



First Capital  
A Janashakthi Group Company

# ANNUAL REPORT 2021/22

**FIRST CAPITAL MONEY MARKET FUND**

Managed by

**FIRST CAPITAL ASSET MANAGEMENT LIMITED**

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## **REPORT OF THE MANAGER**

We have pleasure in presenting to you the Audited Financial Statements of First Capital Money Market Fund for the year ended 31<sup>st</sup> March 2022.

### **Economic and Industry Overview**

The Sri Lankan economy recouped in 2021 from the widespread pandemic in 2020, albeit confronting multifaceted headwinds that emanated from the global and domestic front ultimately resulting in a social political tension in the beginning of 2022. Among all, the major issue was the foreign reserves shortage causing large overshoot of the foreign exchange creating significant vulnerabilities in the economy. Nonetheless, a successful debt restructuring programme and long overdue structural reforms in conjunction with an economic adjustment programme supported by the IMF are expected to facilitate the economy recovery in 2022 and beyond.

Until August 2021, CBSL provided monetary stimulus to support the pandemic affected economy. Since then, CBSL commenced adopting a tight monetary policy stance to preempt the inflationary pressures and to address the imbalances in the external and financial markets. As a result of tightened policy rates, overall liquidity in the domestic market remained negative towards the latter half of the year and has been dragged up to Rs. -366.3Bn causing a gradual upward adjustment in the market interest rates. However, supported by the low interest rates environment that prevailed for most part of the year, credit growth to the private sector remained robust at 13.1% YoY basis for 2021 relative to 6.5% registered in 2020.

The unit trust industry exhibited a contraction in total assets by 3% during 2021 against a backdrop of strong equity market and due to the shift of the client focus on alternative investments that yield substantial returns.

During 2021/22, there were 16 licensed unit trust management companies with 68 funds in operation. Total assets under management were Rs. 178Bn as at 31<sup>st</sup> March 2022 (Source: The Unit Trust Association of Sri Lanka).

### **Fund Performance**

First Capital Money Market Fund reported a Profit after Tax of Rs. 1,528Mn for the year ended 31<sup>st</sup> March 2022 compared to Rs. 1,123Mn in the previous year (2020/21).

The Fund reported an Annualised Return of 7.50% for the year ended 31<sup>st</sup> March 2022 compared to the Average Weighted Deposit Rate of 4.92% (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 (2020/21) was 10.43% compared to the Average Weighted Deposit Rate of 6.44% (Source: Central Bank of Sri Lanka – Monthly Economic Indicators; <https://www.cbsl.gov.lk/statistics/economic-indicators/monthly-indicators>).

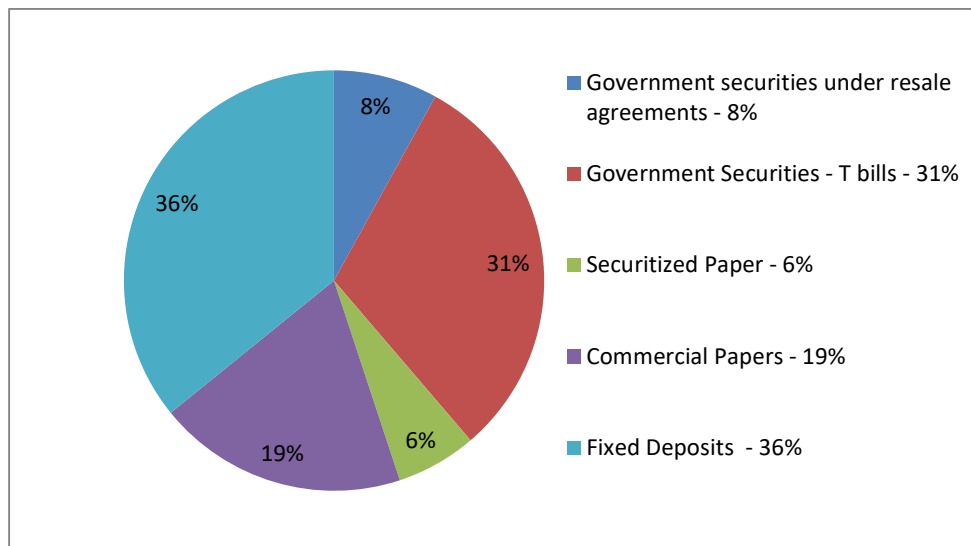
The Funds under Management as at 31<sup>st</sup> March 2022 were Rs. 15.4Bn compared to Rs. 21.5Bn in the previous year (2020/21). The decline in Funds under Management (YoY basis) is due to outflow of funds as a result of significant increase in yields of the Government Securities towards end of year 2021/22. A substantial appetite on purchase of treasury bills among the unit trust investor communities was noticed during 4<sup>th</sup> quarter of 2021/22 and subsequent months.

First Capital Money Market Fund has been the best performing Unit Trust in its category of “Open-ended Money Market Funds” with highest Compounded Annual Growth Rate (CAGR) forpast five years as at 31<sup>st</sup> March 2022 (Source: The Unit Trust Association of Sri Lanka).

The asset allocation of the Fund as at the reporting date is as follows.

#### **Asset Allocation as at 31<sup>st</sup> March 2022**

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## **Future Outlook**

Sri Lankan economy has recovered from the contraction of 3.6% recorded in 2020 and registered a growth of 3.7% in 2021. However, growth prospects for 2022 are expected to be significantly influenced by the unfavorable developments occurred since 2021 in the domestic front particularly severe shortage in foreign currency and other shortages stemming from global supply chain disruptions and resultant rising commodity prices. Consequently, current economic conditions are expected to remain in the first half of 2022 with the GDP growth getting negatively impacted and interest rates remaining at high levels. However, the economy is expected to recover in the medium to long term conditional on restoring political stability, reassuring social coherence and seeking an economic adjustment programme from the International Monetary Fund (IMF). A commitment to rationalise government expenditure and enhancing government revenue, together with policy thrust towards developing exporters and the gradual recovery of tourism activities provide reasons to be optimistic that the country will successfully overcome the stresses that we are confronting in the short-term.

