (6) months of each annual accounting reporting period and shall contain the same information as required in the annual audited report and accounts but need not contain an auditor's report. 	Complied
<ul style="list-style-type: none"> Interim report and unaudited accounts of a Scheme for a reporting period shall be published on the website of the Management Company and the investors shall be informed of such fact by way of a newspaper advertisement within three (3) calendar months from the end of the interim accounting period. 	Complied
<ul style="list-style-type: none"> Annual report and audited accounts shall be submitted to the Commission by the Management Company within four (4) calendar months after the end of the annual accounting period. 	Complied
<ul style="list-style-type: none"> The annual report and audited accounts shall be forwarded to the Trustee for approval prior to it being submitted to the Commission. 	Complied
<ul style="list-style-type: none"> Accounts, books, and other documents forming the basis for financial statements and reports are maintained and preserved for a period of five years. 	Complied
<ul style="list-style-type: none"> The annual report and audited accounts shall be made available to current Unitholders of the Scheme and also be published on the website of the Management Company within four (4) calendar months of the end of the last day of the financial year. 	Complied
<ul style="list-style-type: none"> Daily records are kept for the units. 	Complied
<ul style="list-style-type: none"> The annual report and audited accounts of a Scheme shall be a stand-alone document and shall not contain any extraneous or financial promotion material. 	Complied
<ul style="list-style-type: none"> Securities of any firm or company in which the Management Company has any equity interest are not being brought or sold without the prior written approval of the SEC. 	N/A
<ul style="list-style-type: none"> Total investment does not exceed any limit permitted by SEC and un-allowed investments are not being made. 	Complied
<ul style="list-style-type: none"> All transactions between the Unit Trust and an associate, joint venture, subsidiary, or holding company of the Management Company, shall be with the prior written consent of the trustee. 	Complied
<ul style="list-style-type: none"> A money market scheme shall maintain the liquidity levels: <ul style="list-style-type: none"> 5% of its net asset value maturing on an overnight basis. 10% of its net asset value maturing on a weekly basis. 20% of its net asset value maturing on a monthly basis. 	Complied
<ul style="list-style-type: none"> Key Investor Information Document (KIID) is reviewed by the Management Company at least every two years. 	Complied
<ul style="list-style-type: none"> Units are not sold or offered to the public unless a copy of the latest approved KIID has been made available. 	Complied
<ul style="list-style-type: none"> KIID contains the required information and has been approved by SEC. 	Complied
<ul style="list-style-type: none"> Maintain a minimum number of 50 unit holders for each fund at any given time. 	Complied

Regulator Requirement	Compliance Status
<ul style="list-style-type: none"> Trustee has been approved by SEC. Trustee and the Management Company of the Unit Trust are separate legal entities. Trustee and the Management Company shall not have a common person as an Executive Director in the Board of Directors. 	<p>Complied</p> <p>Complied</p> <p>Complied</p>
<ul style="list-style-type: none"> Trust deed is approved by SEC. Trust deed contains the required information. Changes to the Trust Deed are not done without the prior approval of the SEC. 	<p>Complied</p> <p>Complied</p> <p>Complied</p>
<ul style="list-style-type: none"> Maintain a minimum net capital of Rs. 25Mn by the Management Company. 	<p>Complied</p>
<ul style="list-style-type: none"> Assets held for the trust are deposited with the trustee. 	<p>Complied</p>
<ul style="list-style-type: none"> A register of the unit holders is maintained with the required information and updated. 	<p>Complied</p>
<ul style="list-style-type: none"> If any unit holder has elected to reinvest dividends into additional units, a written statement disclosing the number of dividends reinvested is sent at least once every year. 	<p>Complied</p>
<ul style="list-style-type: none"> Issue and redemption prices are calculated daily on the basis of the Unit Trust's net asset value, divided by the number of units outstanding. 	<p>Complied</p>
<ul style="list-style-type: none"> Latest available offer and redemption prices are published, in leading Sri Lankan daily newspaper or on the website of the Management Company. 	<p>Complied</p>
<ul style="list-style-type: none"> If the net asset value of a Scheme is published it may be stated that this price excludes the front-end fee or exit fee if any. 	<p>Complied</p>
<ul style="list-style-type: none"> The Management Company shall record each instance where the unit price is incorrect and, as soon as the error is discovered, report the fact to the Trustees of the Scheme together with details of the action taken, or to be taken, to avoid repetition. 	<p>Complied</p>
<ul style="list-style-type: none"> The valuation method that will be adopted in order to determine the net asset value of its portfolio of investments shall be as provided for in the KIID. 	<p>Complied</p>
<ul style="list-style-type: none"> The net asset value of an open-ended Scheme shall be calculated at least once every business day and where such calculation is not possible for reasons as stated in the KIID, it shall be calculated at least once every week or at such frequency as may be approved by the Commission. 	<p>Complied</p>
<ul style="list-style-type: none"> Payment for Units shall be made in full within five (5) business days prior to their issue. 	<p>Complied</p>
<ul style="list-style-type: none"> Allowable other expenses are being charged from the fund and adequate disclosures are being provided to unitholders for the same. 	<p>Complied</p>
<ul style="list-style-type: none"> Content of the advertisements shall be according to guidelines provided in the CIS Code 2022. 	<p>Complied</p>
<ul style="list-style-type: none"> All advertisements should be approved by the Trustee. 	<p>Complied</p>
<ul style="list-style-type: none"> After obtaining the Trustee's approval, a copy of such advertisement is filed to the SEC 1 week prior to the publication. <p>(A flexibility to this rule has been granted by SEC on through email)</p>	<p>Complied</p>
<ul style="list-style-type: none"> Management Company with the approval of the Trustee shall appoint an auditor who shall provide his services for the entirety of the financial year. 	<p>Complied</p>
<ul style="list-style-type: none"> Audit fees of the auditor are determined by the Management Company with the approval of the trustee. 	<p>Complied</p>
<ul style="list-style-type: none"> Audit opinion is distributed to unitholders. 	<p>Complied</p>

COMPLIANCE DISCLOSURES

Regulator Requirement	Compliance Status
<ul style="list-style-type: none"> The maximum interval between the receipt of a properly documented request for redemption of Units and the payment of the redemption money to the Unitholder, shall not exceed ten (10) business days from the dealing day on which, the request was received. 	Complied
<ul style="list-style-type: none"> Where, for any exceptional reason, it is not feasible or desirable to make payment of the redemption money within ten (10) business days, the Commission shall be notified forthwith giving reasons as to why such payment should not be made within ten (10) business days. 	Complied
<ul style="list-style-type: none"> On every dealing day, the Management Company shall inform the Trustee in writing, the number of Units of the Scheme to be issued/canceled along with the amount payable in respect thereof during such day. 	Complied
<ul style="list-style-type: none"> Management company should obtain SEC approval for any other business activity conducted by the Company. Ensure that managing third-party portfolios are not in conflict with the Unit Trust Operations. A Management Company may renew the license annually three months prior to the expiry of the license. 	Complied
<ul style="list-style-type: none"> Ensure compliance with the CDD rules and related circulars issued by CBSL-FIU. 	Complied
<ul style="list-style-type: none"> Continuous Professional Development (CPD) Qualification is mandatory to the employees of the unit trusts Management companies dealing with client's or who engage in marketing unit trust products to the public for and on behalf of the Management company from 01 January 2022. 	Complied
<ul style="list-style-type: none"> Ensure Compliance with the sections mentioned on Section A of Part V to the Schedule of the SEC Act. 	Complied
<ul style="list-style-type: none"> Make a quarterly compliance report including the content specified by the Rules approved by the Board of Directors and Chief Executive Officer confirming compliance with the provisions of the SEC Act before the 20th day of the following month. 	Complied
<ul style="list-style-type: none"> A Management company shall notify the SEC and obtain its prior consent of any change in particulars contained in a licensing/renewal application. 	Complied
<ul style="list-style-type: none"> A change in the shareholding of twenty percent (20%) or more of the total shareholding of a Management Company shall be made only with prior consent of the Commission. 	Complied
<ul style="list-style-type: none"> The Management Company shall not invest the assets of the CIS in the securities issued by a related company of the Management Company without the prior written consent of the Trustee. All such transactions shall be disclosed in the annual report of the CIS. 	Complied

AUDIT COMMITTEE REPORT

First Capital Holdings PLC is the Immediate Listed Parent Company of First Capital Asset Management Limited, the Management company of the First Capital Money Market Fund. The Audit Committee of First Capital Holdings PLC thus functions as the Audit Committee of First Capital Asset Management Limited which has complied with the policies and procedures set out by the Parent Company Audit Committee.

CHARTER OF THE COMMITTEE

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

COMPOSITION

The Immediate Listed Parent Company Audit Committee consists of two Independent Non-Executive Directors and one Non-Independent Non-Executive Director.

The members of the Board appointed Audit Committee are as follows.

Mr. Chandana de Silva

Chairman - Independent Non-Executive Director (Appointed w.e.f 1/1/2024)

Ms. Minette Perera

Independent Non-Executive Director (Resigned w.e.f 1/1/2024)

Mr. Nishan Fernando

Independent Non-Executive Director

Mr. Ramesh Schaffter

Non-Independent Non-Executive Director

Secretary to the Committee

Ms. Amila Belpamulla

Company Secretary

MEETINGS

Four audit committee meetings were held during the year under review. The External Auditors and Internal Auditors are also present at meetings on a need basis. The proceedings of the Immediate Listed Parent Company Audit Committee meetings are reported to the Board of Directors on a regular basis.

The attendance of the Members of the Audit Committee meetings during year 2023/24 is as follows.

Membership Status	Name	Attendance in 2023/24 (Attended/ Eligible to Attend)
Former Chairperson	Ms. Minette Perera	3/3
Chairman	Mr. Chandana de Silva	1/1
Members	Mr. Nishan Fernando	4/4
	Mr. Ramesh Schaffter	3/4

Regular Attendees by Invitation:

Mr. Dilshan Wirasekara

Managing Director/ CEO

4/4

Mr. Mangala Jayashantha

Chief Financial Officer

4/4

Ms. Harshanee Deshapriya

Group Chief Legal Officer

4/4

Mr. Kapila Perera

Chief Risk Officer

4/4

FUNCTIONS

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

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

AUDIT COMMITTEE REPORT

FINANCIAL REPORTING SYSTEM

The Committee reviewed the financial reporting system adopted by the unit trust fund with particular reference to the following;

- The preparation, presentation and adequacy of the disclosures in the Fund's annual and interim financial statements in accordance with the Sri Lanka Accounting Standards and other applicable statutes.

INTERNAL AUDIT/ CONSULTANCY SERVICE

The Internal Audit Advisory function of First Capital Asset Management Limited (Unit Trust Funds) has been outsourced to M/s. Ernst & Young. Control weaknesses highlighted in the internal audit reports were examined by the Committee and follow up action taken by the management on the audit recommendations were also reviewed. The committee reviewed the effectiveness of the internal audit function and the scope and procedures for internal audit during the ensuing year.

EXTERNAL AUDIT

There were no internal control weaknesses highlighted by the external auditor's during the year. Further, the draft annual financial statements of the first capital money market fund for 2023/24 were also reviewed with the External Auditors prior to release.

There were no non-audit services provides by the auditors during the year.

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

RISK MANAGEMENT AND INTERNAL CONTROLS

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

(Sgd.)

Chandana de Silva

Chairman- Audit Committee (First Capital Holdings PLC)

27 May 2024

INVESTMENT, ASSET AND LIABILITY COMMITTEE REPORT

First Capital Holdings PLC is the Immediate Listed Parent Company of First Capital Asset Management Limited, the fund management company of the First Capital Money Market Fund. The Investment, Asset and Liability Committee of First Capital Holdings PLC thus functions as the Investment, Asset and Liability Committee of First Capital Asset Management Limited.

