



First Capital

PROVISIONAL FINANCIAL STATEMENTS

Six Months ended
30th September 2021

FIRST CAPITAL FIXED INCOME FUND

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REPORT OF THE MANAGER

We have pleasure in presenting the Unaudited Interim Financial Statements of First Capital Fixed Income Fund (the Fund) for the six months ended 30th September 2021.

Fund Performance

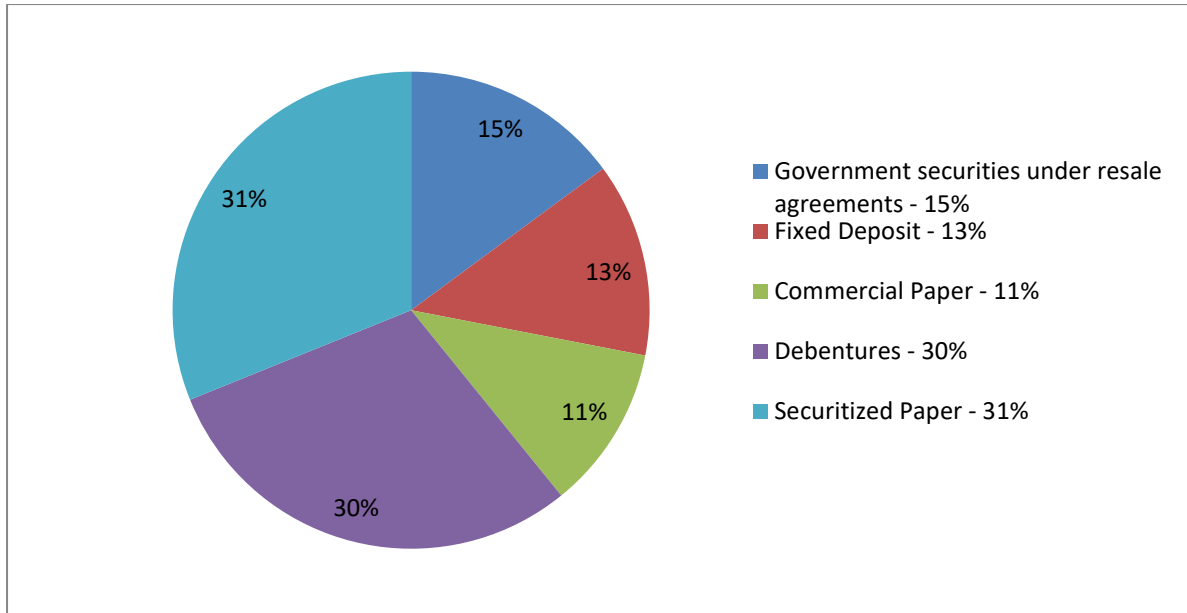
First Capital Fixed Income Fund reported a Profit after Tax of Rs. 29.6Mn for the six months ended 30th September 2021 compared to Rs. 76.8Mn in the corresponding period of the previous year. The lower Profit after Tax reported for the period under review is as a result of the fair valuation losses on fixed income securities portfolios amounting to Rs. 19.2Mn (2020/21 – fair valuation gain of Rs. 28.5Mn was reported).

The Fund reported an Annualised Return of 6.39% for the six months ended 30th September 2021 compared to 5-year treasury bond yield (base yield) of 9.15% (source: The Central Bank of Sri Lanka - *Daily Reports*; <https://www.cbsl.gov.lk/en/pd-daily-report>. 5-year treasury bond (risk free return) is used to evaluate the performance of the Fund which denotes the return over the risk-free return since there is no appropriate benchmark index for the Fund).

The Annualised Return reported in the corresponding period of the previous year (2020/21) was 19.39% compared to 5-year treasury bond yield (base yield) of 6.67% (source: The Central Bank of Sri Lanka - *Daily Reports*; <https://www.cbsl.gov.lk/en/pd-daily-report>). The Funds Under Management as at 30th September 2021 was Rs. 969.1Mn compared to Rs. 939.5Mn at the beginning of the year (The Fund's yield is variable and subject to change. Past performance is not an indicator of future performance).

Asset Allocation as at 30th September 2021

The Asset Allocation of the Fund as at 30th September 2021 is as follows.



