

**FIRST CAPITAL FIXED INCOME FUND
INTERIM FINANCIAL STATEMENTS
FOR SIX MONTHS ENDED 30TH SEPTEMBER 2022**



First Capital

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 2022.

Fund Performance

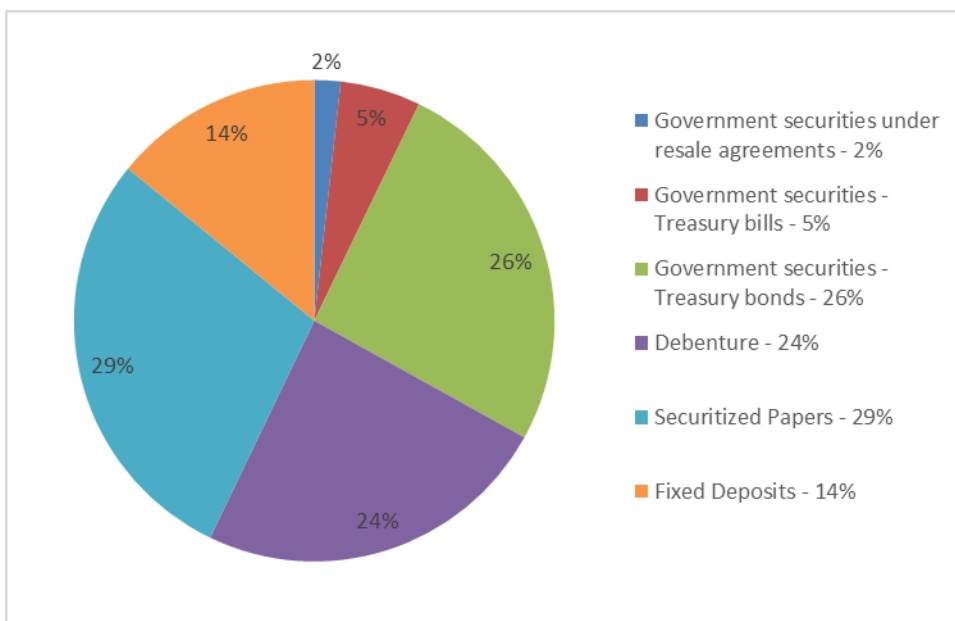
First Capital Fixed Income Fund reported a Loss after Tax of Rs. 8.5Mn for the six months ended 30th September 2022 compared to a Profit after Tax of Rs. 29.6Mn in the corresponding period of the previous year. The loss reported for the period under review is as a result of the fair valuation losses on fixed income securities portfolios amounting to Rs. 80.5Mn (2021/22 – Rs. 19.2Mn).

The Fund reported an Annualised Negative Return of 1.76% for the six months ended 30th September 2022 compared to 5-year treasury bond yield (base yield) of 21.11% (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 (2021/22) was 6.39% 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>). The Funds under Management as at 30th September 2022 was Rs. 987Mn compared to Rs. 996Mn 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 2022

The Asset Allocation of the Fund as at 30th September 2022 is as follows.



FIRST CAPITAL ASSET MANAGEMENT LIMITED

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Company Reg. No: PB 187

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	2022	2021
	Unaudited	Unaudited
	Rs.	Rs.
Income	75,806,323	53,018,657
Direct expenses	-	(496,575)
Net trading income	<u>75,806,323</u>	<u>52,522,082</u>
Unrealised loss on fair valuation of financial assets recognised through profit or loss - measured at fair value	(80,473,837)	(19,216,817)
	<u>(4,667,514)</u>	<u>33,305,265</u>
Administration and other operating expenses	(3,821,640)	(3,653,768)
(Provision) / reversal for Impairment of financial assets at amortised cost	5,559	(5,326)
Profit/ (Loss) before taxation	<u>(8,483,595)</u>	<u>29,646,171</u>
Income tax expenses	-	-
Profit/ (Loss) for the period	<u>(8,483,595)</u>	<u>29,646,171</u>
Increase/ (Decrease) in net assets attributable to unitholders	<u>(8,483,595)</u>	<u>29,646,171</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	30.09.2022	31.03.2022
	Unaudited	Audited
	Rs.	Rs.
Assets		
Cash at bank	20,839,396	618,803
Financial assets recognised through profit or loss - measured at fair value	802,481,590	815,362,681
Financial assets at amortised cost	153,280,582	169,795,208
Other receivable	11,409,434	11,158,511
Total assets	<u>988,011,002</u>	<u>996,935,203</u>
Unitholders' funds and liabilities		
Liabilities		
Accrued expenses and other liabilities	1,154,450	1,271,235
Total liabilities	<u>1,154,450</u>	<u>1,271,235</u>
Unitholders' funds		
Net assets attributable to unit holders	986,856,552	995,663,968
	<u>986,856,552</u>	<u>995,663,968</u>
Total unitholders' funds and liabilities	<u>988,011,002</u>	<u>996,935,203</u>
Net assets per unit (Rs.)	1,968.33	1,985.90