## **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.

## **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 2022, and the statement of profit or loss and other comprehensive income, the statement of changes in unitholders' funds and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the fund as at 31 March 2022, 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 ethical requirements of the Code of Ethics issued by CA Sri Lanka (Code of Ethics) that are relevant to our audit of the financial statements, 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 manager, but does not include in the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information included in the Manager's report and we will 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 communicate the matter to those charged with governance. We have nothing to report in 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.



## **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**

These financial statements also comply with the requirements of the Rule 27(3) of the Unit Trust Code of September 2011 issued by the Securities and Exchange Commission of Sri Lanka under the Act No. 36 of 1987 and the trust deed.

*SJMS Associates*  
**SJMS ASSOCIATES**  
Chartered Accountants  
Colombo  
15 June 2022



**FIRST CAPITAL MONEY MARKET FUND**  
**STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED 31 MARCH 2022**

	Note	2021/2022 Rs.	2020/2021 Rs.
Income	6	1,713,285,944	1,221,227,960
Direct expenses	7	<u>(13,961,934)</u>	<u>(360,360)</u>
<b>Net trading income</b>		<b>1,699,324,010</b>	<b>1,220,867,600</b>
Unrealised loss on fair valuation of financial assets recognised through profit or loss		<u>(36,327,806)</u>	<u>(13,508,215)</u>
		<b>1,662,996,204</b>	<b>1,207,359,385</b>
Administration expenses	8	(139,782,885)	(81,169,878)
Other operating expenses	9	(512,200)	(576,566)
(Reversal)/ provision for impairment of financial assets at amortised cost	13.3.1	<u>4,960,219</u>	<u>(2,234,491)</u>
<b>Profit before taxation</b>		<b>1,527,661,338</b>	<b>1,123,378,450</b>
Income tax expenses	10	-	-
<b>Profit for the year</b>		<u><b>1,527,661,338</b></u>	<u><b>1,123,378,450</b></u>
<b>Other comprehensive income</b>		-	-
<b>Increase in net assets attributable to unitholders</b>		<u><b>1,527,661,338</b></u>	<u><b>1,123,378,450</b></u>

Figures in bracket indicate deductions.

The attached notes from 1 to 22 form an integral part of these financial statements.




**FIRST CAPITAL MONEY MARKET FUND  
STATEMENT OF FINANCIAL POSITION  
AS AT 31 MARCH 2022**

	Note	31.03.2022 Rs.	31.03.2021 Rs.
<b>Assets</b>			
Cash at bank	11	7,688,208	18,775,444
Financial assets at fair value through profit and loss	12	8,657,802,283	9,358,051,401
Financial assets at amortised cost	13	6,756,610,440	12,091,948,498
Other receivables	14	27,469,207	52,094,775
<b>Total assets</b>		<b>15,449,570,138</b>	<b>21,520,870,118</b>
<b>Unitholders' funds and liabilities</b>			
<b>Liabilities</b>			
Accruals and other payable	15	18,404,923	42,648,665
<b>Total liabilities</b>		<b>18,404,923</b>	<b>42,648,665</b>
<b>Unitholders' funds</b>			
Net assets attributable to unitholders		15,431,165,215	21,478,221,453
		<b>15,431,165,215</b>	<b>21,478,221,453</b>
<b>Total Unitholders' Funds and Liabilities</b>		<b>15,449,570,138</b>	<b>21,520,870,118</b>
 Net assets per unit (Rs.)	 16	 2,076.65	 1,931.73

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.

Approved by the Fund Management Company on 15 June 2022.

  
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



  
A. D. E. I. Perera  
Director  
First Capital Asset Management Limited  
Fund Management Company

The attached notes from 1 to 22 form an integral part of these financial statements.



**FIRST CAPITAL MONEY MARKET FUND**  
**STATEMENT OF CHANGES IN UNITHOLDERS' FUNDS**  
**FOR THE YEAR ENDED 31 MARCH 2022**

	Unitholders' capital Rs.	Increase in net assets attribute to unitholders Rs.	Net assets attributable to unitholders Rs.
<b>Balance as at 1 April 2020</b>	5,639,972,956	1,364,299,467	7,004,272,423
Increase due to unit creation during the year	36,694,016,043	-	36,694,016,043
Decrease due to unit redemption during the year	(23,343,445,463)	-	(23,343,445,463)
Increase in net assets attributable to unitholders	-	1,123,378,450	1,123,378,450
<b>Balance as at 31 March 2021</b>	<b>18,990,543,536</b>	<b>2,487,677,917</b>	<b>21,478,221,453</b>
<b>Balance as at 1 April 2021</b>	18,990,543,536	2,487,677,917	21,478,221,453
Increase due to unit creation during the year	35,063,404,418	-	35,063,404,418
Decrease due to unit redemption during the year	(42,638,121,994)	-	(42,638,121,994)
Increase in net assets attributable to unitholders	-	1,527,661,338	1,527,661,338
<b>Balance as at 31 March 2022</b>	<b>11,415,825,960</b>	<b>4,015,339,255</b>	<b>15,431,165,215</b>

Figures in bracket indicate deductions.

The attached notes from 1 to 22 form an integral part of these financial statements.