Appreciations

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

We express our sincere thanks to the Board of Directors, Management Team and Staff of the First Capital Asset Management Limited for their contribution towards our performance.

FIRST CAPITAL FIXED INCOME FUND
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For Six Months ended 30th September	2021	2020
	Unaudited	Unaudited
	Rs.	Rs.
Income	53,018,657	51,378,896
Direct expenses	(496,575)	(312)
Net trading income	<u>52,522,082</u>	<u>51,378,584</u>
Unrealised gain/ (loss) on fair valuation of financial assets recognised through profit or loss - measured at fair value	<u>(19,216,817)</u>	<u>28,492,096</u>
	33,305,265	79,870,680
Administration and other operating expenses	(3,653,768)	(3,191,602)
(Provision) / reversal for Impairment of financial assets at amortised cost	(5,326)	104,980
Profit before taxation	<u>29,646,171</u>	<u>76,784,058</u>
Income tax expenses	-	-
Profit for the period	<u>29,646,171</u>	<u>76,784,058</u>
Increase in net assets attributable to unit holders	<u>29,646,171</u>	<u>76,784,058</u>

Figures in brackets indicate deductions
The notes form an integral part of these financial statements.

**FIRST CAPITAL FIXED INCOME FUND
STATEMENT OF FINANCIAL POSITION**

As at	30.09.2021 Unaudited Rs.	31.03.2021 Audited Rs.
Assets		
Cash at bank	1,142,323	235,775
Financial assets recognised through profit or loss - measured at fair value	686,473,976	743,474,234
Financial assets -at amortised cost	271,264,311	190,149,392
Other receivable	11,341,822	6,825,645
Total assets	970,222,432	940,685,046
Unit holders' funds and liabilities		
Liabilities		
Accruals and other payables	1,114,868	1,223,653
Total liabilities	1,114,868	1,223,653
Unit holders' funds		
Net assets attributable to unit holders	969,107,564	939,461,393
	969,107,564	939,461,393
Total unit holders' funds and liabilities	970,222,432	940,685,046
Net assets per unit (Rs.)	1,932.93	1,873.80

The notes form an integral part of these financial statements.

The Management Company of First Capital Fixed Income Fund is responsible for the preparation and presentation of these Financial Statements in accordance with the Sri Lanka Accounting Standards.

Approved by the Managing Company on 20th December 2021.



Mangala Jayashantha
Chief Financial Officer
First Capital Asset Management Limited
Fund Management Company



Dilshan Wirasekara
Director / Chief Executive Officer
First Capital Asset Management Limited
Fund Management Company



Dinesh Schaffter
Managing Director
First Capital Asset Management Limited
Fund Management Company

FIRST CAPITAL FIXED INCOME FUND
STATEMENT OF CHANGES IN UNITHOLDERS' FUNDS

For Six Months ended 30th September 2021

	Unitholders' Capital Rs.	Retained Earnings Rs.	Total Rs.
Balance as at 1st April 2020 (Audited)	536,746,323	289,436,949	826,183,272
Capital infused during the period	-	-	-
Capital withdrawals made during the period	-	-	-
Increase in net assets attributable to unit holders	-	76,784,058	76,784,058
Balance as at 30th September 2020 (Unaudited)	<u>536,746,323</u>	<u>366,221,007</u>	<u>902,967,330</u>
Balance as at 1st April 2021 (Audited)	536,746,323	402,715,070	939,461,393
Capital infused during the period	-	-	-
Capital withdrawals made during the period	-	-	-
Increase in net assets attributable to unit holders	-	29,646,171	29,646,171
Balance as at 30th September 2021 (Unaudited)	<u>536,746,323</u>	<u>432,361,241</u>	<u>969,107,564</u>

Figures in brackets indicate deduction.
The notes form an integral part of these financial statements.