The Investment Asset and Liability Committee (IALCO) has the delegated authority of the Board of Directors to make strategic and operational investment decisions and is primarily responsible for the investment strategy and the asset and liability management. Investment decisions on debt, equity, and other related investment proposals are being evaluated by the Committee for the best interest of the Fund. The Committee also evaluates the liquidity positions of the Fund, regulatory compliances related to Investment decisions while enhancing the unitholder value.

COMPOSITION OF THE COMMITTEE OF IMMEDIATE LISTED PARENT COMPANY (FIRST CAPITAL HOLDINGS PLC)

Name of the Board Subcommittee Member	Designation	Membership Status
Mr. Nishan Fernando	Non-Executive Director	Chairman
Mr. Dilshan Wirasekara	Managing Director/Chief Executive Officer	Member
Ms. Manjula Mathews	Non-Executive Director	Member
Dr. Nishan de Mel (resigned w.e.f 1 January 2024)	Non-Executive Director	Former Chairman

KEY RESPONSIBILITIES AND SCOPE OF WORK OF THE COMMITTEE

- Developing the investment strategy based on the strategic plan.
- Review, Evaluate and approve Investment decisions relating to the investment strategy.
- Ensure adherence to the regulatory and Internal compliance levels and policies in making investment and borrowing decisions.
- Reviews the performance of the existing portfolios.
- Advise and recommend investment decisions for the best interests of the stakeholders.

COMMITTEE MEETINGS

The Investment Committee held 25 meetings during the year under review. The proceedings of the Committee meetings have been escalated to the Board Meetings.

ATTENDANCE

Name of the Board Subcommittee Member	Membership Status	Attendance in 2023/24 (Attended/Eligible to Attend)
Mr. Nishan Fernando	Chairman	23/25
Dr. Nishan de Mel	Former Chairman	19/19
Mr. Dilshan Wirasekara	Member	25/25
Ms. Manjula Mathews	Member	23/25

INVESTMENT, ASSET AND LIABILITY COMMITTEE REPORT

METHODOLOGY ADOPTED BY THE COMMITTEE

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

The committee meets bi-weekly to evaluate the strategy and risks associated with the future and past investment decisions. Also, the committee evaluated the progress of the investment decisions made by the committee in the past and measured the performance of the portfolios. The performance report of First Capital Money Market Fund with key performance indicators is presented to the Investment Committee to make better decisions and to the evaluation of past decisions.

(Sgd.)

Nishan Fernando

Chairman- Investment Asset and Liability Committee
(First Capital Holdings PLC)

27 May 2024

ENTERPRISE RISK MANAGEMENT COMMITTEE REPORT

First Capital Holdings PLC is the Immediate Listed Parent Company of First Capital Asset Management Limited, the fund Management Company of the First Capital Money Market Fund. The Enterprise Risk Management Committee (ERMC) of First Capital Holdings PLC thus functions as the Enterprise Risk Management Committee of the fund Management Company and is responsible for establishing and maintaining a comprehensive Enterprise-wide Risk Management System for identifying, assessing and managing risk to assist the FCG's Corporate Management Team in managing risk with reasonable assurance in a dynamic business environment.

CHARTER OF THE COMMITTEE

The Enterprise Risk Management Committee of First Capital Holdings PLC was formed in May, 2012. The Committee was formed by the Board of Directors based on the requirement mentioned in "Code of Best Practice on Corporate Governance" to conduct a review of the risks facing the Company and the effectiveness of the system of internal controls. Although the responsibility was mentioned under the Audit Committee, ERMC was formed independently considering the gravity of attention required in monitoring and assessing risk regularly. The charter of the ERMC was approved by the Board of Directors and is reviewed periodically. As part of the annual review process, the Committee last reviewed the charter in November 2023.

COMPOSITION OF THE COMMITTEE OF IMMEDIATE LISTED PARENT COMPANY (FIRST CAPITAL HOLDINGS PLC)

Name of the Board Subcommittee Member	Designation	Membership Status
Mr. Nishan Fernando	Independent Non-Executive Director	Chairman
Mr. Dilshan Wirasekara	Managing Director/ CEO	Member
Mr. Tharusha Ekanayake	Chief Operating Officer	Member
Mr. Mangala Jayashantha	Chief Financial Officer	Member
Ms. Sujani Sellahewa	Deputy General Manager - Operations	Member
Mr. Kapila Perera	Chief Risk Officer	Secretary to the Committee

KEY RESPONSIBILITIES AND SCOPE OF WORK OF THE COMMITTEE

- Overall responsibility for the Enterprise Risk Management process, including developing and implementing the processes and procedures to identify, assess, respond to and report on the extreme/high/ significant risks identified in the risk assessment process.
- Monitor the risk management process which involves the systematic application of policies, procedures and practices to the activities of communicating and consulting, establishing the context and assessing, treating, monitoring, reviewing, recording and reporting risk.
- Ensure proper risk management by recommending to the board ownership, roles, responsibilities, and accountabilities related to risk management.
- Promote the Enterprise Risk Management model to the Corporate Management Team and educate them on the enterprise risk management process.
- Ensure that risk management is integrated into all organisational activities and should demonstrate leadership and commitment.
- Ensure that the risk management framework remains appropriate to the context of the organisation.
- Review and recommend the charter of the ERMC for approval of the Board.
- Review periodic reports on the ERMC's discharge of their responsibilities listed in its charter.
- Work with business units on monitoring and reporting to ensure compliance with the regulatory standards and reporting of the risks identified and prioritised by the Committee, as well as those risks which are not included in the scope of the ERMC.
- Work with business units regarding their internal control aspect and ensuring that a dynamic monitoring, reporting and remedial process is in place.

ENTERPRISE RISK MANAGEMENT COMMITTEE REPORT

- Report to the Audit Committee and the Board of Directors regarding.
 - the progression of enterprise risk management and its implementation.
 - Identifying significant and material risk exposures.
 - Consolidated enterprise risk management plan encompassing analysis and recommendations.
- Request budget allocation for consulting, training, software, or other expenses determined necessary.
- Submit a risk assessment report/ risk register on quarterly basis to the Board of Directors.
- Take prompt corrective action to mitigate the effects of specific risks in the case such risks are at levels beyond the prudent levels decided by the Committee/Board on the basis of the company's policies and regulatory and supervisory requirements.
- Ensured staff are trained adequately on compliance related laws, regulations, policies and procedures as a tool in mitigating the Bank's compliance risk by educating employees and maintaining their ongoing awareness. The programs include both formal training courses and ongoing communications.
- Review and approve periodic Compliance Reports to the regulators (SEC) which require approval of the Board of Directors.

COMMITTEE MEETINGS

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

	Attendance in 2023/24 (Attended/ Eligible to Attend)
Chairman - Mr. Nishan Fernando (Chairman)	09/11
Members:	
Mr. Dilshan Wirasekara (Managing Director/ CEO)	11/11
Mr. Tharusha Ekanayake (Chief Operating Officer)	11/11
Mr. Mangala Jayashantha (Chief Financial Officer)	11/11
Ms. Sujani Sellahewa (DGM - Operations)	11/11
Secretary	
Mr. Kapila Perera (Chief Risk Officer)	11/11

OTHER RESPONSIBILITIES OF THE COMMITTEE

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

(Sgd.)

Nishan Fernando

Chairman - Enterprise Risk Management Committee (First Capital Holdings PLC)

27 May 2024



BEF +12% FRF -22% MLD -0.4 DEN -26.23

JPY EUR CHF GBR SEK CAD

RMY 18.68 - 0.7%

DTR 31.48 - 0.0%

FINANCIAL INFORMATION

CONTENTS		Page No.
	Financial Calendar	57
	Financial Performance Highlights	58
	Independent Auditors' Report	59
FINANCIAL STATEMENTS		
	Statement of Profit or Loss and Other Comprehensive Income	61
	Statement of Financial Position	62
	Statement of Changes in Unitholders' Fund	63
	Statement of Cash Flows	64
NOTES TO THE FINANCIAL STATEMENTS		
1	Reporting Entity	65
2	Basis of Preparation	65
3	Materiality and Preparation	66
4	Comparative Information	71
5	Unitholders' Funds	71
6	Financial Risk Management	71
7	New Amendments to the Sri Lanka Accounting Standards	72
NOTES TO THE STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME		
8	Income	73
9	Gain on financial assets recognised through profit or loss -measured at fair value	73
10	Direct Expenses	74
11	Administration Expenses	74
12	Other Operating Expenses	74
13	Income Tax Expenses	74
NOTES TO THE STATEMENT OF FINANCIAL POSITION		
14	Cash at Bank	75
15	Financial Assets Recognised through Profit or Loss- Measured at Fair Value	75
16	Financial Assets at Amortised Cost	76
17	Other Receivables	77
18	Accruals and Other Payables	78
19	Net Assets Value Per Unit	78
20	Analysis of Financial Instruments by Measurement Basis	79
21	Determining of Fair Value and Hierarchy of Fair Value	80
NOTES TO THE OTHER FINANCIAL DISCLOSURES		
22	Financial Risk Management	82
23	Related Party Disclosures	88
24	Capital Commitments and Contingent Liabilities	91
25	Events Occurring after the Reporting Period	91

FINANCIAL CALENDAR

FINANCIAL CALENDAR 2023/24

Audited annual financial statements in terms of Rule 50 (2) and interim financial statements in terms of Rule 51 (5) of the Collective Investment Scheme Code (CIS Code 2022) of the Securities and Exchange Commission of Sri Lanka Act No. 19 of 2021 were issued as follows.

Reports

Provisional/ Interim Financial Statements (Unaudited)
Audited Financial Statements

Date of Release

28 December 2023
27 May 2024

FINANCIAL CALENDAR 2022/23

Audited annual financial statements in terms of Rule 50 (2) and interim financial statements in terms of Rule 51 (5) of the Collective Investment Scheme Code (CIS Code 2022) of the Securities and Exchange Commission of Sri Lanka Act No. 19 of 2021 were issued as follows.