**FIRST CAPITAL MONEY MARKET FUND  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 31 MARCH 2022**

	2021/2022 Rs.	2020/2021 Rs.
<b>Cash flows from operating activities</b>		
Profit before taxation	1,527,661,338	1,123,378,450
Adjustment for :		
Unrealised loss on financial assets at fair value through profit and loss	36,327,806	13,508,215
(Reversal)/ provision for impairment of financial assets at amortised cost (Note 13.3.1)	(4,960,219)	2,234,491
<b>Operating profit before working capital changes</b>	<b>1,559,028,925</b>	<b>1,139,121,156</b>
Decrease/(increase) in financial assets at fair value through profit and loss	663,921,311	(5,328,017,391)
Decrease/(increase) in financial asset at amortised cost	5,340,298,277	(9,654,251,581)
Decrease in other receivables	24,625,569	139,311,908
Decrease in payable under resale agreements	-	(125,141,305)
(Decrease)/increase in accruals and other payable	(24,243,742)	21,933,107
<b>Cash flows from/ (used in) operations</b>	<b>7,563,630,340</b>	<b>(13,807,044,106)</b>
Tax paid	-	-
<b>Net cash flows from/ (used in) operating activities</b>	<b>7,563,630,340</b>	<b>(13,807,044,106)</b>
<b>Net cash flows from / (used in) investing activities</b>	<b>-</b>	<b>-</b>
<b>Cash flows from (used in) financing activities</b>		
Proceeds from units creation (Note 16)	35,063,404,418	36,694,016,043
Payments for units redemption (Note 16)	(42,638,121,994)	(23,343,445,463)
<b>Net cash flows (used in)/ from financing activities</b>	<b>(7,574,717,576)</b>	<b>13,350,570,580</b>
<b>Net decrease in cash and cash equivalents during the year</b>	<b>(11,087,236)</b>	<b>(456,473,526)</b>
Cash and cash equivalents at the beginning of the year	18,775,444	475,248,970
<b>Cash and cash equivalents at the end of the year (Note 11)</b>	<b>7,688,208</b>	<b>18,775,444</b>

Figures in bracket indicate deductions.

The attached notes from 1 to 22 form an integral part of these financial statements.



**FIRST CAPITAL MONEY MARKET FUND  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2022**

**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 03. First Capital Asset Management Limited is the Managing 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 minimizing their risk through investments in fixed income securities placed according to the parameters stated in the Unit Trust Code.

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 2022 were authorized for issue by the Fund Management Company on 15 June 2022.

**2. Basis of preparation**

**2.1. Statement of compliance**

The financial statements of the Fund which comprise the statement of financial position, statement of profit or loss and other comprehensive income, statement of changes in unitholders' funds, statement of cash flows and notes thereto 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 and adopted as directed by Securities and Exchange Commission of Sri Lanka.

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.

**2.2. 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 and loss.

**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.





**FIRST CAPITAL MONEY MARKET FUND  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2022**

**2.4. Use of estimates and judgments (Contd.)**

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.

- Recognition and measurement of financial instruments (Note 4.1.1 to 4.1.5)
- Identification, measurement and assessment of impairment (Note 4.1.6)

**2.5 Going concern**

The Fund Managing 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.

**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 Statement of Financial Position, 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.

**4. Significant accounting policies**

**4.4. Financial Instruments**

**4.4.1. Initial Recognition**

Financial assets and liabilities are initially recognized 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.

**4.1.2. 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.



**FIRST CAPITAL MONEY MARKET FUND  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2022**

**4.1.3. Measurement categories of financial assets and liabilities**

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

- those to be measured at amortised cost
- those to be measured at fair value through profit or loss

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.

**4.1.4. Subsequent measurement**

**Amortised cost:** 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.

Debt instruments at amortised cost in the statement of financial position comprise of investments in Resale agreements against Government Securities and Fixed Deposits. 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.

**FVPL:** A financial asset is measured at fair value through profit or loss if:

- (a) 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
- (b) 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
- (c) At initial recognition, it is irrevocably designated as measured at FVPL when doing so eliminate or significantly reduces 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.

A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in profit or loss and presented net within unrealised gains/(loss) during the period in which it arises. Financial assets at fair value through profit or loss at statement of financial position comprise of investment in Government Securities and Corporate Debt Securities.

**4.1.5. Financial liabilities**

**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 Statement of Financial Position.

**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 profit or loss and other comprehensive income statement when the liabilities are derecognised as well as through the EIR amortisation process.





**FIRST CAPITAL MONEY MARKET FUND  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2022**

**4.1.6. 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 recognized 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 ICRA Lanka 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 notches downgrade of the external credit rating of the counterparty since the origination of the instrument.

For debt instruments at amortized 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 asset at amortised cost that are not individually significant are collectively assessed for impairment by grouping together financial asset at amortised cost with similar risk characteristics.

In assessing collective impairment, the Fund Trust 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 is 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.





**FIRST CAPITAL MONEY MARKET FUND  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2022**

**4.1.6. Identification, measurement and assessment of impairment (Contd..)**

Impairment loss on financial asset at fair value through other comprehensive income is recognised by transferring the cumulative loss that has been recognised in other comprehensive income to profit or loss as a reclassification adjustment. The cumulative loss that is reclassified from other comprehensive income to profit or loss is the difference between the acquisition cost, net of any principal repayment and amortisation, and the current fair value, less any impairment loss previously recognised in profit or loss. Changes in impairment provisions attributable to time value are reflected as a component of interest income.

If, in a subsequent period, the fair value of an impaired financial asset at fair value through other comprehensive income increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, then the impairment loss is reversed, with the amount of the reversal recognised in profit or loss. However, any subsequent recovery in the fair value of an impaired financial asset at fair value through other comprehensive income is recognised in other comprehensive income.

**4.1.7. Sale and repurchase agreements**

Securities sold subject to repurchase agreements (repos) remain on the Statement of Financial Position, 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.

**4.1.8. Impairment of non-financial assets**

The carrying amounts of the Fund's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. The recoverable amount of an asset or cash generating unit is the greater of its value in use and its fair value less costs to sell. For intangible assets that have indefinite useful lives, the recoverable amount is estimated each year. An impairment loss is recognised if the carrying amount of an asset exceeds its estimated recoverable amount. Impairment loss is recognised in profit or loss.

