



First Capital
A Janashakthi Group Company

ANNUAL REPORT 2022/23

FIRST CAPITAL GILT-EDGED FUND

Managed by
FIRST CAPITAL ASSET MANAGEMENT LIMITED

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REPORT OF THE MANAGER

We wish to submit you the Audited Financial Statements of First Capital Gilt-Edged Fund for the year ended 31st March 2023.

Economic and Industry Overview

In 2022, Sri Lanka experienced an unprecedented level of economic, social, and political turmoil as the country faced multiple blowouts including shortages of essential items, forex liquidity crisis, steep depreciation of LKR against major foreign currencies and soaring inflation and interest rates. The adverse circumstances resulted in extensive disruptions to the economy, leading to civil unrest and uncertainty in the political landscape.

In April 2022, Sri Lanka faced an unpleasant historic event as it officially defaulted on its foreign debt obligations. Following the default, the newly appointed Governor, Central Bank of Sri Lanka took measures to substantially increase the policy rates, while the Government significantly increased the direct taxes widening the scope of taxpayers. The prices of cooking gas, fuel, electricity, medicines and other utilities were increased in line with the currency depreciation and to prevent underpricing of products. The multiple measures, import restrictions and skyrocketing food prices lead to a surge in inflation which peaked at 73.7% in September 2022. As a prerequisite for the IMF arrangement, the Monetary Board and the IMF staff reached a consensus to raise the policy rates to help lower the spread between policy rates and high market interest rates. Consequently, the Standing Deposit Facility Rate (SDFR) and the Standing Lending Facility Rate (SLFR) were increased by 100bps to 15.5% and 16.5% in March 2023. To aid in its economic recovery, Sri Lanka secured approval for the board level agreement from the IMF in March 2023 for USD 2.9Bn to be disbursed over a four-year period. This marked a significant milestone for the country's path towards economic stability.

During 2022/23, there were 17 licensed unit trust management companies with 72 funds in operation. Total assets under management were Rs. 174Bn as at 31st March 2023 (Source: The Unit Trust Association of Sri Lanka).

FIRST CAPITAL ASSET MANAGEMENT LIMITED

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Company Reg. No : PB 187

Fund Performance

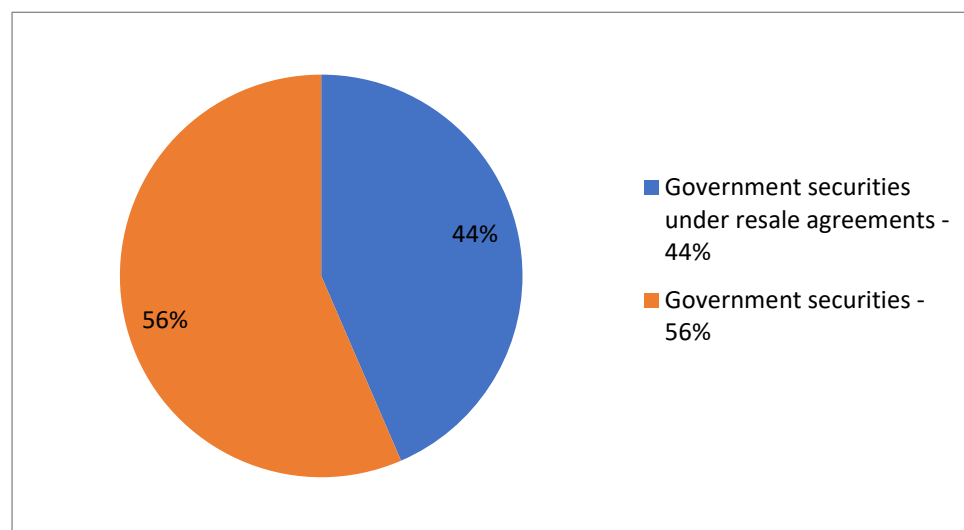
First Capital Gilt-Edged Fund reported a Profit after Tax of Rs. 659.8Mn for the year ended 31st March 2023 compared to Rs. 2.6Mn in the previous year (2021/22). The substantial increase in profit after tax is mainly due to increase in interest income on financial assets from Rs. 3Mn to Rs. 677Mn (year-on-year basis) which is due to the higher funds under management during the year.

The Fund reported an Annualised Return of 24.6% for the year ended 31st March 2023 compared to the benchmark one-year average treasury yield of 23.7% (source: Central Bank of Sri Lanka – https://www.cbsl.lk/eResearch/Modules/RD/SearchPages/Indicators_GovernmentSecurities.aspx).

The Annualised Return reported in the previous year (2021/22) was 4.9% compared to the benchmark one-year average treasury yield of 7.3% (source: Central Bank of Sri Lanka - https://www.cbsl.lk/eResearch/Modules/RD/SearchPages/Indicators_GovernmentSecurities.aspx). The Funds under Management as at 31st March 2023 were Rs. 1.367Bn compared to Rs. 56Mn as at 31st March 2022. The substantial increase in Funds under Management (year-on-year basis) is due to the significant attraction on yields of the Government Securities during the year.