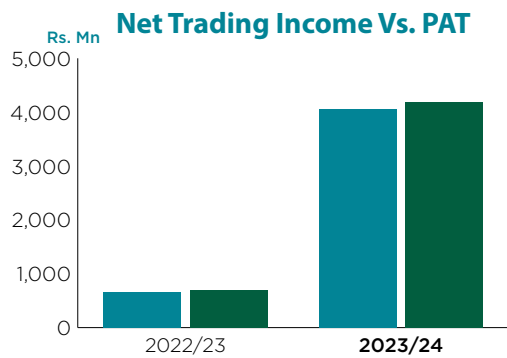
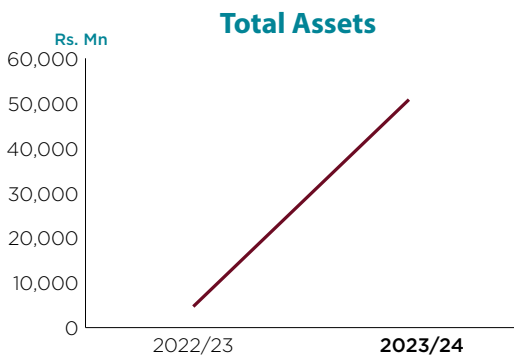
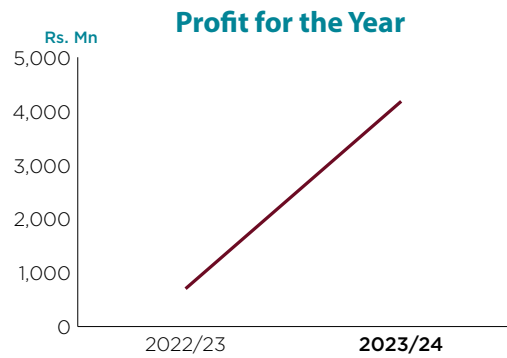
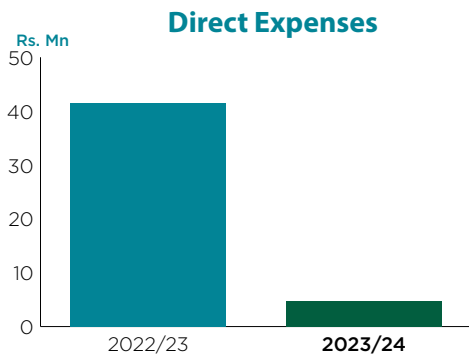
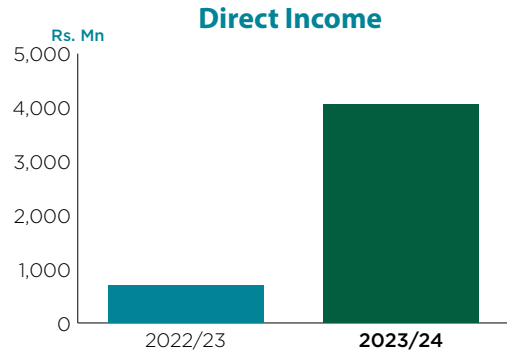
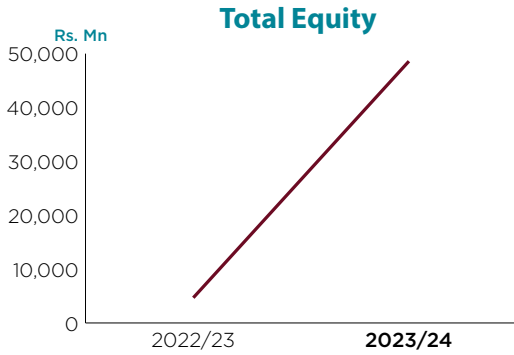
Reports

Provisional/ Interim Financial Statements (Unaudited)
Audited Financial Statements

Date of Release

7 January 2023
31 July 2023

FINANCIAL PERFORMANCE HIGHLIGHTS



■ Net Trading Income
 ■ Profit after tax

INDEPENDENT AUDITORS' REPORT



Deloitte Associates
Chartered Accountants
No. 11, Castle Lane
Colombo 04
Sri Lanka

Tel: +94 11 2580409, 5444400
Fax: +94 11 2582452
www.deloitte.com

INDEPENDENT AUDITOR'S REPORT TO THE UNITHOLDERS OF FIRST CAPITAL MONEY MARKET FUND

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of First Capital Money Market Fund ("the Fund"), which comprise the statement of financial position as at 31 March 2024, and the statement of profit or loss and other comprehensive income, statement of changes in unitholders' funds and statement of cash flows for the year then ended, and notes to the financial statements, including material accounting policy information.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the fund as at 31 March 2024, and of its financial performance and its cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

Basis for Opinion

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

Other Information

The fund management company is responsible for the other information. The other information comprises the report of the fund manager, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information included in the fund manager's report 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 and, in doing so, consider whether the other information is materially inconsistent with the financial statements, or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report on this regard.

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

The fund management company 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 the 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, Fund manager 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 fund manager 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.

INDEPENDENT AUDITORS' REPORT

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 skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the fund's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by fund manager.
- Conclude on the appropriateness of fund 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.

Report on Other Legal and Regulatory Requirements

The financial statements are prepared and presented in accordance with and comply with the requirements of the Collective Investment Scheme code (CIS Code 2022) of the Securities and Exchange Commission of Sri Lanka and trust deed.



Deloitte Associates

Chartered Accountants

28 May 2024

Colombo

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March,		2024	2023
	Note	Rs.	Rs.
Income	8	4,063,908,905	694,203,631
Direct expenses	10	(4,757,286)	(41,449,199)
Net trading income		4,059,151,619	652,754,432
Gain on fair valuation of financial assets recognised through profit or loss -measured at fair value	9	291,800,161	75,843,801
		4,350,951,780	728,598,233
Administration expenses	11	(161,453,208)	(26,095,570)
Other operating expenses	12	(916,606)	(484,170)
(Provision)/ Reversal for impairment of financial assets at amortised cost	16.3.1	(7,148,541)	916,285
Profit before tax		4,181,433,425	702,934,778
Income tax expenses	13	-	-
Profit for the year		4,181,433,425	702,934,778
Other comprehensive income		-	-
Total comprehensive income for the year		4,181,433,425	702,934,778

Figures in bracket indicate deductions.

The attached notes from 1 to 25 form an integral part of these financial statements.

STATEMENT OF FINANCIAL POSITION

As at,		31.03.2024	31.03.2023
	Note	Rs.	Rs.
Assets			
Cash at bank	14	30,601,078	4,939,744
Financial assets recognised through profit or loss - measured at fair value	15	29,690,647,936	3,456,230,665
Financial assets at amortised cost	16	21,064,743,623	1,235,534,352
Other receivables	17	6,328,013	409,260
Total assets		50,792,320,650	4,697,114,021
Unitholders' funds and liabilities			
Liabilities			
Repo borrowing against government securities		1,025,715,552	-
Accruals and other payables	18	1,178,042,147	14,898,976
Total liabilities		2,203,757,699	14,898,976
Unitholders' funds			
Net assets attributable to unitholders		48,588,562,951	4,682,215,045
Total Unitholders' Funds		48,588,562,951	4,682,215,045
Total Unitholders' Funds and Liabilities		50,792,320,650	4,697,114,021
Net assets value per unit (Rs.)	19	3,056.73	2,503.13

The Management Company of First Capital Money Market Fund is responsible for the preparation and presentation of these financial statements in accordance with the Sri Lanka Accounting Standards.

The attached notes from 1 to 25 form an integral part of these financial statements.

Approved by the Fund Management Company on 27 May 2024.



Mangala Jayashantha
Chief Financial Officer

First Capital Asset Management Limited
Fund Management Company

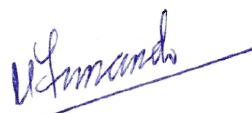


Trustee of the Fund
Bank of Ceylon



Dilshan Wirasekara
Managing Director/Chief Executive Officer

First Capital Asset Management Limited
Fund Management Company



Nishan Fernando
Chairman

First Capital Asset Management Limited
Fund Management Company

STATEMENT OF CHANGES IN UNITHOLDERS' FUNDS

For the year ended 31 March 2024		Unitholders' funds
	Note	Rs
Balance as at 1 April 2022		15,431,165,215
Increase due to unit creation during the year	19.1	15,959,591,347
Decrease due to unit redemption during the year	19.1	(27,411,476,295)
Increase in net assets attributable to unitholders		702,934,778
Balance as at 31 March 2023		4,682,215,045
Balance as at 1 April 2023		4,682,215,045
Increase due to unit creation during the year	19.1	112,063,368,437
Decrease due to unit redemption during the year	19.1	(72,338,453,956)
Increase in net assets attributable to unitholders		4,181,433,425
Balance as at 31 March 2024		48,588,562,951

Figures in bracket indicate deductions.

The attached notes from 1 to 25 form an integral part of these financial statements.

STATEMENT OF CASH FLOWS

Accounting policy

The statement of cash flows have been prepared using the "Indirect Method" of preparing cash flows in accordance with the Sri Lanka Accounting Standard LKAS 7 - "Statement of Cash Flows".

For the year ended 31 March,		2024	2023
	Note	Rs.	Rs.
Cash flows from operating activities			
Profit before taxation		4,181,433,425	702,934,778
Adjustment for :			
Gain on fair valuation of financial assets recognised through profit or loss -measured at fair value	9	(291,800,161)	(75,843,801)
Provision/ (Reversal) for impairment of financial assets at amortised cost	16.3.1	7,148,541	(916,285)
Operating profit before working capital changes		3,896,781,805	626,174,692
(Increase)/ Decrease in financial assets recognised through profit or loss -measured at fair value		(25,942,617,110)	5,277,415,419
(Increase)/ Decrease in financial asset at amortised cost		(19,836,357,813)	5,521,992,371
(Increase)/ Decrease in other receivables		(5,918,753)	27,059,949
Increase/ (Decrease) in accruals and other payable		1,163,143,172	(3,505,947)
Increase in repo borrowing against government securities		1,025,715,552	-
Cash flows generated from/(used in) operations		(39,699,253,147)	11,449,136,484
Tax paid		-	-
Net cash flows generated from/(used in) operating activities		(39,699,253,147)	11,449,136,484
Net cash flows from/ (used in) investing activities			
		-	-
Cash flows from/(used in) financing activities			
Proceeds from units creations	19.1	112,063,368,437	15,959,591,347
Payments for units redemption	19.1	(72,338,453,956)	(27,411,476,295)
Net cash flows generated from/(used in) financing activities		39,724,914,481	(11,451,884,948)
Net (decrease)/increase in cash and cash equivalents during the year			
		25,661,334	(2,748,464)
Cash and cash equivalents at the beginning of the year	14	4,939,744	7,688,208
Cash and cash equivalents at the end of the year	14	30,601,078	4,939,744

Figures in bracket indicate deductions.

The attached notes from 1 to 25 form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1. REPORTING ENTITY

First Capital Money Market Fund (“the Fund”) is an Open-Ended Unit Trust approved by the Securities and Exchange Commission of Sri Lanka on 16 September 2014.

The registered office/ place of business of the Fund is located at No. 2, Deal Place, Colombo 3. First Capital Asset Management Limited is the Management Company of First Capital Money Market Fund while Bank of Ceylon has been appointed as the Trustee.

1.1. Principal activities

The Fund engages in investment in short term fixed income securities on behalf of its clients. The operations of the Fund commenced on 24 September 2014.

The objective of the First Capital Money Market Fund is to yield superior returns to unitholders while minimising their risk through investments in fixed income securities placed according to the parameters stated in the Collective Investment Scheme Code (CIS Code 2022) of the Securities and Exchange Commission of Sri Lanka.

There were no significant changes in the nature of the principle activities of the Fund during the year under review.

1.2. Approval of financial statements

The financial statements of the Fund for the year ended 31 March 2024 were authorised for issue by the Fund Management Company on 27 May 2024.

2. BASIS OF PREPARATION

2.1 Statement of compliance

The financial statements of the Fund have been prepared in accordance with the Sri Lanka Accounting Standards (SLFRS and LKAS) laid down by the Institute of Chartered Accountants of Sri Lanka in compliance with the requirements of the Collective Investment Scheme Code (CIS Code 2022) of the Securities and Exchange Commission of Sri Lanka.

These SLFRSs and LKASs are available at the website of CA Sri Lanka - www.casrilanka.com.

Management Companies and Trustee of Unit Trusts are directed to maintain a minimum number of fifty (50) unitholders for each fund at all times. Where the minimum number of unit holders fall below the specified minimum threshold due to redemption by a unitholder or any other supervening circumstance, the Management Company of the Fund is required to make the best efforts for compliance within 3 months from the date of the first shortfall and should consult the Commission forthwith.

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 current and non-current.

2.1.1. Fund Managers’ Responsibility for the Financial Statements

The Fund Manager is responsible for the preparation and fair presentation of these Financial Statements in accordance with SLFRS and LKAS and CIS Code 2022 of the Securities and Exchange Commission of Sri Lanka.

This responsibility includes: designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of Financial Statements that are free from material misstatements, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Financial Statements of the Fund at 31 March 2024 comprises of -

- The Statement of Profit or Loss and Other Comprehensive Income (SOPLOCI) providing information on the performance for the year under review (Refer page 61).
- Statement of Financial Position (SOFP) providing the information on the financial position of the Fund as at the year end (Refer page 62).
- Statement of Changes in Unitholders’ Fund providing the movement in the unitholders’ funds during the year under review (Refer page 63).
- Notes to the Financial Statements, which comprise of the Accounting Policies and other explanatory notes and information (Refer pages 65 to 91).