An impairment loss recognised in prior periods is assessed at each reporting date for any indication that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

**4.1.9. De-recognition**

A financial asset is de-recognized when,

- 1) The rights to receive cash flows from the asset have expired.
- 2) 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.



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**4.1.10. Offsetting of financial instruments**

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

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

**4.2. Dividend payable**

Dividend payable is recognised at the time the dividend recommended and declared by the Board of Directors.

**4.3. 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.

**4.4. Commitments and contingencies**

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

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

**4.5. Interest**

Interest income and expenses 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 liability (or, where appropriate, a shorter period) to the carrying amount of the financial asset or 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.

Interest income and expenses presented in the Statement of Profit and Loss and other Comprehensive Income include interest on financial assets and financial liabilities measured at amortised cost calculated on an effective interest basis and fair value changes of financial asset measured at fair value through profit and loss.

Fair value changes on all other financial assets and liabilities carried at fair value through profit or loss, are presented in net trading income in the statement of comprehensive income.

**4.6. Gain/ (loss) on securities**

**i. Unrealised gains / (losses) on financial assets at FVTPL**

Unrealised gains / (losses) on financial assets at FVTPL includes all gains and losses that arise from changes in fair value of the financial assets at FVTPL as at the reporting date.

**ii. Realised gains / (losses) on financial assets at FVTPL**

Realised gains / (losses) on financial assets at FVTPL includes realised trading gains and losses on sale of quoted equity securities.





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**4.7. Income tax expenses**

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. 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.

**4.8. Expenses**

The management, trustee and custodian 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.

**4.9. 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 unitholders as at the reporting date.

**4.10. Statement of cash flows**

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

**4.11. Events occurring after the reporting period**

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.

**5. 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.



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	2021/2022 Rs.	2020/2021 Rs.
<b>6. Income</b>		
Interest income on financial assets at fair value through profit and loss	913,764,557	704,467,035
Interest income on financial assets at amortised cost	678,870,711	390,574,922
Placement fee	122,293,726	126,186,003
Loss on sale of financial assets recognised through profit or loss - measured at fair value	(1,643,050)	-
	<u>1,713,285,944</u>	<u>1,221,227,960</u>
<b>7. Direct expenses</b>		
Interest expense on repo borrowings	13,961,934	360,360
	<u>13,961,934</u>	<u>360,360</u>
<b>8. Administration expenses</b>		
Management fees	105,278,573	61,004,749
Trustee fee	34,110,258	19,765,539
Auditor's remuneration	394,054	399,590
	<u>139,782,885</u>	<u>81,169,878</u>
<b>9. Other operating expenses</b>		
Provision for WHT rebate receivable from Investees	-	52,002
Bank charges	512,200	524,564
	<u>512,200</u>	<u>576,566</u>

**10. Income tax expenses**

First Capital Money Market Fund (the Fund) is not liable to pay income tax as at the reporting date in accordance with Inland Revenue Act No. 24 of 2017 as amended by the Inland Revenue (Amendment) Act No. 10 of 2021. 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. (2020/2021 - nil).

	31.3.2022 Rs.	31.3.2021 Rs.
<b>Reconciliation between current tax expense and the accounting profit</b>		
Profit before tax as per financial statements	1,527,661,338	1,123,378,450
Less: Exempted income	(1,527,661,338)	(1,123,378,450)
Taxable income	-	-
Income tax expense	-	-



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	31.03.2022	31.03.2021
	Rs.	Rs.
<b>11. Cash at bank</b>		
Bank of Ceylon - Corporate Branch ( <i>Note 11.1</i> )	7,419,468	18,499,404
Sampath Bank - Head office Branch ( <i>Note 11.1</i> )	268,740	276,040
	<u>7,688,208</u>	<u>18,775,444</u>

- 11.1** 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.

Above balance represents as at 31 March 2022 and 31 March 2021 is with Credit rating of (AA-).

	31.03.2022	31.03.2021
	Rs.	Rs.
<b>12. Financial assets at fair value through profit or loss</b>		
Commercial papers ( <i>Note 12.1</i> )	2,965,236,197	5,954,394,976
Securitized papers ( <i>Note 12.2</i> )	952,340,492	2,566,138,975
Government securities - Treasury bills	4,740,225,594	837,517,450
	<u>8,657,802,283</u>	<u>9,358,051,401</u>

**12.1 Commercial papers**

Name of the Issuer	Value - Net as at 31 March 2022 (Rs.)	Percentage exposure to each issuer against the net value of the fund	Value - Net as at 31 March 2021 (Rs.)	Percentage exposure to each issuer against the net value of the fund
Softlogic Holdings PLC	-	-	271,134,750	1%
LOLC Holdings PLC	1,065,661,690	7%	2,828,577,621	13%
Janashakthi Limited	755,384,880	5%	2,596,669,748	12%
Softlogic Capital PLC	1,144,189,627	7%	258,012,857	1%
<b>Total</b>	<u>2,965,236,197</u>		<u>5,954,394,976</u>	

Out of the above investments as at 31 March 2022, a sum of LKR 2,209,851,317/-represents credit rating of (BBB+) and above and the balance of LKR 755,384,880/- reflects the below credit rating. (As at 31 March 2021 - All investments represents credit rating of (BBB-) and above).