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 22nd December 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



Chandana de Silva
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 2022

	Unitholders' Funds
	Rs.
Balance as at 1st April 2021 (Audited)	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
Balance as at 30th September 2021 (Unaudited)	<u>969,107,564</u>
Balance as at 1st April 2022 (Audited)	995,663,968
Capital infused during the period	207,768,118
Capital withdrawals made during the period	(208,091,939)
Decrease in net assets attributable to unit holders	(8,483,595)
Balance as at 30th September 2022 (Unaudited)	<u>986,856,552</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	2022 Unaudited Rs.	2021 Unaudited Rs.
Cash flows from operating activities		
Profit/ (Loss) before taxation	(8,483,595)	29,646,171
Adjustment for :		
Unrealised Loss on fair valuation of financial assets - at fair value through profit and loss	80,473,837	19,216,817
Provision/ (reversal) for Impairment of financial assets at amortised cost	(5,559)	5,326
Operating profit before working capital changes	71,984,683	48,868,314
(Increase)/ Decrease in financial assets -at fair value through profit or loss	(67,592,746)	37,783,441
(Increase)/ Decrease in financial assets -at amortised cost	16,520,185	(81,120,244)
Increase in other receivables	(250,923)	(4,516,178)
Decrease in accrued expenses and other liabilities	(116,785)	(108,785)
Cash flows generated from operations	20,544,414	906,548
Net cash flows generated from operating activities	20,544,414	906,548
Net cash flows from/(used in) investing activities		
Capital infused during the period	207,768,118	-
Capital redeemed during the period	(208,091,939)	-
Net cash flows from/ (used in) financing activities	(323,821)	-
Net increase in cash and cash equivalents	20,220,593	906,548
Cash and cash equivalents at the beginning of the period	618,803	235,775
Cash and cash equivalents at the end of the period	20,839,396	1,142,323

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 2022 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 2022 have been followed in the preparation of the above interim financial statements.
3. There have been no material capital 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 2022).
4. There have been no material events after the reporting period which require adjustments/disclosures in the above interim financial statements.

FIRST CAPITAL FIXED INCOME FUND
INTERIM FINANCIAL STATEMENTS FOR SIX MONTHS ENDED 30TH SEPTEMBER 2022

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 30.09.2022		As at 31.03.2022	
	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	802,481,590	802,481,590	815,362,681	815,362,681
	802,481,590	802,481,590	815,362,681	815,362,681
Financial assets not measured at fair value				
Cash at banks	20,839,396	20,839,396	618,803	618,803
Financial assets - at amortised cost	153,280,582	153,280,582	169,795,208	169,795,208
Other receivables	11,409,434	11,409,434	11,158,511	11,158,511
	185,529,412	185,529,412	181,572,522	181,572,522
Total financial assets	988,011,002	988,011,002	996,935,203	996,935,203
Financial liabilities measured at fair value	-	-	-	-
Financial liabilities not measured at fair value				
Accrued expenses and other liabilities	1,154,450	1,154,450	1,271,235	1,271,235
Total financial liabilities	1,154,450	1,154,450	1,271,235	1,271,235

FIRST CAPITAL FIXED INCOME FUND
INTERIM FINANCIAL STATEMENTS FOR SIX MONTHS ENDED 30TH SEPTEMBER 2022

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 2022

Financial assets measured at fair value

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

	Level 1 Rs.	Level 2 Rs.	Level 3 Rs.	Total Fair Value Rs.
Investment in debentures	124,366,050	108,074,330	-	232,440,380
Investment in securitised papers	-	267,954,582	-	267,954,582
Investment in government Securities - Treasury Bills	52,307,310	-	-	52,307,310
Investment in government Securities - Treasury Bonds	249,779,318	-	-	249,779,318
	426,452,678	376,028,912	-	802,481,590