2.2. Basis of measurement

The financial statements have been prepared on the historical cost basis and applied consistently with no adjustments being made for inflationary factors affecting the financial statements, except for the financial assets at fair value through profit or loss. Following are the bases of measurement of financial instruments by the Fund.

NOTES TO THE FINANCIAL STATEMENTS

Category	Basis of Measurement	Note	Page Number
Financial assets measured at fair value through profit or loss	Fair value	Note 15	75
Financial assets at amortised cost	Amortised cost	Note 16	76

2.3. Functional and presentation currency

The financial statements are presented in Sri Lankan Rupees, which is the Fund's functional currency.

2.4. Use of estimates and judgments

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

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

Information about significant areas of estimation, uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements are described in the relevant Notes as follows.

Critical Accounting Estimate/Judgment	Disclosure Note	Page Number
Going concern	Note 2.4.1	66
Classification of financial assets	Note 3.4.3	67
Fair value of financial instruments	Note 15	75
Impairment losses on financial assets	Note 16.2.1	77

2.4.1. Going concern

The Fund Management Company has made an assessment of the Fund's ability to continue as a going concern and is satisfied that it has the resources to continue in business for the foreseeable future. Furthermore, management is not aware of any material uncertainties that may cast significant doubt upon the Fund's ability to continue as a going concern. Therefore, the Financial Statements continue to be prepared on the going concern basis.

2.4.2. Determination of fair values

'Fair value' is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Fund has access at that date. The fair value of a liability reflects its non-performance risk. Most of the Fund's accounting policies and disclosures require the determination of fair value for both financial assets and liabilities.

2.4.3. Fair value of financial instruments

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

3. MATERIALITY AND PRESENTATION

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

Assets and liabilities are grouped by nature and listed in an order that reflects their relative liquidity and maturity pattern. Where appropriate, the significant accounting policies are disclosed in the succeeding notes.

Assets and liabilities are offset and the net amount reported in the SOFP, only when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or to realise the assets and settle the liabilities simultaneously. Income and expenses are not offset in the Income Statement, unless required or permitted by Sri Lanka Accounting Standards.

3.1. Material accounting policies

The material accounting policies set out below have been applied consistently to all periods presented in the Financial Statements of the Fund, unless otherwise indicate.

In addition, the Fund adopted the disclosure of accounting policies (Amendments to LKAS 1 and SLFRS Practice statements) from 1 January 2023. The amendments require the disclosure of “material” rather than “significant” accounting policies. These amendments did not result in any changes to the accounting policies themselves.

3.2. Summary of material accounting policies

The accounting policies set out below have been applied consistently for all periods presented in the financial statements by the Fund unless otherwise indicated.

3.3. Index of material accounting policy information

Accounting Policy	Note	Page Number
Material accounting policies -General		
Financial Instruments	Note 3.4	67
Material accounting policies - Recognition of income and expenses		
Direct income	Note 8	73
Direct Expense	Note 8	73
Gain/ (Loss) on fair valuation of financial assets recognised through profit or loss - measured at fair value	Note 3.4.12	71
Administration expenses	Note 3.4.13	71
Income tax expenses	Note 13	74
Material accounting policies - Recognition of assets and liabilities		
Financial assets recognised through profit or loss - measured at fair value	Note 15	75
Financial assets at amortised cost	Note 16	76
Securities sold under re-purchase agreements	Note 3.4.8	70

3.4. Financial instruments

3.4.1. Initial recognition

Financial assets and liabilities are initially recognised on the trade date, i.e the date that the Fund becomes a party to the contractual provisions of the instrument. This includes purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the marketplace.

3.4.2. Initial measurement of financial instrument

The classification of financial instruments at initial recognition depends on their contractual terms and the business model for managing the instruments. At initial recognition, the Fund measures a financial asset at its fair value plus transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in the statement of profit or loss.

3.4.3. Classification and Subsequent Measurement of Financial Assets

The Fund classifies all its financial assets in the following measurement categories:

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

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

3.4.4. Business Model Assessment

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

- The stated policies and objectives for the portfolio and the operation of those policies in practice. In particular, whether Management’s strategy focuses on earning contractual interest revenue, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realising cash flows through the sale of the assets;
- How the performance of the portfolio is evaluated and reported to the Fund’s Management;

NOTES TO THE FINANCIAL STATEMENTS

- The risks that affect the performance of the business model (and the financial assets held within that business model) and its strategy for how those risks are managed;
- How managers of the business are compensated (e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected); and
- The frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Fund's stated objective for managing the financial assets is achieved and how cash flows are realised.

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

3.4.5. Financial Assets

Financial assets are classified appropriately as Financial assets recognised through profit or loss, Financial assets measured at fair value through other comprehensive income and Financial assets at amortised cost. All the financial assets are recognised at fair value at its initial recognition.

Financial Assets - Assessment whether contractual cash flows are solely payments of principal and interest (SPPI test)

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

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

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

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

Subsequent measurement

<p>Financial assets at FVTPL</p>	<p>A financial asset is measured at fair value through profit or loss if:</p> <ul style="list-style-type: none"> • Its contractual terms do not give rise to cash flows on specified dates that are solely payments of principal and interest on the principal amount outstanding or • It is not held within a business model whose objective is either to collect contractual cash flows, or to both collect contractual cash flows and sell or • At initial recognition, it is irrevocably designated as measured at FVTPL when doing so eliminate or significantly reduce a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases. <p>A gain or loss on a debt investment that is subsequently measured at FVTPL is recognised in profit or loss and presented net within unrealised gains/(loss) during the period in which it arises. FVTPL at SOFP comprise of investment in Government Securities and Corporate Debt Securities.</p>
<p>Financial assets at amortised cost</p>	<p>A debt instrument is measured at amortised cost if it is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and its contractual terms give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.</p> <p>Debt instruments at amortised cost in the SOFP comprise of investments in Investment in government securities purchased under resale agreement and fixed deposits.</p> <p>Any gain or loss arising on de-recognition is recognised directly in profit or loss and presented in realised gain/(loss) on debt instruments held at amortised cost. The amortised cost is reduced by impairment losses. Interest income, and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.</p>

3.4.6. Financial liabilities

Financial liabilities of the Fund are measured at amortised cost, and includes all financial liabilities, other than those measured at fair value through profit or loss. The financial liabilities of the Fund include accrued expenses and other payables.

a) Initial recognition and measurement

The Fund determines the classification of its financial liabilities at initial recognition.

The Fund's financial liabilities comprise of accrued expenses and other payables in the SOFP.

b) Subsequent measurement

The measurement of financial liabilities depends on their classification as described below:

Other financial liabilities

After initial recognition, other financial liabilities are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in the SOPLOCI when the liabilities are derecognised as well as through the EIR amortisation process.

NOTES TO THE FINANCIAL STATEMENTS

3.4.7. Identification, measurement and assessment of impairment

The Fund assesses on a forward-looking basis, the expected credit losses (ECLs) associated with its debt instruments not held at fair value through profit or loss. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Fund expects to receive, discounted at an approximation of the original effective interest rate.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures from which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

The Fund uses the ratings from either Fitch Rating Lanka Limited or Lanka Rating Agency Limited as applicable to determine the significant deterioration in credit risk and to estimate the ECLs.

Consistent with the policies of the Fund, investments when rated below BBB- are considered as non-investment grade investments and the Fund considers such investments as having incurred significantly deteriorated credit risk. Such investments are considered for lifetime ECL calculation.

Further, movements within the ratings of the investment grade stipulate significant deterioration of credit risk. Significant deterioration is measured through a two notch downgrade of the external credit rating of the counterparty since the origination of the instrument.

For debt instruments at amortised cost issued by Sovereign, the Fund applies the low-risk simplification. The Fund considers evidence of impairment for financial asset at amortised cost at both a specific asset and collective level. All individually significant financial asset at amortised cost are assessed for specific impairment. All individually significant financial asset at amortised cost found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Financial assets at amortised cost that are not individually significant are collectively assessed for impairment by grouping together financial assets at amortised cost with similar risk characteristics.

In assessing collective impairment, the Fund uses of historical trends of the probability of default, adjusted for management's judgment as to whether current economic

and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical data.

Impairment loss on assets carried at amortised cost are measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the asset's original effective interest rate. Impairment loss is recognised in profit or loss and reflected in an allowance account against loans and advances. Interest on impaired assets continues to be recognised through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

3.4.8. Sale and repurchase agreements

Securities sold subject to repurchase agreements (repos) remain on the SOFP, the counterparty liability is included under borrowings. Securities purchased under agreements to resell (reverse repos) are recorded as loans and advances. The difference between sale and repurchase price is treated as interest and accrued over the life of the agreements using the effective interest method.

3.4.9. De-recognition

A financial asset is de-recognised when,

- The rights to receive cash flows from the asset have expired.
- The Fund has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either,
 - The Fund has transferred substantially all the risks and rewards of the asset or
 - The Fund has neither transferred nor retained substantially all the risks and rewards of the asset but has transferred control of the asset

3.4.10. Offsetting of financial instruments

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

- there is a currently enforceable legal right to offset the recognised amounts and
- there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously

3.4.11. Provision

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

3.4.12. Gain/ (Loss) on fair valuation of financial assets recognised through profit or loss - measured at fair value

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

3.4.13. Expenses

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

Management fee	- 0.5 % p.a. of net asset value of the fund calculated on a daily basis.
Trustee fee	- 0.15 % p.a. of net asset value of the fund calculated on a daily basis.

4. COMPARATIVE INFORMATION

The comparative information is re-classified wherever necessary to conform with the current year’s classification in order to provide a better presentation.

5. 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.

6. 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 government securities, treasury bills/bonds repurchase agreements under government securities, fixed deposits, and commercial papers 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.

Fund managers’ responsibility for financial risk management

The fund manager is responsible for identifying and controlling the risk that arise from these financial instruments. Fund Manager’s financial risk management policies are established to identify and analyse the risks faced by the Fund, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Financial Risk Management Policies of the Fund translates overall risk appetite on business activities in a

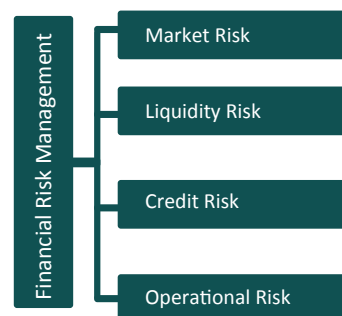
holistic approach to provide the guidance required for convergence of strategic and risk perspectives of the Fund.

The risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Fund’s activities. The Fund Manager, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations. 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 SOPLOCI and SOFP 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, investment committee, and ultimately the trustee of the fund.

Concentration of risk arises when a number of financial instruments or contracts are entered in to 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

Market risk

Market risk represents the risk that the value of the fund's investments portfolios will fluctuate as a result of changes in market prices. However, the fund's exposure to price risk and currency risk are deemed negligible as all its investments are short term fixed income securities denominated in Sri Lankan Rupees. 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.

Liquidity risk

Liquidity Risks represents the Unit Trust will not have adequate financial resources to meet Unit Trust's obligations as when they fall due. This risk arises from mismatches in the timing of cash flows. Taking steps to ensure, as far as possible, that it will always have adequate financial resources to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Unit Trust's reputation.

Credit risk

Credit risk is the risk of financial loss to the Unit Trust if a client or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Unit Trust's advances to clients, investment in corporate debt securities, investment in reverse repo agreements and forward transactions.