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**12.2 Securitised papers**

Name of the issuer	Value - Net as at 31 March 2022 (Rs.)	Percentage exposure to each issuer against the net value of the fund	Value - Net as at 31 March 2021 (Rs.)	Percentage exposure to each issuer against the net value of the fund
Alliance Finance Company PLC	256,928,471	2%	-	-
Fintrex Finance Limited	79,347,419	1%	-	-
U B Finance Co. Ltd	160,240,963	1%	-	-
Abans Finance PLC	-	-	496,425,734	2%
Commercial Credit and Finance PLC	-	-	915,728,382	4%
LOLC Development Finance PLC	225,937,390	1%	-	-
Orient Finance PLC	-	-	258,818,568	1%
Softlogic Finance PLC	229,886,249	1%	868,739,302	4%
Sarvodaya Development Finance Ltd	-	-	26,426,989	0%
<b>Total</b>	<u>952,340,492</u>		<u>2,566,138,975</u>	

From the above investments as at 31 March 2022, a sum of LKR 482,865,861/- represents credit rating of (BBB-) and above and the balance of LKR 469,474,631/- reflects the below credit rating. (As at 31 March 2021 - a sum of LKR 1,412,154,116/- represents credit rating of (BBB-) and above and the balance of LKR 1,153,984,859/- reflects the below credit rating).

	31.03.2022 Rs.	31.03.2021 Rs.
<b>13. Financial assets at amortised cost</b>		
First Capital Treasuries PLC - Repurchase agreements (Note 13.1)	1,234,247,265	5,207,833,357
Investments in fixed deposits (Note 13.2)	<u>5,522,363,175</u>	<u>6,884,115,141</u>
	<u>6,756,610,440</u>	<u>12,091,948,498</u>

- 13.1** This represent investment in resale agreements entirely backed by Government securities. No impairment provisions derived through these investments.



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**13.2 Investments in fixed deposits (Net of provision for impairment)**

Name of the Issuer	31.03.2022		31.03.2021	
	Value - Net as at 31 March 2022 (Rs.)	Percentage exposure to each issuer against the Net Value of the Fund	Value - Net as at 31 March 2021 (Rs.)	Percentage exposure to each issuer against the Net Value of the Fund
	Rs.		Rs.	
Abans Finance PLC	-	-	529,857,066	2%
Trade Finance & Investment PLC	-	-	265,841,687	1%
Asia Asset and Finance PLC	1,043,760,091	7%	972,278,894	5%
Bimpuh Finance PLC	-	-	-	-
Commercial Credit and Finance PLC	553,316,281	4%	1,582,975,419	7%
Mercantile Investment & Finance PLC	209,134,270	1%	-	-
Prime Finance PLC	-	-	315,827,788	1%
Richard Pieris Finance	1,578,852,554	10%	1,063,671,513	5%
LOLC Development Finance PLC	1,078,031,532	7%	1,158,957,049	5%
Vallibel Finance PLC	282,460,962	2%	262,148,216	1%
Softlogic Finance PLC	776,807,485	5%	732,557,509	3%
<b>Total</b>	<b>5,522,363,175</b>		<b>6,884,115,141</b>	

Out of the above investments as at 31 March 2022, a sum of LKR 4,745,555,690/- represents credit rating of (BBB-) and above and the balance of LKR 776,807,485/- reflects the below credit rating.

Out of the above investments as at 31 March 2021, a sum of LKR 6,151,557,632/- represents credit rating of (BBB-) and above and the balance of LKR 732,557,509/- reflects the below credit rating.

	31.03.2022 Rs.	31.03.2021 Rs.
<b>13.2.1</b> Investments in fixed deposits	5,523,279,460	6,889,991,645
Less :- Provision for Impairment (Note 13.3)	(916,285)	(5,876,504)
	<u>5,522,363,175</u>	<u>6,884,115,141</u>

**13.3.** 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,

Stage 1 - 12 months expected loss	532,088	1,272,897
Stage 2 - Life time expected loss	-	-
Stage 3 - Life time expected loss	384,197	4,603,607
<b>Total</b>	<b>916,285</b>	<b>5,876,504</b>



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	31.03.2022 Rs.	31.03.2021 Rs.
<b>13.3.1. Movement in provision for expected credit loss</b>		
Balance as the beginning of the year	5,876,504	3,642,013
Provision /(reversal) for the year	(4,960,219)	2,234,491
Balance at the end of the year	<u>916,285</u>	<u>5,876,504</u>
<b>14. Other receivables</b>		
Placement fee receivables	6,916,311	14,275,174
Other receivables	20,552,896	37,819,601
	<u>27,469,207</u>	<u>52,094,775</u>
<b>15. Accruals and other payable</b>		
Management fee payable	7,185,209	8,301,995
Trustee fee payable	2,328,008	2,689,847
Auditor's remuneration payable	394,054	375,289
Placement fee received in advance	108,975	10,745,205
Unit Investments received in advance	3,059,000	14,623,000
Other payables	5,329,677	5,913,329
	<u>18,404,923</u>	<u>42,648,665</u>
<b>16. Net assets per unit</b>		
Net assets (Rs.)	15,431,165,215	21,478,221,453
Total number of units	7,430,808	11,118,650
Net assets per unit (Rs.)	<u>2,076.65</u>	<u>1,931.73</u>

Movements in the number of units during the year is as follows:

	No. of Units	Rs.
<b>Balance as at 1 April 2020</b>	<b>4,004,111</b>	<b>7,004,272,423</b>
Increase due to unit creation during the year	19,616,771	36,694,016,043
Decrease due to unit redemption during the year	(12,502,232)	(23,343,445,463)
Increase in net assets attributable to unit holders	-	1,123,378,450
<b>Balance as at 31 March 2021</b>	<u><b>11,118,650</b></u>	<u><b>21,478,221,453</b></u>
<b>Balance as at 1 April 2021</b>	<b>11,118,650</b>	<b>21,478,221,453</b>
Increase due to unit creation during the year	17,464,326	35,063,404,418
Decrease due to unit redemption during the year	(21,152,168)	(42,638,121,994)
Increase in net assets attributable to unit holders	-	1,527,661,338
<b>Balance as at 31 March 2022</b>	<u><b>7,430,808</b></u>	<u><b>15,431,165,215</b></u>