Financial assets not measured at fair value

Cash at bank	-	-	20,839,396	20,839,396
Financial assets - at amortised cost	-	-	153,280,582	153,280,582
Other receivable	-	-	11,409,434	11,409,434
	-	-	185,529,412	185,529,412

Total financial assets

426,452,678 376,028,912 185,529,412 988,011,002

Financial liabilities measured at fair value

- - - -

Financial liabilities not measured at fair value

Accrued expenses and other liabilities

- - 1,154,450 1,154,450

Total financial liabilities

- - **1,154,450** **1,154,450**

As at 31st March 2022

Financial assets measured at fair value

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

	Level 1 Rs.	Level 2 Rs.	Level 3 Rs.	Total Fair Value Rs.
Investment in debentures	-	280,466,980	-	280,466,980
Investment in securitised papers	-	307,284,021	-	307,284,021
Investment in government Securities - Treasury Bills	227,611,680	-	-	227,611,680
	227,611,680	587,751,001	-	815,362,681

Financial assets not measured at fair value

Cash at bank	-	-	618,803	618,803
Financial assets - at amortised cost	-	-	169,795,208	169,795,208
Other receivable	-	-	11,158,511	11,158,511
	-	-	181,572,522	181,572,522

Total financial assets

227,611,680 587,751,001 181,572,522 996,935,203

Financial liabilities measured at fair value

- - - -

Financial liabilities not measured at fair value

Accrued expenses and other liabilities

- - 1,271,235 1,271,235

Total financial liabilities

- - **1,271,235** **1,271,235**

FIRST CAPITAL FIXED INCOME FUND**INTERIM FINANCIAL STATEMENTS FOR SIX MONTHS ENDED 30TH SEPTEMBER 2022****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
Debentures	The valuation model is based on Yield Curve of the Government Securities. Yields relating to Government Securities based on the remaining 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%)
Securitised Papers	The valuation model is based on Yield Curve of the Government Securities. Yields relating to Government Securities based on the remaining maturities of the respective Securitised 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% - 4.79%)

FIRST CAPITAL FIXED INCOME FUND

INTERIM FINANCIAL STATEMENTS FOR SIX MONTHS ENDED 30TH SEPTEMBER 2022

NOTES TO THE FINANCIAL STATEMENTS

5.4 Financial instruments - Accounting classifications

As at 30th September 2022

	Financial assets/ liabilities at amortised cost	Total carrying amount	Fair value
Financial assets - FVTPL	Rs.	Rs.	Rs.
Financial assets measured at fair value			
Financial assets - FVTPL	802,481,590	-	802,481,590
	802,481,590	-	802,481,590
Financial assets not measured at fair value			
Cash at bank	-	20,839,396	20,839,396
Financial assets at amortised cost	-	153,280,582	153,280,582
Other receivable	-	11,409,434	11,409,434
	-	185,529,412	185,529,412
Total financial assets	802,481,590	185,529,412	988,011,002
Financial liabilities measured at fair value			
	-	-	-
Financial liabilities not measured at fair value			
Accrued expenses and other liabilities	-	1,154,450	1,154,450
Total financial liabilities	-	1,154,450	1,154,450

As at 31st March 2022

	Financial assets/ liabilities at amortised cost	Total carrying amount	Fair value
Financial assets - FVTPL	Rs.	Rs.	Rs.
Financial assets measured at fair value			
Financial assets - FVTPL	815,362,681	-	815,362,681
	815,362,681	-	815,362,681
Financial assets not measured at fair value			
Cash at bank	-	618,803	618,803
Financial assets at amortised cost	-	169,795,208	169,795,208
Other receivable	-	11,158,511	11,158,511
	-	181,572,522	181,572,522
Total financial assets	815,362,681	181,572,522	996,935,203
Financial liabilities measured at fair value			
	-	-	-
Financial liabilities not measured at fair value			
Accrued expenses and other liabilities	-	1,271,235	1,271,235
Total financial liabilities	-	1,271,235	1,271,235

FIRST CAPITAL FIXED INCOME FUND**RECONCILIATION FOR THE NET ASSET VALUE REPORTED AS AT 30TH SEPTEMBER 2022**

	RS
Net Asset Value of the Fund as per Monthly Return	986,856,764
Adjustment on provision for financial asset - at amortised cost as per SLFRS 9	(212)
Net Asset Value of the Fund as per Unaudited Financial Statements	986,856,552