Operational risk

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

A detailed disclosure on how the financial risk Management is carried out within the Fund's Financial Risk Management Framework with due consideration given to Market, Liquidity, Credit, and Concentration risks are given in the Notes to the Financial Statements Section on "Risk Management disclosures" on pages 82 to 87.

7. NEW AMENDMENTS TO THE SRI LANKA ACCOUNTING STANDARDS

7.1. Standards issued but not effective as at Reporting date

The Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) has issued following new amendments to the Sri Lanka Accounting Standards which will become applicable for financial periods beginning after on or after 1 January 2024. Accordingly, the Fund has not applied the following new amendments to the standard in preparing these Financial Statements.

Definition of accounting estimates (Amendments to LKAS 8)

Accounting Policies, Changes in Accounting Estimates and Errors clarifies how companies shall distinguish changes in accounting policies from changes in accounting estimates. The amendments introduce a new definition for accounting estimates clarifying that they are monetary amounts in the financial statements that are subject to measurement uncertainty. Additionally, the amendments also clarify the relationship between accounting policies and accounting estimates by specifying that an entity develops an accounting estimate to achieve the objective set out by an accounting policy. Further, it emphasises that a change in accounting estimate that results from new information or new developments are not the correction of an error and the effects of a change in an input or a measurement technique used to develop an accounting estimate change in accounting estimates if they do not result from the correction of prior period errors.

Accounting policy**Interest Income and Expense**

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

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

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

Interest income and expense presented in the statement of profit or loss and other comprehensive income include:

- Interest on financial assets and financial liabilities measured at amortised cost calculated on an effective interest basis; and
- Interest on financial assets measured at fair value through profit or loss are calculated on an effective interest basis.

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

Gain/(loss) on sale of financial assets measured at fair value through profit or loss

Gain/(loss) on Sale of Financial Assets measured at fair value through profit or loss comprises realised trading gains on disposal of government securities, commercial papers, securitised papers and debentures, are presented in direct income as sale of financial assets at fair value through profit or loss in the statement of profit or loss and other comprehensive income.

8. INCOME

For the year ended 31 March,	2024	2023
	Rs.	Rs.
Interest income on financial assets recognised through profit or loss measured at fair value	2,559,535,082	483,543,532
Interest income on financial assets at amortised cost	1,477,911,509	187,519,029
Placement fee	6,328,013	18,662,968
Gain on sale of financial assets recognised through profit or loss - measured at fair value	20,134,301	4,478,102
	4,063,908,905	694,203,631

9. GAIN ON FAIR VALUATION OF FINANCIAL ASSETS RECOGNISED THROUGH PROFIT OR LOSS -MEASURED AT FAIR VALUE

For the year ended 31 March,	2024	2023
	Rs.	Rs.
Commercial Papers	52,588,507	25,004,797
Securitised Papers	(2,291,539)	13,865,301
Treasury Bill	32,605,183	36,973,703
Treasury Bond	208,898,010	-
	291,800,161	75,843,801

NOTES TO THE FINANCIAL STATEMENTS

10. DIRECT EXPENSES

For the year ended 31 March,	2024	2023
	Rs.	Rs.
Interest expense on repo borrowings	4,757,286	41,449,199
	4,757,286	41,449,199

11. ADMINISTRATION EXPENSES

For the year ended 31 March,	2024	2023
	Rs.	Rs.
Management fee	121,483,447	19,119,706
Trustee fee	39,361,649	6,480,958
Auditor's remuneration	608,112	494,906
	161,453,208	26,095,570

12. OTHER OPERATING EXPENSES

For the year ended 31 March,	2024	2023
	Rs.	Rs.
Bank charges	916,606	484,170
	916,606	484,170

13. INCOME TAX EXPENSES

Accounting policy

The provision for income tax is based on the elements of income and expenditure as reported in the financial statements and computed in accordance with the provisions of Inland Revenue Act.

The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date. The fund is not liable to pay income tax as at the reporting date in accordance with the Inland Revenue Act No. 24 of 2017 as amended by the Inland Revenue (Amendment) Act No. 10 of 2021 and subsequent amendments thereto. The fund's income generated through investment business are treated as "pass through vehicles" under the provisions of Inland Revenue Act No. 24 of 2017 as amended by the Inland Revenue (Amendment) Act No. 10 of 2021 and subsequent amendments thereto.

Reconciliation between current tax expense and the accounting profit

For the year ended 31 March,	2024	2023
	Rs.	Rs.
Profit before tax as per financial statements	4,181,433,425	702,934,778
Less: Exempted income	(4,181,433,425)	(702,934,778)
Taxable income	-	-
Income tax expense	-	-

14. CASH AT BANK

As at,		31.03.2024	31.03.2023
	Note	Rs.	Rs.
Bank of Ceylon	14.1	30,342,138	4,675,304
Sampath Bank PLC	14.1	258,940	264,440
		30,601,078	4,939,744

The above balance represents as at 31 March 2024 is with credit rating of "A".

14.1. Bank balances are maintained only to settle day to day operations. Excess cash balances are reviewed on a daily basis and transferred the same to investment account. Remaining cash at bank represent current account balance with banks, which are due on demand. Accordingly no impairment provision is required.

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

Accounting policy
A financial asset is classified at fair value through Profit or Loss if it is classified as held for trading or is designated as such upon initial recognition. Financial assets are designated at fair value through Profit or Loss if the Fund manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Fund's documented risk management or investment strategy. Upon initial recognition, transaction costs are recognised in Profit or Loss as incurred.
Financial assets at fair value through Profit or Loss are measured at fair value, and subsequent therein are recognised in Profit or Loss.
Following assets represent financial assets at fair value though profit or loss,
<ul style="list-style-type: none"> • Investment in government securities • Investment in debentures • Investment in commercial papers • Investment in securitised papers

As at,		31.03.2024	31.03.2023
	Note	Rs.	Rs.
Commercial papers	15.1	7,154,146,879	461,991,491
Securitised papers	15.2	-	273,300,432
Government securities	15.3	22,536,501,057	2,720,938,742
		29,690,647,936	3,456,230,665

15.1. Commercial papers

Name of the issuer	Issuer credit rating	Value - Net as at 31 March 2024 (Rs.)	Percentage exposure to each issuer against the Net Asset Value of the Fund	Value - Net as at 31 March 2023 (Rs.)	Percentage exposure to each issuer against the Net Asset Value of the Fund
First Capital Holdings PLC	A	-	-	266,667,759	6%
LOLC Holdings PLC	A	6,625,309,551	14%	-	-
Janashakthi Limited	BB-	-	-	195,323,732	4%
Richard Pieris Finance Limited	A	528,837,328	1%	-	-
		7,154,146,879	15%	461,991,491	10%

NOTES TO THE FINANCIAL STATEMENTS

15.2. Securitised papers

Name of the issuer	Issuer credit rating	Value - Net as at 31 March 2024 (Rs.)	Percentage exposure to each issuer against the Net Asset Value of the Fund	Value - Net as at 31 March 2023 (Rs.)	Percentage exposure to each issuer against the Net Asset Value of the Fund
Richard Pieris Finance Limited	A	-	-	273,300,432	6%
		-	-	273,300,432	6%

15.3. Government securities

	Value - Net as at 31 March 2024 (Rs.)	Percentage exposure to each issuer against the Net Value of the Fund	Value - Net as at 31 March 2023 (Rs.)	Percentage exposure to each issuer against the Net Value of the Fund
Treasury Bill	15,783,411,983	32%	2,720,938,742	58%
Treasury Bond	6,753,089,074	14%	-	-
	22,536,501,057	46%	2,720,938,742	58%

16. FINANCIAL ASSETS AT AMORTISED COST

Accounting policy

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

(a) the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and

(b) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. Financial assets at amortised cost of the Fund comprise of the followings,

- Investment in government securities purchased under resale agreement
- Fixed deposits

As at,	Note	31.03.2024 Rs.	31.03.2023 Rs.
Investment in government securities purchased under resale agreement	16.1	16,845,150,057	1,235,534,352
Investments in fixed deposits	16.2	4,219,593,566	-
		21,064,743,623	1,235,534,352

16.1. This represent investment in Resale agreements entirely backed by Government securities. No impairment provisions derived through these investments.

16.2. Investments in fixed deposits (Net of provision for impairment)

As at,		31.03.2024		31.03.2023	
Name of the issuer	Issuer credit rating	Value - Net as at 31 March 2024 Rs.	Percentage exposure to each issuer against the Net Asset Value of the Fund	Value - Net as at 31 March 2023 Rs.	Percentage exposure to each issuer against the Net Asset Value of the Fund
Alliance Finance Company PLC	BBB-	1,324,122,932	2.73%	-	-
Siyapatha Finance PLC	BBB+	509,937,067	1.05%	-	-
Mahindra Ideal Finance Limited	AA-	353,617,146	0.73%	-	-
Senkadagala Finance Company PLC	BBB	507,924,166	1.05%	-	-
Asia Asset Finance PLC	A+	506,757,724	1.04%	-	-
Singer Finance (Lanka) PLC	BBB	506,472,664	1.04%	-	-
HNB Finance PLC	BBB+	510,761,867	1.05%	-	-
		4,219,593,566	8.69%	-	-

16.2.1. Fixed deposit

As at,	Note	31.03.2024 Rs.	31.03.2023 Rs.
Investments in fixed deposits		4,226,742,107	-
Less :- Provision for Impairment	16.3	(7,148,541)	-
		4,219,593,566	-

16.3. Provision for impairment in investment in fixed deposit represents "Stage 1", "Stage 2" and "Stage 3" expected credit losses (ECL) in accordance with SLFRS 9. Accordingly, individual impairment provision has been derived as follows,

As at,	31.03.2024 Rs.	31.03.2023 Rs.
Stage 1 - 12 months expected loss	7,148,541	-
Stage 2 - Life time expected losses, not credit impaired	-	-
Stage 3 - Life time expected losses, credit impaired	-	-
	7,148,541	-

16.3.1. Movement in provision for expected credit loss

As at,	31.03.2024 Rs.	31.03.2023 Rs.
Balance as the beginning of the year	-	916,285
Provision/(Reversal) for the year	7,148,541	(916,285)
Balance at the end of the year	7,148,541	-

17. OTHER RECEIVABLES

As at,	31.03.2024 Rs.	31.03.2023 Rs.
Placement fee receivables	6,328,013	-
Miscellaneous receivables	-	409,260
	6,328,013	409,260

NOTES TO THE FINANCIAL STATEMENTS

18. ACCRUALS AND OTHER PAYABLES

As at,	31.03.2024	31.03.2023
	Rs.	Rs.
Management fee payable	23,417,534	2,059,321
Trustee fee payable	6,977,796	728,683
Auditor's remuneration payable	593,826	480,311
Placement fee received in advance	-	108,975
Outstanding unit investments	29,701,226	4,025,774
Payable on investment in treasury bill	1,116,963,417	-
Miscellaneous payables	388,348	7,495,912
	1,178,042,147	14,898,976

19. NET ASSETS VALUE PER UNIT

As at,	31.03.2024	31.03.2023
	Rs.	Rs.
Net assets attributable to unitholders (Rs.)	48,588,562,951	4,682,215,045
Total number of units	15,895,599	1,870,544
Net assets value per unit (Rs.)	3,056.73	2,503.13

19.1. Movements in the number of units and net assets during the year is as follows:

	No. of Units	Rs.
Balance as at 1 April 2022	7,430,808	15,431,165,215
Increase due to unit creation during the year	6,955,113	15,959,591,347
Decrease due to unit redemption during the year	(12,515,377)	(27,411,476,295)
Increase in net assets attributable to unit holders	-	702,934,778
Balance as at 31 March 2023	1,870,544	4,682,215,045
Balance as at 1 April 2023	1,870,544	4,682,215,045
Increase due to unit creation during the year	39,263,215	112,063,368,437
Decrease due to unit redemption during the year	(25,238,160)	(72,338,453,956)
Increase in net assets attributable to unit holders	-	4,181,433,425
Balance as at 31 March 2024	15,895,599	48,588,562,951
Year on year increase	750%	938%