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**17. 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 2022	Measured at fair value	Amortised cost	Carried at cost	Total
	Rs.	Rs.	Rs.	Rs.
<u>Assets</u>				
Cash at bank	-	7,688,208	-	7,688,208
Financial assets recognised through profit or loss				
- measured at fair value				
Securitised papers	952,340,492	-	-	952,340,492
Commercial papers	2,965,236,197	-	-	2,965,236,197
Government securities - Treasury bills	4,740,225,594	-	-	4,740,225,594
Financial assets at amortised cost				-
Government securities under resale agreements	-	1,234,247,265	-	1,234,247,265
Investments in fixed deposits	-	5,522,363,175	-	5,522,363,175
Total	8,657,802,283	6,764,298,648	-	15,422,100,931
<u>Liabilities</u>				
Accruals and other payable	-	-	18,404,923	18,404,923
Total	-	-	18,404,923	18,404,923

As at 31 March 2021	Measured at fair value	Amortised cost	Carried at cost	Total
	Rs.	Rs.	Rs.	Rs.
<u>Assets</u>				
Cash at bank	-	18,775,444	-	18,775,444
Financial assets recognised through profit or loss				
- measured at fair value				
Securitised papers	2,566,138,975	-	-	2,566,138,975
Commercial papers	5,954,394,976	-	-	5,954,394,976
Government securities - Treasury bills	837,517,450	-	-	837,517,450
Financial assets at amortised cost				-
Government securities under resale agreements	-	5,207,833,357	-	-
Investments in fixed deposits	-	6,884,115,141	-	2,439,931,408
Total	9,358,051,401	12,110,723,942	-	21,468,775,343
<u>Liabilities</u>				
Accruals and other payable	-	-	42,648,665	42,648,665
Total	-	-	42,648,665	42,648,665



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**18. Determining of fair value and hierarchy of fair value**

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

<b>As at 31 March 2022</b>	<b>Level 1 Rs.</b>	<b>Level 2 Rs.</b>	<b>Level 3 Rs.</b>	<b>Total fair value Rs.</b>
<b>Financial assets measured at fair value</b>				
Financial assets recognised through profit or loss				
- measured at fair value				
- Investment in securitised papers	-	952,340,492	-	952,340,492
- Investment in commercial papers	-	2,965,236,197	-	2,965,236,197
- Government securities - Treasury bills	4,740,225,594	-	-	4,740,225,594
	<u>4,740,225,594</u>	<u>3,917,576,689</u>	<u>-</u>	<u>8,657,802,283</u>

<b>As at 31 March 2021</b>	<b>Level 1 Rs.</b>	<b>Level 2 Rs.</b>	<b>Level 3 Rs.</b>	<b>Total fair value Rs.</b>
<b>Financial assets measured at fair value</b>				
Financial assets recognised through profit or loss				
- measured at fair value				
- Investment in securitised papers	-	2,566,138,975	-	2,566,138,975
- Investment in commercial papers	-	5,954,394,976	-	5,954,394,976
- Government securities - Treasury bills	837,517,450	-	-	837,517,450
	<u>837,517,450</u>	<u>8,520,533,951</u>	<u>-</u>	<u>9,358,051,401</u>

**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.



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**18.1 Measurement of fair values**

**18.1.1 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	Observable 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 (0.92% - 4.49%)
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 (2.58% -3.84%)

**18.1.1 (a)** Sensitivity of the market yield on financial instruments measured at fair value is as follows.

	(-) 1% Decrease (Effect in Rs.)	(+) 1% Increase (Effect in Rs.)
Investment in Commercial Papers	3,412,303	(3,395,597)
Investment in Securitized Papers	2,474,345	(2,453,711)

**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 a year), it is assumed that the carrying amount approximates their fair values. This assumption is also applied to lending without specific maturity or revolving nature.





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**19. Financial risk management**

**Overview**

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

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

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

**19.1 Risk management framework**

The Board of Directors of the fund management company bears the overall responsibility for the establishment and oversight of the Unit Trust's risk management framework. The Managing 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.

**19.1(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 optimizing 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.

**19.1(b) Liquidity risk**

Liquidity risk is the risk that the Unit Trust will not have adequate financial resources to meet Unit Trusts' 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.



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**19. Financial risk management (Contd.)**

**Maturity analysis of the financial assets and financial liabilities**

**As at 31 March 2022**

	Carrying amount	Up to 3 months	3 months to 1 year	1-3 years	3-5 years	Over 5 years
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
<u>Assets</u>						
Cash at bank	7,688,208	7,688,208	-	-	-	-
Financial assets recognised through profit or loss - measured at fair value	8,657,802,283	7,623,678,832	1,034,123,451	-	-	-
Financial assets at amortised cost	6,756,610,440	5,598,606,588	1,158,003,852	-	-	-
Other receivable	27,469,207	27,469,207	-	-	-	-
Total financial assets	15,449,570,138	13,257,442,835	2,192,127,303	-	-	-
<u>Liabilities</u>						
Borrowings on repurchase agreement	-	-	-	-	-	-
Accruals and other payable	18,404,923	18,404,923	-	-	-	-
Total financial liabilities	18,404,923	18,404,923	-	-	-	-

**As at 31 March 2021**

	Carrying amount	Up to 3 months	3 Months to 1 year	1-3 years	3-5 years	Over 5 years
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
<u>Assets</u>						
Cash at bank	18,775,444	18,775,444	-	-	-	-
Financial assets recognised through profit or loss - measured at fair value	9,358,051,401	1,627,484,298	7,730,567,103	-	-	-
Financial assets at amortised cost	12,091,948,498	5,787,134,995	6,304,813,503	-	-	-
Other receivable	52,094,775	52,094,775	-	-	-	-
Total financial assets	21,520,870,118	7,485,489,512	14,035,380,606	-	-	-
<u>Liabilities</u>						
Borrowings on repurchase agreement	-	-	-	-	-	-
Accruals and other payable	42,648,665	42,648,665	-	-	-	-
Total financial liabilities	42,648,665	42,648,665	-	-	-	-





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**19.1'(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.