**FIRST CAPITAL FIXED INCOME FUND
STATEMENT OF CASH FLOWS**

For Six Months ended 30th September	2021	2020
	Unaudited	Unaudited
	Rs.	Rs.
Cash flows from operating activities		
Profit before taxation	29,646,171	76,784,058
Adjustment for :		
Unrealised gain on fair valuation of financial assets - at fair value through profit and loss	19,216,817	(28,492,096)
Provision/ (reversal) for Impairment of financial assets at amortised cost	5,326	(104,980)
Operating profit before working capital changes	48,868,314	48,186,982
(Increase)/ decrease in financial assets -at fair value through profit or loss	37,783,441	(19,916,523)
Increase in financial assets -at amortised cost	(81,120,244)	(26,577,115)
Increase in other receivables	(4,516,178)	(2,513,036)
Increase/ (decrease) in accrued expenses and other liabilities	(108,785)	1,077,335
Cash flows generated from operations	906,548	257,643
Net cash flows from operating activities	906,548	257,643
Net cash flows from/(used in) investing activities	-	-
Net cash flows from/ (used in) financing activities	-	-
Net increase in cash and cash equivalents	906,548	257,643
Cash and cash equivalents at the beginning of the period	235,775	786,867
Cash and cash equivalents at the end of the period	1,142,323	1,044,510

Figures in brackets indicate deductions.

The Notes form an integral part of these financial statements.

FIRST CAPITAL FIXED INCOME FUND
NOTES TO THE FINANCIAL STATEMENTS

1. The number of Units represented by unitholders' funds as at 30th September 2021 is 501,367 .
2. The above figures are subject to audit. The same accounting policies as in the Audited Financial Statements for the year ended 31st March 2021 have been followed in the preparation of the above financial statements.
3. There have been no material commitment and contingent liabilities as at the reporting date which require disclosures in the financial statements (No commitment and contingent liabilities as at 31st March 2021).
4. There have been no material events after the reporting period which require adjustments/disclosures in these financial statements.

FIRST CAPITAL FIXED INCOME FUND
INTERIM FINANCIAL STATEMENTS FOR SIX MONTHS ENDED 30TH SEPTEMBER 2021

NOTES TO THE FINANCIAL STATEMENTS

5 Financial instruments- Fair Value Measurement

The Fund measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements in accordance with SLFRS 13.

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 a recurring 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 market transactions involving comparable securities.

Level - 3

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

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

5.1 Fair values versus the Carrying amounts

The fair values of financial assets and liabilities, together with the carrying amounts shown in the Statement of Financial Position are as follows;

	As at 30.09.2021		As at 31.03.2021	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	Rs.	Rs.	Rs.	Rs.
Financial assets measured at fair value				
Financial assets recognised through profit or loss - measured at fair value	686,473,976	686,473,976	743,474,234	743,474,234
	686,473,976	686,473,976	743,474,234	743,474,234
Financial assets not measured at fair value				
Cash at banks	1,142,323	1,142,323	235,775	235,775
Financial assets - at amortised cost	271,264,311	271,264,311	190,149,392	190,149,392
Other receivables	11,341,822	11,341,822	6,825,645	6,825,645
	283,748,456	283,748,456	197,210,812	197,210,812
Total financial assets	970,222,432	970,222,432	940,685,046	940,685,046
Financial liabilities not measured at fair value				
Accruals and other payables	1,114,868	1,114,868	1,223,653	1,223,653
Total financial liabilities	1,114,868	1,114,868	1,223,653	1,223,653

FIRST CAPITAL FIXED INCOME FUND
INTERIM FINANCIAL STATEMENTS FOR SIX MONTHS ENDED 30TH SEPTEMBER 2021

NOTES TO THE FINANCIAL STATEMENTS

5.2 Financial instruments- Fair Value

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

As at 30th September 2021

Financial assets measured at fair value

Financial assets recognised through profit or loss - measured at fair value

	Level 1	Level 2	Level 3	Total Fair Value
	Rs.	Rs.	Rs.	Rs.
Investment in debentures	-	287,435,420	-	287,435,420
Investment in securitized papers	-	291,477,955	-	291,477,955
Investment in commercial papers	-	107,560,601	-	107,560,601
	-	686,473,976	-	686,473,976

Financial assets not measured at fair value

Cash at bank			1,142,323	1,142,323
Financial assets - at amortised cost	-	-	271,264,311	271,264,311
Other receivable			11,341,822	11,341,822
	-	-	283,748,456	283,748,456

Total financial assets

	-	686,473,976	283,748,456	970,222,432
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Financial liabilities measured at fair value

	-	-	-	-
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Financial liabilities not measured at fair value