20. ANALYSIS OF FINANCIAL INSTRUMENT BY MEASUREMENT BASIS

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

As at 31 March 2024	Financial Assets Measured at fair value	Financial Assets at Amortised cost	Carried at cost	Total
	Rs.	Rs.	Rs.	Rs.
Assets				
Cash at bank	-	30,601,078	-	30,601,078
Financial assets recognised through profit or loss - measured at fair value				
Commercial papers	7,154,146,879	-	-	7,154,146,879
Government securities	22,536,501,057	-	-	22,536,501,057
Financial assets at amortised cost				
Investment in government securities purchased under resale agreement	-	16,845,150,057	-	16,845,150,057
Investments in fixed deposits	-	4,219,593,566	-	4,219,593,566
	29,690,647,936	21,095,344,701	-	50,785,992,637
Liabilities				
Repo borrowing against governments securities	-	1,025,715,552	-	1,025,715,552
Accruals and other payables	-	-	1,178,042,147	1,178,042,147
	-	1,025,715,552	1,178,042,147	2,203,757,699
As at 31 March 2023				
	Measured at fair value	Amortised cost	Carried at cost	Total
	Rs.	Rs.	Rs.	Rs.
Assets				
Cash at bank	-	4,939,744	-	4,939,744
Financial assets recognised through profit or loss - measured at fair value				
Securitised papers	273,300,432	-	-	273,300,432
Commercial papers	461,991,491	-	-	461,991,491
Government securities	2,720,938,742	-	-	2,720,938,742
Financial assets at amortised cost				
Investment in Government securities purchased under resale agreements	-	1,235,534,352	-	1,235,534,352
	3,456,230,665	1,240,474,096	-	4,696,704,761
Liabilities				
Accruals and other payables	-	-	14,898,976	14,898,976
	-	-	14,898,976	14,898,976

NOTES TO THE FINANCIAL STATEMENTS

21. DETERMINING OF FAIR VALUE AND HIERARCHY OF FAIR VALUE

Level 1 - Financial Instruments that are measured in whole or in part by reference to published quotes in an active market. A Financial Instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange and those prices represent actual and regularly occurring market transactions on an arm's length basis.

Level 2 - Financial instruments that are measured at fair value on regular basis. As market quotes generally are not readily available or accessible for these securities, their fair value measures are determined using relevant information generated by the market transactions involving comparable securities.

Level 3 - Financial Instruments that are not supported by observable market prices information.

Due to the nature of short term maturity, carrying value of the financial assets at amortised cost are approximated to their fair value.

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

As at 31 March 2024	Level 1	Level 2	Level 3	Total fair value
	Rs.	Rs.	Rs.	Rs.
Financial assets measured at fair value				
Financial assets recognised through profit or loss - measured at fair value				
Commercial papers	-	7,154,146,879	-	7,154,146,879
Government securities	22,536,501,057	-	-	22,536,501,057
	22,536,501,057	7,154,146,879	-	29,690,647,936

As at 31 March 2023	Level 1	Level 2	Level 3	Total fair value
	Rs.	Rs.	Rs.	Rs.
Financial assets measured at fair value				
Financial assets recognised through profit or loss - measured at fair value				
Securitised papers	-	273,300,432	-	273,300,432
Commercial papers	-	461,991,491	-	461,991,491
Government securities	2,720,938,742	-	-	2,720,938,742
	2,720,938,742	735,291,923	-	3,456,230,665

21.1. Measurement of fair values

21.1.1. (a) Valuation techniques and significant unobservable inputs

The following table show the valuation techniques used in measuring Level 2 fair values, as well as the significant unobservable inputs used.

Financial instruments measured at fair value

Type	Valuation technique	Significant unobservable inputs
Investment in Commercial papers	The valuation model is based on Yield Curve of the Government Securities. Yields relating to Government Securities based on the maturities of the respective commercial paper is interpolated in the valuation considering the initial risk premiums (at the time of issue) of the investee companies are constant as at the reporting date.	Risk premium of the investee companies (0% - 5.67%)

21.1.1. (b) Reconciliation of level 2 fair values

	Commercial papers Rs.	Securitised papers Rs.	Total Rs.
Balance as at 1 April 2023	461,991,491	273,300,432	735,291,923
Purchases	11,530,147,260	-	11,530,147,260
Sales/ Matured	(5,568,352,423)	(273,300,432)	(5,841,652,855)
Interest accrued	677,772,043	-	677,772,043
Gain/ (loss) on fair valuation of financial assets	52,588,508	-	52,588,508
Balance as at 31 March 2024	7,154,146,879	-	7,154,146,879

21.1.1. (c) Sensitivity of the Market Yield on Financial Instruments measured at fair value is as follows.

Sensitivity of the market yield (effect on statement of profit or loss and other comprehensive income) increase/ decrease in results for the year.

	(-) 0.5% Decrease (Effect in Rs.)	(+) 0.5% Increase (Effect in Rs.)
Investment in Commercial Papers	16,910,410	(16,793,396)
Investment in Treasury Bills	30,204,417	(30,037,157)
Investment in Treasury Bonds	10,966,856	(10,911,322)

Financial Instruments for which fair value approximates carrying value.

For financial assets and financial liabilities that have a short term maturity (original maturity less than 397 days), it is assumed that the carrying amount approximates their fair values. This assumption is also applied to lending without specific maturity or revolving nature.

NOTES TO THE FINANCIAL STATEMENTS

22. FINANCIAL RISK MANAGEMENT

Overview

The Unit Trust has exposure to the following risks via financial instruments.

- Market risk
- Liquidity risk
- Credit risk
- Operational risk

This Note presents information about the Unit Trust's exposure to each of the above risks and the objectives, policies and processes for measuring and managing risk.

22.1. Risk management framework

The Board of Directors of the fund management company has the overall responsibility for the establishment and oversight of the Unit Trust's risk management framework. The Management Company has established an Enterprise Risk Management Committee (ERMC) which is tasked with reviewing wide-ranging risk categories that includes market, liquidity, credit and operational risk. The committee members have been assigned the responsibility to manage these risks prudently.

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

22.1. (a) Market risk

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

Management of market risk includes the following elements.

- Overall authority for managing market risk is vested with the Board of Directors of the fund management company.
- The operational authority for managing market risk is vested with the Investment Committee (IC).
- Interest rate risk is managed within the approved limits by the Investment Committee.

22.1. (b) Liquidity risk

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

Management of liquidity risk includes the following elements:

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

Maturity analysis of the financial assets and financial liabilities

As at 31 March 2024	Carrying amount	Less than 30 days	31 - 90 days	91 - 180 days	181 - 396 days
	Rs.	Rs.	Rs.	Rs.	Rs.

Assets

Cash at bank	30,601,078	30,601,078	-	-	-
Financial assets recognised through profit or loss - measured at fair value	29,690,647,936	2,743,285,883	7,683,403,942	11,554,517,531	7,709,440,580
Financial assets at amortised cost	21,064,743,623	16,845,150,057	-	-	4,219,593,566
Total financial assets	50,785,992,637	19,619,037,018	7,683,403,942	11,554,517,531	11,929,034,146

Liabilities

Repo borrowing against governments securities	1,025,715,552	1,025,715,552	-	-	-
Accruals and other payables	1,178,042,147	1,178,042,147	-	-	-
Total financial liabilities	2,203,757,699	2,203,757,699	-	-	-

As at 31 March 2023	Carrying amount	Less than 30 days	31 - 90 days	91 - 180 days	181 - 396 days
	Rs.	Rs.	Rs.	Rs.	Rs.

Assets

Cash at bank	4,939,744	4,939,744	-	-	-
Financial assets recognised through profit or loss - measured at fair value	3,456,230,665	446,394,115	998,783,841	1,547,190,295	463,862,414
Financial assets at amortised cost	1,235,534,352	1,235,534,352	-	-	-
Total financial assets	4,696,704,761	1,686,868,211	998,783,841	1,547,190,295	463,862,414

Liabilities

Accruals and other payables	14,898,976	14,898,976	-	-	-
Total financial liabilities	14,898,976	14,898,976	-	-	-

22.1. (c) Credit risk

Credit risk is the risk of financial loss to the Unit Trust if a client or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Unit Trust's advances to clients, investment in corporate debt securities, investment in reverse repo agreements and forward transactions.

Management of credit risk includes the following components:

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

NOTES TO THE FINANCIAL STATEMENTS

Credit quality by class of financial assets

As at 31 March 2024	12 Month expected credit loss	Life time expected credit losses not credit impaired	Life time expected credit losses credit impaired	Total
	Rs.	Rs.	Rs.	Rs.
Assets				
Cash at bank	30,601,078	-	-	30,601,078
Financial assets at amortised cost	21,064,743,623	-	-	21,064,743,623
Total financial assets	21,095,344,701	-	-	21,095,344,701

As at 31 March 2023	12 Month expected credit loss	Life time expected credit losses not credit impaired	Life time expected credit losses credit impaired	Total
	Rs.	Rs.	Rs.	Rs.
Assets				
Cash at bank	4,939,744	-	-	4,939,744
Financial assets at amortised cost	1,235,534,352	-	-	1,235,534,352
Total financial assets	1,240,474,096	-	-	1,240,474,096

Sensitivity of ECL to future economic conditions

The Fund has estimated the impairment provision on financial investments as at 31 March 2024, subject to various assumptions. The following table demonstrates the sensitivity of the impairment provision of the Fund as at 31 March 2024 and 2023 to a feasible change in the following variables assuming all other variables remain constant.

Sensitivity of ECL

As at 31 March,	2024		2023	
	Effect on SOFP Rs.	Effect on PBT Rs.	Effect on SOFP Rs.	Effect on PBT Rs.
Change in Probability Default (PD) factor:				
10% increase	714,854	714,854	-	-
10% decrease	(714,854)	(714,854)	-	-
Change in macro economic variables:				
10% increase	(130,155)	(130,155)	-	-
10% decrease	126,666	126,666	-	-
Change in Loss Given Default (LGD) factor:				
10% increase	714,854	714,854	-	-
10% decrease	(714,854)	(714,854)	-	-

Analysis of concentration risk

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

As at 31 March 2024	Cash at bank	Financial assets recognised through profit or loss - measured at fair value	Financial assets - at amortised cost	Total financial assets
	Rs.	Rs.	Rs.	Rs.
Sector wise breakdown				
Government	30,342,138	22,536,501,057	16,845,150,057	39,411,993,252
Corporate	258,940	7,154,146,879	4,219,593,566	11,373,999,385
	30,601,078	29,690,647,936	21,064,743,623	50,785,992,637

As at 31 March 2023	Cash at bank	Financial assets recognised through profit or loss - measured at fair value	Financial assets at amortised cost	Total financial assets
	Rs.	Rs.	Rs.	Rs.
Sector wise breakdown				
Government	4,675,304	2,720,938,742	79,528,393	2,805,142,439
Corporate	264,440	735,291,923	1,156,005,959	1,891,562,322
	4,939,744	3,456,230,665	1,235,534,352	4,696,704,761

Credit quality analysis of financial investments

As at 31 March 2024	Risk Status	Amortised Cost	FVTPL	Total
		Rs.	Rs.	Rs.
Government securities	Risk free	15,819,434,505	22,536,501,057	38,355,935,562

Debt instruments having credit ratings*

AA+ to A+	Low risk	-	-	-
A to BBB	Medium risk	-	7,154,146,879	7,154,146,879
Below BBB	High risk	-	-	-

Fixed Deposits

AA+ to A+	Low risk	860,374,870	-	860,374,870
A to BBB	Medium risk	2,035,095,764	-	2,035,095,764
Below BBB	High risk	1,324,122,932	-	1,324,122,932

As at 31 March 2023	Risk Status	Amortised Cost	FVTPL	Total
		Rs.	Rs.	Rs.
Government securities	Risk free	1,235,534,352	2,720,938,742	3,956,473,094

Debt instruments having credit ratings*

AA+ to A+	Low risk	-	-	-
A to BBB	Medium risk	-	539,968,191	539,968,191
Below BBB	High risk	-	195,323,732	195,323,732

*This includes only investment in Commercial Papers and Securitised Papers and does not include equity investments.