**Credit quality by class of financial assets**

**As at 31 March 2022**

	12 Month expected credit losses	Life time expected credit losses not credit impaired	Life time expected credit losses credit impaired	Total
	Rs.	Rs.	Rs.	Rs.
<u>Assets</u>				
Cash at bank	7,688,208	-	-	7,688,208
Financial assets at amortised cost	5,979,802,953	-	776,807,487	6,756,610,440
Total financial assets	5,987,491,161	-	776,807,487	6,764,298,648

**As at 31 March 2021**

	12 Month expected credit losses	Life time expected credit losses not credit impaired	Life time expected credit losses credit impaired	Total
	Rs.	Rs.	Rs.	Rs.
<u>Assets</u>				
Cash at bank	18,775,444	-	-	18,775,444
Financial assets at amortised cost	11,359,390,989	-	732,557,509	12,091,948,498
Total financial assets	11,378,166,433	-	732,557,509	12,110,723,942



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**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 2022	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.
<u>Sector wise breakdown</u>				
Government	7,419,468	4,740,225,594	-	4,747,645,062
Corporate	268,740	3,917,576,689	6,756,610,440	10,674,455,869
Total	7,688,208	8,657,802,283	6,756,610,440	15,422,100,931

As at 31 March 2021	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.
<u>Sector wise breakdown</u>				
Government	18,499,404	837,517,450	-	856,016,854
Corporate	276,040	8,520,533,951	12,091,948,498	20,612,758,489
Total	18,775,444	9,358,051,401	12,091,948,498	21,468,775,343

**19.1 (d) 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 risks is measured using sensitivity analysis. However, due to the short term nature of the investments, 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 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 31.03.2022 (Rs.)	Effect on the profit for the year ended 31.03.2021 (Rs.)
Increase in interest rate	+0.5%	(5,959,543)	(7,173,634)
Decrease in interest rate	-0.5%	5,974,950	8,521,311



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**19. Financial risk management (Contd.)**

**19.1 (e) 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 behavior.

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 authorization 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.





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**20. Related party disclosures**

**20.1 Directorships in other companies**

The Directors of First Capital Asset Management Limited (Managing Company of the Unit Trust) and First Capital Holdings PLC (Parent Company of the Business Cluster) are also Directors of the following companies.

Name of the company	Relationship	Mr. Nishan Fernando	Mr. Dinesh Schaffter	Mr. Dilshan Wirasekara	Mr. Eardley Perera	Ms. Minette Perera	Mr. Chandana Lal de Silva	Dr. Nishan de Mel	Mr. Ramesh Schaffter
Janashakthi Limited	Ultimate Parent	-	Director	-	Director	-	Chairman	-	Managing Director/ Group CEO
Janashakthi Insurance PLC	Subsidiary of the Ultimate Parent	-	Director	-	-	-	-	-	Director
Janashakthi Capital Limited	Subsidiary of the Ultimate Parent	-	-	-	-	-	-	-	Director
Janashakthi Business Services (Private) Limited	Subsidiary of the Ultimate Parent	-	-	-	-	-	-	-	Director
Janashakthi Corporate Services Limited	Subsidiary of the Ultimate Parent	-	Director	-	-	-	-	-	Director
Orient Finance PLC	Subsidiary of the Ultimate Parent	-	-	-	-	Director	-	-	-
Orient Capital Limited	Subsidiary of the Ultimate Parent	-	-	-	-	-	-	-	-
First Capital Limited	Immediate Parent	Chairman	Managing Director	Director /CEO	Director	Director	Director	Director	-
First Capital Treasuries PLC	Subsidiary of Immediate Parent	Chairman	Managing Director	Director /CEO	-	Director	Director	Director	Director
First Capital Markets Limited	Subsidiary of Immediate Parent	Chairman	Managing Director	Director /CEO	Director	Director	Director	Director	-
First Capital Equities (Private) Limited	Subsidiary of Immediate Parent	Chairman	Managing Director		Director	Director	Director	Director	-
First Capital Trustee Services (Private) Limited	Subsidiary of Immediate Parent	-	Managing Director	Director /CEO	-	-	-	-	-
Kelsey Developments PLC	Subsidiary of the Ultimate Parent	-	-	-	Chairman/ Director	-	-	-	Director
Kelsey Homes (Private) Limited	Subsidiary of the Ultimate Parent	-	-	-	Director	-	-	-	Director
Kelsey Homes (Central Park) Limited	Subsidiary of the Ultimate Parent	-	-	-	Director	-	-	-	Director
Premier Synthetic Leather Manufacturers (Private) Limited	Related party through KMP	-	Director	-	-	-	-	-	-
Nextventures Limited	Related party through KMP	-	Director	-	-	-	-	-	-



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**20. Related party disclosures (Contd.)**