Accruals and other payables	-	-	1,114,868	1,114,868
Total financial liabilities	-	-	1,114,868	1,114,868

As at 31st March 2021

Financial assets measured at fair value

Financial assets recognised through profit or loss - measured at fair value

	Level 1	Level 2	Level 3	Total Fair Value
	Rs.	Rs.	Rs.	Rs.
Investment in debentures	-	299,772,010	-	299,772,010
Investment in securitized papers	-	340,532,947	-	340,532,947
Investment in commercial papers	-	103,169,277	-	103,169,277
	-	743,474,234	-	743,474,234

Financial assets not measured at fair value

Cash at bank			235,775	235,775
Financial assets - at amortised cost	-	-	190,149,392	190,149,392
Other receivable			6,825,645	6,825,645
	-	-	197,210,812	197,210,812

Total financial assets

	-	743,474,234	197,210,812	940,685,046
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Financial liabilities measured at fair value

	-	-	-	-
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Financial liabilities not measured at fair value

Accruals and other payables	-	-	1,223,653	1,223,653
Total financial liabilities	-	-	1,223,653	1,223,653

FIRST CAPITAL FIXED INCOME FUND**INTERIM FINANCIAL STATEMENTS FOR SIX MONTHS ENDED 30TH SEPTEMBER 2021****NOTES TO THE FINANCIAL STATEMENTS****5.3 Measurement of fair values****5.3(a) Valuation techniques and significant unobservable inputs**

The following table shows 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 debentures	The valuation model is based on Yield Curve of the Government Securities. Yields relating to Government Securities based on the maturities of the respective debentures 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 (5.20% - 6.09%)
Investment in Securitized 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 Securitized 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 (4.35% - 5.74%)
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 company (3.77%)

FIRST CAPITAL FIXED INCOME FUND
INTERIM FINANCIAL STATEMENTS FOR SIX MONTHS ENDED 30TH SEPTEMBER 2021

NOTES TO THE FINANCIAL STATEMENTS

5.4 Financial instruments - Accounting classifications

As at 30th September 2021

	Financial assets · FVTPL	Financial assets/ liabilities at amortised cost	Total carrying amount	Fair value
	Rs.	Rs.	Rs.	Rs.
Financial assets measured at fair value				
Financial assets - FVTPL	686,473,976	-	686,473,976	686,473,976
	686,473,976	-	686,473,976	686,473,976
Financial assets not measured at fair value				
Cash at bank	-	1,142,323	1,142,323	1,142,323
Financial assets - at amortised cost	-	271,264,311	271,264,311	271,264,311
Other receivable	-	11,341,822	11,341,822	11,341,822
	-	283,748,456	283,748,456	283,748,456
Total financial assets	686,473,976	283,748,456	970,222,432	970,222,432
Financial liabilities not measured at fair value				
Accruals and other payables	-	1,114,868	1,114,868	1,114,868
Total Financial Liabilities	-	1,114,868	1,114,868	1,114,868

As at 31st March 2021

	Financial assets · FVTPL	Financial assets/ liabilities at amortised cost	Total carrying amount	Fair value
	Rs.	Rs.	Rs.	Rs.
Financial assets measured at fair value				
Financial assets - FVTPL	743,474,234	-	743,474,234	743,474,234
	743,474,234	-	743,474,234	743,474,234
Financial assets not measured at fair value				
Cash at bank	-	235,775	235,775	235,775
Financial assets - at amortised cost	-	190,149,392	190,149,392	190,149,392
Other receivable	-	6,825,645	6,825,645	6,825,645
	-	197,210,812	197,210,812	197,210,812
Total financial assets	743,474,234	197,210,812	940,685,046	940,685,046
Financial liabilities not measured at fair value				
Accruals and other payables	-	-	1,223,653	1,223,653
Total Financial Liabilities	-	-	1,223,653	1,223,653

FIRST CAPITAL FIXED INCOME FUND**RECONCILIATION FOR THE NET ASSET VALUE REPORTED AS AT 30TH SEPTEMBER 2021**

	Rs.
Net Asset Value of the Fund as per Monthly Return	969,112,890
Adjustment on provision for financial asset - at amortised cost as per SLFRS 9	(5,326)
Net Asset Value of the Fund as per Unaudited Financial Statements	969,107,564