NOTES TO THE FINANCIAL STATEMENTS

22.1.(d) Credit Quality by Counterparties wise

The funds' maximum exposure to credit risk can be analysed as follows;

Issuer Name	Instrument Type	Fair Value - Rs.	Exposure (as of 31.03.2024)	Rating
Bank of Ceylon	Repo Investments	447,019,071	0.9% AAA	Sovereign
First Capital Treasuries PLC	Repo Investments	12,394,010,438	25.5% AAA	Sovereign
Acuity Securities Limited	Repo Investments	2,002,060,274	4.1% AAA	Sovereign
Capital Alliance PLC	Repo Investments	2,002,060,274	4.1% AAA	Sovereign
Government of Sri Lanka	Government Securities	21,510,785,506	46.4% AAA	Sovereign
Richard Pieris Finance Limited	Commercial Paper	528,837,328	1.1% A	Fitch
LOLC Holdings PLC	Commercial Paper	6,625,309,551	13.6% A	Lanka Rating
Mahindra Ideal Finance Limited	Fixed Deposit	353,617,146	0.7% AA-	Fitch
Asia Asset Finance PLC	Fixed Deposit	506,757,724	1.0% A-	LRA
HNB Finance PLC	Fixed Deposit	510,761,867	1.1% BBB+	Fitch
Siyapatha Finance PLC	Fixed Deposit	509,937,067	1.0% BBB+	Fitch
Singer Finance (Lanka) PLC	Fixed Deposit	506,472,664	1.0% BBB	Fitch
Senkadagala Finance Company PLC	Fixed Deposit	507,924,166	1.0% BBB	Fitch
Alliance Finance Company PLC	Fixed Deposit	1,324,122,932	2.7% BBB-	Lanka Rating
First Capital Treasuries PLC	Repo Borrowing	1,025,715,551	2.1% AAA	Sovereign

Issuer Name	Instrument Type	Fair Value - Rs.	Exposure (as of 31.03.2023)	Rating
First Capital Treasuries PLC	Repo Investments	904,572,726	19.3% AAA	Sovereign
Bank of Ceylon	Repo Investments	79,528,393	1.7% AAA	Sovereign
Capital Alliance PLC	Repo Investments	251,433,233	5.4% AAA	Sovereign
Government of Sri Lanka	Government Securities	2,720,938,742	58.1% AAA	Sovereign
First Capital Holdings PLC	Commercial Paper	266,667,759	5.7% A	ICRA Lanka
Janashakthi Limited	Commercial Paper	195,323,732	4.2% BB-	ICRA Lanka
Richard Pieris Finance Limited	Securitised Paper	273,300,432	5.8% A	Fitch

Note 1: Repo Investments and Repo Borrowings are against Government Securities.

Note 2: Rating of the Repo Investments and Repo Borrowings are the rating of Sovereign Instruments (Government Securities).

22.1. (e) Interest rate risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate as a result 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. However, due to the short term nature of the, it is reasonably expected that the fluctuation in interest rate will not materially impact the net assets value of the fund.

The following table demonstrates the sensitivity of the financial assets at amortised cost to statement of comprehensive income to reasonably possible changes in interest rates, with all other variables held constant.

	Increase/ (decrease) in basis points	Effect on the profit for the year ended 31.03.2024	Effect on the profit for the year ended 31.03.2023
	%	Rs.	Rs.
Increase in interest rate	+0.5%	(57,741,875)	(4,467,510)
Decrease in interest rate	-0.5%	58,081,683	4,483,092

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

	Floating interest rate	Fixed interest rate	Total
	Rs.	Rs.	Rs.
As at 31 March 2024			
Assets			
Commercial papers	-	7,154,146,879	7,154,146,879
Government securities	-	22,536,501,057	22,536,501,057
Total financial assets	-	29,690,647,936	29,690,647,936

	Floating interest rate	Fixed interest rate	Total
	Rs.	Rs.	Rs.
As at 31 March 2023			
Assets			
Commercial papers	-	461,991,491	461,991,491
Government securities	-	2,720,938,742	2,720,938,742
Securitised papers	-	273,300,432	273,300,432
Total financial assets	-	3,456,230,665	3,456,230,665

22.1. (f) Operational risk

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

23. RELATED PARTY DISCLOSURES

Accounting policy

The Company carried out transactions in the ordinary course of business on arm's length basis with parties who are defined as related parties as per the Sri Lanka Accounting Standard - LKAS 24 'Related Party Disclosures'.

23.1. Directorships in other companies

The Directors of First Capital Asset Management Limited (Management Company of the Unit Trust) are also Directors of the following companies (as of 31 March 2024).

Name of the company	Relationship	Mr. Nishan Fernando	Ms. Manjula Mathews	Mr. Dilshan Wirasekara	Ms. Minette Perera	Mr. Chandana de Silva	Dr. Nishan de Mel
Janashakthi Limited	Ultimate Parent	-	Director	-	Director	Chairman	-
Janashakthi Insurance PLC	Subsidiary of the Ultimate Parent	-	-	-	-	-	Director
Janashakthi Capital Limited	Subsidiary of the Ultimate Parent	-	-	-	-	-	-
Janashakthi Business Services (Private) Limited	Subsidiary of the Ultimate Parent	-	-	-	-	-	-
Janashakthi Corporate Services Limited	Subsidiary of the Ultimate Parent	-	-	-	-	-	-
Beckett Capital (Pvt) Ltd	Subsidiary of the Ultimate Parent	-	-	-	-	-	-
Orient Finance PLC	Subsidiary of the Ultimate Parent	-	-	-	Director	-	-
First Capital Holdings PLC	Intermediary Parent	Chairman	Deputy Chairperson	Managing Director/ CEO	-	Director	-
First Capital Limited	Immediate Parent	Chairman	Deputy Chairperson	Managing Director/ CEO	-	Director	-
First Capital Treasuries PLC	Subsidiary of the Immediate Parent	-	Chairperson	Director	Director	Director	Director
First Capital Markets Limited	Subsidiary of the Immediate Parent	Chairman	Deputy Chairperson	Managing Director/ CEO	Director	Director	Director
First Capital Equities (Private) Limited	Subsidiary of the Immediate Parent	Chairman	Deputy Chairperson	Managing Director	Director	Director	Director
First Capital Trustee Services (Private) Limited	Subsidiary of the Immediate Parent	-	Deputy Chairperson	Managing Director/ CEO	-	-	-
First Capital Advisory Services (Private) Limited	Subsidiary of the Immediate Parent	Chairman	Deputy Chairperson	Managing Director/ CEO	-	-	-

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

The Fund carries out transactions with parties who are defined as related parties as per Sri Lanka Accounting Standard (LKAS 24), "Related Party Disclosure", in the ordinary course of its business. The details of such transactions are reported below. The pricing applicable to such transactions is based on the assessment of risk and pricing model of the Fund and is comparable with what is applied to transactions between the Fund and its unrelated customers. Related party transactions were made on terms equivalent to those that prevail in arm's length transactions.

23.2. Transaction with Management Company

Name of the company	Nature of the transaction	Transaction amount 2023/24	Amounts owed (to)/ by the related party as at 31.03.2024	Transaction amount 2022/23	Amounts owed (to)/ by the related party as at 31.03.2023
		Rs.	Rs.	Rs.	Rs.
First Capital Asset Management Limited	Management fee	121,483,447	(23,417,534)	19,119,706	(2,059,321)
	Benefit accrued on Unit Trust	3,042,930	-	11,805,047	-

Amounts owed (to)/ by the related party	Nature of the transaction	Amounts owed (to)/ by the related party as at 31.03.2024	Amounts owed (to)/ by the related party as at 31.03.2023
		Rs.	Rs.
First Capital Asset Management Limited	Bank deposit made	(277,374)	(277,374)
	Investment in Unit Trust*	(39,376,345)	(34,955,134)

*Number of units under this investment as at 31.03.2024 - 12,881.85 (31.03.2023 - 13,964.57).

NOTES TO THE FINANCIAL STATEMENTS

23.3. Transaction with ultimate parent company/ parent company/ immediate parent company/ intermediary parent company/ subsidiaries of the immediate parent of the Management Company.

Nature of transaction	Year ended 31.03.2024		Year ended 31.03.2023	
	2023/24	Amounts owed (to)/ by the related party as at 31.03.2024	2022/23	Amounts owed (to)/ by the related party as at 31.03.2023
	Rs.	Rs.	Rs.	Rs.
Interest income	2,301,162,464	-	147,636,461	-
Interest expense	4,757,285	-	25,926,710	-
Gain/ (Loss) on sale of financial investments - held for trading	120,360	-	4,478,102	-
Investment in unit trust	-	(4,096,706,402)	-	(942,238,533)
Repo borrowings	-	(1,025,715,552)	-	-
Resale agreements	-	12,394,010,438	-	904,572,726
Benefit accrued on unit trust	447,232,706	-	126,161,230	-
Investment in commercial papers	-	-	-	461,991,491

23.4. Transactions with key management personnel (KMP) and their close family members (CFM)

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

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

- The individual's domestic partner and children;
- Children of the individual's domestic partner; and
- Dependents of the Individual or the individual's domestic partner

Close Family Members are related parties to the Entity.

Transactions with KMP/CFM	Year ended 31.03.2024		Year ended 31.03.2023	
	2023/24	Amounts owed (to)/ by the related party as at 31.03.2024	2022/23	Amounts owed (to)/ by the related party as at 31.03.2023
	Rs.	Rs.	Rs.	Rs.
Investment in Unit Trust	-	(103,647,713)	-	(11,748,866)
Benefit accrued on Unit Trust*	39,061,018	-	3,489,673	-

*Number of units under this investment as at 31.03.2024 - 33,908.03 (31.03.2023 - 4,693.67).

24. CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

Accounting policy

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

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

There were no material capital commitments and contingent liabilities as at the reporting date which require disclosure in the financial statements.

25. EVENTS OCCURRING AFTER THE REPORTING PERIOD

Accounting policy

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

All material and important events that occurred after the reporting date have been considered and appropriate disclosures are made in the financial statements.

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

RECONCILIATION FOR THE NET ASSET VALUE REPORTED AS AT 31 MARCH 2024

	Rs.
Net Asset Value of the Fund as per Monthly Return	48,266,256,459
Add : Gain on fair valuation of financial asset - at fair value through profit or loss	329,455,033
Less : Impairment provision for financial asset - at amortised cost	(7,148,541)
Net Asset Value of the Fund as per Audited Financial Statements	48,588,562,951



SUPPLEMENTARY INFORMATION

SEMI ANNUAL RESULTS

For the period,	2023/24		2022/23	
	Semi Annually 30.09.2023 Rs.	Semi Annually 31.03.2024 Rs.	Semi Annually 30.09.2022 Rs.	Semi Annually 31.03.2023 Rs.
Income	1,209,352,636	2,854,556,269	259,686,526	434,517,105
Direct expenses	(378,082)	(4,379,204)	(41,449,199)	-
Net trading income	1,208,974,554	2,850,177,065	218,237,327	434,517,105
Gain/ (Loss) on financial assets recognised through profit or loss - measured at fair value	307,664,042	(15,863,881)	31,413,586	44,430,215
	1,516,638,596	2,834,313,184	249,650,913	478,947,320
Administrative expenses and other operating expenses	(35,877,332)	(126,492,482)	(15,036,605)	(11,543,135)
(Provision)/ reversal for impairment of financial assets at amortised cost	-	(7,148,541)	849,560	66,725
Profit before tax	1,480,761,264	2,700,672,161	235,463,868	467,470,910
Income tax expense	-	-	-	-
Profit for the period	1,480,761,264	2,700,672,161	235,463,868	467,470,910
Increase in net assets attributable to unitholders	1,480,761,264	2,700,672,161	235,463,868	467,470,910

FIVE YEAR SUMMARY

Year ended 31 March,	2024	2023	2022	2021	2020
	Rs.	Rs.	Rs.	Rs.	Rs.