***KMP - Key Management Personnel***

- Mr. Prakash Schaffter has stepped down from the Board of Directors of First Capital Holdings PLC and acting as alternate Director to Mr. Ramesh Schaffter with effect from 2 September 2021.
- Mr. Prakash Schaffter has stepped down from the Board of Directors of Janashakthi Insurance PLC, Kelsey Developments PLC, Premier Synthetic Leather Manufacturers (Pvt) Ltd, K H L Corporate Services Limited, First Capital Treasuries PLC and Orient Capital Limited with effect from 11 August 2021, 2 September 2021, 26 November 2021, 26 November 2021, 10 January 2022 and 1 February 2022 respectively.
- Mr. Prakash Schaffter has been appointed to the Board of Directors of Kelsey Homes (Pvt) Ltd and Kelsey Homes (Central Park) Limited with effect from 1 January 2022. Mr. Ramesh Schaffter acting as alternate Director to Mr. Prakash Schaffter in Kelsey Homes (Pvt) Ltd and Kelsey Homes (Central Park) Ltd.
- Mr. Ramesh Schaffter has stepped down from the Board of Directors of Janashakthi Insurance PLC and Kelsey Developments PLC and appointed as alternate Director to Mr. Prakash Schaffter with effect from 11 August 2021 and 2 September 2021 respectively.
- Mr. Ramesh Schaffter has stepped down from the Board of Directors of Orient Finance PLC with effect from 6 September 2021 and the position of Alternate Director (to Mr. Prakash Schaffter) from the Board of Orient Finance PLC with effect from 2 March 2022.
- Mr. Ramesh Schaffter has stepped down from the Board of Directors of Premier Synthetic Leather Manufacturers (Pvt) Ltd and Orient Capital Limited with effect from 26 November 2021 and 1 February 2022.
- Mr. Ramesh Schaffter has been appointed to the Board of Janashakthi Business Services (Private) Limited with effect from 14 February 2022.
- Mr. Dinesh Schaffter has been appointed to the Board of Janashakthi Insurance PLC with effect from 5 July 2021.
- Mr. Dinesh Schaffter has stepped down from the Board of Directors of Kelsey Developments PLC, Kelsey Homes (Central Park) Limited (formerly know as Twid Capital (Pvt) Ltd) and Kelsey Homes (Pvt) Ltd with effect from 2 September 2021.
- Mr. Chandana Lal de Silva has stepped down from the Board of Directors of Kelsey Developments PLC with effect from 2 September 2021.
- Mr. Eardley Perera has stepped down from the Board of Directors of Janashakthi Insurance PLC with effect from 30 June 2021.

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

The 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.



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**20.2 Transaction with managing company**

Name of the company	Nature of the transaction	<u>Year ended 31.03.2022</u>		<u>Year ended 31.03.2021</u>	
		2021/2022	Amounts owed (to) / by the related party as at 31-03-2022	2020/2021	Amounts owed (to) / by the related party as at 31-03-2021
		Rs.	Rs.	Rs.	Rs.
First Capital Asset Management Limited	Management fee	105,278,573	(7,185,209)	61,004,749	(8,301,995)
	Bank deposit made		(277,374)	-	(277,374)
	Investment in Units		(76,292,356)	-	(10,672,360)
	Benefit accrued on Unit Trust	3,211,895		5,523,866	-

**20.3 Transaction with ultimate parent company/ parent company/ immediate parent company, subsidiaries of the immediate parent of the managing company**

Nature of transaction	<u>Year ended 31.03.2022</u>		<u>Year ended 31.03.2021</u>	
	2021/2022	Amounts owed (to) / by the related party as at 31-03-2022	2020/2021	Amounts owed (to) / by the related party as at 31-03-2021
	Rs.	Rs.	Rs.	Rs.
Interest income	346,055,076	-	269,583,681	-
Placement fee income	669,808	-	823,479	-
Interest expense	13,961,934	-	360,360	-
Investment in Unit Trust	-	(1,622,852,064)	-	(3,016,550,831)
Resale agreements	-	1,000,205,479	-	-
Benefit accrued on Unit Trust	207,460,961	-	164,165,753	-
Investment in Commercial Papers	-	755,384,880	-	2,596,669,748
Investment in Securitized Papers	-	-	-	258,818,568





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NOTES TO THE FINANCIAL STATEMENTS  
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**20.4 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;

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

Close Family Members are related parties to

Transactions with KMP/CFM	Year ended 31.03.2022		Year ended 31.03.2021	
	2021/2022	Amounts owed (to) / by the related party as at 31-03-2022	2020/2021	Amounts owed (to) / by the related party as at 31-03-2021
	Rs.	Rs.	Rs.	Rs.
Investment in Unit Trust	-	(198,361,385)	-	(80,349,545)
Benefit Accrued on Unit Trust	14,933,737		13,652,920	-

**21. Capital commitments and contingent liabilities**

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

**22. Events occurring after the reporting period**

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



**First Capital Money Market Fund****Reconciliation of Net Asset Value reported as at 31<sup>st</sup> March 2022**

	<b>Rs.</b>
<b>Net Asset Value as per Monthly Return</b>	<b>15,470,270,430</b>
Adjustment on provision for financial asset - at amortised cost as per SLFRS 9	(916,285)
Adjustment on fair valuation of financial asset - at fair value through profit or loss	(38,188,930)
<b>Net Asset Value as per Audited Financial Statements</b>	<b>15,431,165,215</b>



## **CORPORATE INFORMATION**

### **NAME OF THE FUND (UNIT TRUST)**

First Capital Money Market Fund

### **FUND MANAGING COMPANY**

First Capital Asset Management Limited  
(PB 187)

### **TRUSTEE OF THE FUND**

Bank of Ceylon

### **REGISTERED OFFICE OF FUND MANAGING COMPANY**

No. 2, Deal Place  
Colombo 3

### **BOARD OF DIRECTORS OF FUND MANAGING COMPANY**

Mr. Nishan Fernando  
Mr. Dinesh Schaffter  
Mr. Dilshan Wirasekara  
Mr. Eardley Perera  
Ms. Minette Perera  
Mr. Chandana de Silva  
Dr. Nishan de Mel

### **SECRETARIES**

Janashakthi Corporate Services Limited  
(Formerly known as K H L Corporate  
Services Limited)  
No. 15, Walukarama Road  
Colombo 3  
Tel: 0112145030

### **EXTERNAL AUDITORS**

Messrs SJMS Associates (Deloitte)  
Chartered Accountants  
No. 11, Castle Lane  
Colombo 4

### **INTERNAL AUDITORS**

Messrs PricewaterhouseCoopers  
Chartered Accountants  
No. 100, Braybrooke Place  
Colombo 2

### **PRINCIPAL BANKERS**

Sampath bank  
Bank of Ceylon