Trading Results

Gross income	4,063,908,905	694,203,631	1,713,285,944	1,221,227,960	756,936,984
Net trading income	4,059,151,619	652,754,432	1,699,324,010	1,220,867,600	756,683,153
Profit for the year	4,181,433,425	702,934,778	1,527,661,338	1,123,378,450	723,253,866

As at 31 March,	2024	2023	2022	2021	2020
	Rs.	Rs.	Rs.	Rs.	Rs.

Statements of Financial Position

Assets

Cash at bank	30,601,078	4,939,744	7,688,208	18,775,444	475,248,970
Financial assets recognised through profit or loss - measured at fair value	29,690,647,936	3,456,230,665	8,657,802,283	9,358,051,401	4,043,542,225
Financial assets at amortised cost	21,064,743,623	1,235,534,352	6,756,610,440	12,091,948,498	2,439,931,408
Other receivables	6,328,013	409,260	27,469,207	52,094,775	191,406,683
Total assets	50,792,320,650	4,697,114,021	15,449,570,138	21,520,870,118	7,150,129,286

Unitholders' funds and liabilities

Liabilities

Repo borrowing against government securities	1,025,715,552	-	-	-	125,141,305
Accrual and other payables	1,178,042,147	14,898,976	18,404,923	42,648,665	20,715,558
Total Liabilities	2,203,757,699	14,898,976	18,404,923	42,648,665	145,856,863

Unitholders' funds

Net assets attributable to unitholders	48,588,562,951	4,682,215,045	15,431,165,215	21,478,221,453	7,004,272,423
	48,588,562,951	4,682,215,045	15,431,165,215	21,478,221,453	7,004,272,423
Total Unitholders' Funds and Liabilities	50,792,320,650	4,697,114,021	15,449,570,138	21,520,870,118	7,150,129,286

Other Financial Information

Net assets value per unit

(Rs.)	3,056.73	2,503.13	2,076.65	1,931.73	1,749.27
-------	----------	----------	----------	----------	----------

Financial Instruments as at 31 March 2024, 31 March 2023, 31 March 2022, 31 March 2021 and 31 March 2020 have been presented in accordance with SLFRS 9.

GLOSSARY OF FINANCIAL AND BUSINESS TERMS

A

» Accounting Policies:

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

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

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

» **Annual Equivalent Rate (AER):** The interest rate on a financial product, loan or investment re-stated from its nominal interest rate to an interest rate with annual compound interest payable in arrears.

» **Annual Equivalent basis:** The methodology of using the Annual Equivalent Rate to depict the interest rate on a financial product.

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

» **Assets Under Management (AUM):** The total market value of all the financial assets which a financial institutions such as an asset manager of unit trusts, investment company, venture capital firm or private equity company manages on behalf of its clients and themselves.

» **Asset Backed Securitisations:** Short or long-term financial securities which are backed by financial assets and also referred to Securitisations.

» **Average Weighted Deposit Rate (AWDR):** Weighted average interest rates offered for interest bearing deposits by commercial banks.

C

» **Call Money Rate:** Inter-bank overnight lending rate.

» **Cash Equivalents:** Short-term, highly liquid investments which are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

» **Commercial Paper:** A short term unsecured promissory note issued in the open market by quoted public companies representing an obligation of the issuing entity.

» **Asset Management** refers to the company's wealth and asset management activities which include unit trust investments, discretionary portfolio management and tailored financial advice and products such as lifestyle investment.

» **Corporate Governance:** Process by which corporate entities are governed to promote stakeholder interest. Shareholders exert collective pressure on management to ensure equitable decision making on matters that may affect the value of their holdings and base their response on statutory requirements or on so called "Best Practice".

» **Cost Method:** Cost method is a method of accounting for an investment whereby the investment is recognised at cost. The investor recognises income from the investment only to the extent that the investor receives distributions from accumulated profits of the investee arising after the date of acquisition. Distributions received in excess of such profits are regarded as a recovery of investment and are recognised as a reduction of the cost of the investment.

» **Credit Rating:** An evaluation of a corporate's ability to repay its obligations or likelihood of not defaulting, carried out by an independent rating agency.

» **Credit Risk:** The risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

D

» **Deal:** Investment banking transactions.

» **De-recognition:** Removal of a previously recognised financial asset or financial liability from an entity's Statement of Financial Position.

E

» **Effective Interest Method:** A method of calculating the amortised cost of a financial asset or a financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period.

» **Expected Credit Losses:** Expected credit losses are a probability - weighted estimate of credit losses over the expected life of the financial instrument.

- **» 12 Month Expected Credit Losses:** The portion of expected credit losses that result from default events that are possible within the 12 months after the reporting date.
- **» Lifetime Expected Credit Losses:** The expected credit losses that result from all possible default events over the expected life of a financial instrument.

GLOSSARY OF FINANCIAL AND BUSINESS TERMS

F

» **Fair Value:** The price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

» **Financial assets recognised through profit or loss -measured at fair value:** These financial assets are held within a business model with the objective to sell financial assets.

» **Financial assets at amortised cost:** These financial assets are held within a business model with the objective to hold financial assets in order to collect contractual cash flows. These assets are tested for impairment.

» **Financial Asset or Financial Liability at Fair Value through Profit or Loss:** Financial asset or financial liability that is held for trading or upon initial recognition designated by the entity as 'at fair value through profit or loss'.

» **Financial Instrument:** Any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

» **Fixed Income Securities:** Securities whose current income is fixed or based on some underlying index. These are also known as debt securities since they represent a fixed obligation of the company unlike equity, which pays dividends only when the company makes profits.

» **Fund:** Unit Trust.

G

» **Gilts:** Government securities.

» **Group:** A group is a parent and all its subsidiaries.

I

» **Impairment:** This occurs when recoverable amount of an asset is less than its carrying amount.

» **Impairment Allowances:** Impairment allowances are provisions held on the Statement of Financial Position as a result of the raising of a charge against profit for the incurred loss. An impairment allowance may either be identified or unidentified and individual (specific) or collective respectively.

» **Interest Rate Risk:** The risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

K

» **Key Management Personnel:** Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly.

L

» **Liabilities:** Debt or obligations of a business.

» **Liquidity Risk:** The risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities.

» **Loans and Receivables:** Non derivative financial assets with fixed or determinable payments that are not quoted in an active market other than those intends to sell immediately or in the near term and designated as fair value through profit or loss or available for sale on initial recognition.

M

» **Materiality:** The relative significance of a transaction or an event, the omission or misstatement of which could influence the decisions of users of financial statements.

O

» **Operational Risk:** This refers to the risk of loss resulting from inadequate or failed internal processes, people and systems, or from external events.

» **Outright:** The purchase or sale of a currency or security for delivery on any date other than spot (not being a swap transaction).

» **Overnight:** Deposit or swap transaction for settlement on transaction date to or against the next business day after transaction date.

P

» **Parent:** A parent is an entity that has one or more subsidiaries.

» **Policy Rates:** The rates that are used by a central bank to implement or signal its monetary policy stance. The Central Bank of Sri Lanka uses the Standing Deposit Facility Rate and Standing Lending Facility Rate as policy rates.

» **Portfolio:** Income generating assets such as loans, finance leases, investment securities and bills discounted etc.

» **Primary Market:** A capital market where newly issued securities are offered to the public directly by the issuer. Initial Public Offerings and new issues where a company offers its shares or debentures directly to investors constitute the primary market.

» **Prime Lending Rate (PLR):** The interest rate a commercial bank will offer to its best customers.

R

» **Recurring income:** Also core earnings closely linked to the traditional banking business but also used in investment banking to mean the portion of a company's income that is expected to continue in the future.

» **Redemption:** Refers to the liquidation of unit trust holdings; or in general, repayment of a fixed-income security before their maturity date.

» **Related Parties:** Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions.

» **Related Party Transactions:** A transfer of resources, services or obligations between related parties, regardless of whether a price is charged or not.

» **Repurchase Agreement:** An agreement (Repo for short) is the simultaneous sale and repurchase of a security on different settlement dates.

» **Revenue Reserves:** Reserves which may be distributed to shareholders as dividends.

» **Reverse Repurchase Agreement:** An agreement (Reverse Repo for short) is the simultaneous purchase and resale of a security on different settlement dates.

S

» **Secondary Market:** A capital market where investors purchase securities or assets from other investors, rather than from the issuing companies themselves. The Colombo Stock Exchange is a secondary market (Listed shares/debentures).

» **Spread:** In this report refers to, net interest rate spread or the difference between the average yield received from interest-accruing activities or assets—and the average rate we pay on interest-accruing borrowings or liabilities.

» **Standing Deposit Facility Rate (SDLR):** The floor rate of interest for the absorption of overnight excess liquidity from the banking system by the Central Bank of Sri Lanka.

» **Standing Lending Facility Rate (SDFR):** The interest rate applicable on reverse repurchase transactions of the Central Bank of Sri Lanka with commercial banks on an overnight basis.

providing the ceiling rate for the injection of overnight liquidity to the banking system by the Central Bank of Sri Lanka.

» **Statutory Reserve Requirement (SRR):** The proportion of rupee deposit liabilities that commercial banks are required to maintain as a deposit with the Central Bank of Sri Lanka.

» **Swap (currency):** The simultaneous purchase and sale of identical amounts of a currency for different value dates.

T

» **Term Repo:** A Repo with more than one day's duration. In this report we use it in relation to the Platinum Bond issued by the Company which is a Repo investment with medium to long term horizon. Also see Repurchase Agreement.

» **Transaction Costs:** Incremental costs which are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability.

U

» **Unit Trust:** An undertaking formed to invest in securities under the terms of a trust deed. May also be referred to as Fund or Mutual Fund.

Y

» **Yield Curve:** The graphical depiction of the relationship between the yield on Treasury securities and the corresponding period.

CORPORATE INFORMATION

NAME OF THE FUND (UNIT TRUST)

First Capital Money Market Fund

FUND MANAGEMENT COMPANY

First Capital Asset Management Limited (PB 187)

TRUSTEE OF THE FUND

Bank of Ceylon

REGISTERED OFFICE OF FUND MANAGEMENT COMPANY

First Capital Asset Management Limited
No. 2, Deal Place
Colombo 3

BOARD OF DIRECTORS OF FUND MANAGEMENT COMPANY

Mr. Nishan Fernando

Ms. Manjula Mathews

Mr. Dilshan Wirasekara

Ms. Minette Perera

Mr. Chandana de Silva

Dr. Nishan de Mel

SECRETARIES

Janashakthi Corporate Services Limited
No. 324, 39 Floor, Mireka Tower
Havelock Road
Colombo 5

EXTERNAL AUDITORS

Deloitte Associates
Chartered Accountants
No. 11, Castle Lane
Colombo 4

INTERNAL AUDITORS

Ernst & Young
Chartered Accountants
No. 109, Rotunda Towers
Galle Road
Colombo 3

PRINCIPAL BANKERS

Bank of Ceylon
Sampath Bank PLC