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

Asset Allocation as at 31st March 2023



Future Outlook

The Sri Lankan economy is anticipated to embark on a path of recovery towards latter part of 2023, driven by the progress achieved with the IMF program and debt restructuring negotiations. Under the guidance of the IMF, Sri Lanka aims to implement crucial structural reforms that may enhance stability and lay the foundation for sustained long-term growth. The Central Bank of Sri Lanka has also implemented monetary policy easing, embarked on the finalisation of the domestic debt optimisation program, resulting in a significant decline in market interest rates from the 2nd quarter of 2023 onwards. Additionally, inflation has stabilised faster than anticipated and is projected to reach mid-single digit levels in the medium term.

The subdued global demand for oil and commodities has led to lower global price levels. As Sri Lanka primarily relies on imports for goods while the service sector, including tourism, gradually improves, the country is positioned as a net beneficiary in this context, especially considering that global interest rates have likely reached their peak.

With concerted efforts and a forward-looking approach, Sri Lanka has the potential to realise its aspirations and enhance the well-being of its citizens. The approval of the IMF Extended Fund Facility and the initial disbursement has alleviated foreign exchange pressures, although declining exports remain a concern. Nevertheless, the increase in worker remittances and the recovery of the tourism industry have provided support for foreign exchange liquidity. By adhering to professional standards and implementing sound economic strategies, Sri Lanka can continue on its path towards stability and long-term prosperity.

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 GILT-EDGED FUND

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of First Capital Gilt-Edged Fund ("the Fund"), which comprise the statement of financial position as at 31 March 2023, and the statement of profit or loss and other comprehensive income, statement of changes in unitholders' funds and statement of cash flows for the year then ended, and notes to the financial statements, including 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 2023, 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. As we have not been provided with other information, 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

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

SJMS Associates
SJMS ASSOCIATES
Chartered Accountants
Colombo
13 July 2023



FIRST CAPITAL GILT-EDGED FUND
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2023

	Note	2022/2023 Rs.	2021/2022 Rs.
Income	6	677,264,040	3,147,197
Direct expenses	7	(163,808)	-
Net trading income		677,100,232	3,147,197
Gain on financial assets recognized through profit or loss - measured at fair value		4,217,300	-
		681,317,532	3,147,197
Administration expenses	8	(21,021,240)	(522,183)
Other operating expenses	9	(464,775)	(14,150)
		(21,486,015)	(536,333)
Net operating profit before taxation		659,831,517	2,610,864
Income tax expenses	10	-	-
Net operating profit for the year		659,831,517	2,610,864
Other comprehensive income		-	-
Increase in net assets attributable to unitholders		659,831,517	2,610,864

Figures in bracket indicate deductions.

The attached notes from 1 to 23 form an integral part of these financial statements.



FIRST CAPITAL GILT-EDGED FUND
STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2023

	Note	31.03.2023 Rs.	31.03.2022 Rs.
Assets			
Cash at bank	11	3,986,004	1,890,938
Financial assets recognised through profit or loss - measured at fair value	12	772,563,400	-
Financial assets - at amortised cost	13	595,025,954	54,586,229
Total assets		1,371,575,358	56,477,167
Unitholders' funds and liabilities			
Liabilities			
Accrued expenses and other liabilities	14	4,349,582	252,752
Total liabilities		4,349,582	252,752
Unitholders' funds			
Net assets attributable to unitholders		1,367,225,776	56,224,415
Total unitholders' funds and liabilities		1,371,575,358	56,477,167
Net assets value per unit (Rs.)	15	1,962.86	1,574.86

The Management Company of First Capital Gilt-Edged 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 13 July 2023.


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

FOR BANK OF CEYLON

Authorised Signatories


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


Chandana Lal de Silva
Director
First Capital Asset Management Limited
Fund Management Company

The attached notes from 1 to 23 form an integral part of these financial statements.



FIRST CAPITAL GILT-EDGED FUND
STATEMENT OF CHANGES IN UNITHOLDERS FUNDS
FOR THE YEAR ENDED 31 MARCH 2023

	Unitholder's Funds Rs.
Balance as at 1 April 2021	53,593,609
Increase due to unit creation during the year	30,000
Decrease due to unit redemption during the year	(10,058)
Increase in net assets attributable to unitholders	2,610,864
Balance as at 31 March 2022	<u>56,224,415</u>
Balance as at 1 April 2022	56,224,415
Increase due to unit creation during the year	26,400,602,785
Decrease due to unit redemption during the year	(25,749,432,941)
Increase in net assets attributable to unitholders	659,831,517
Balance as at 31 March 2023	<u>1,367,225,776</u>

Figures in bracket indicate deductions.

The attached notes from 1 to 23 form an integral part of these financial statements.



FIRST CAPITAL GILT-EDGED FUND
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2023

	Note	2022/2023 Rs.	2021/2022 Rs.
Cash flows from operating activities			
Profit before taxation		659,831,517	2,610,864
Adjustment for :			
Loss on fair valuation of financial assets recognized - through profit or loss measured at fair value		(4,217,300)	-
Operating profit before working capital changes		655,614,217	2,610,864
Increase financial assets- at fair value through profit or loss		(768,346,100)	-
Increase in financial asset at amortised cost		(540,439,724)	(1,551,226)
Increase in accrued expenses and other liabilities		4,096,829	9,028
Cash flows (used in)/ generated from operations		(649,074,778)	1,068,666
Tax paid		-	-
Net cash flows (used in)/generated from operating activities		(649,074,778)	1,068,666
Net cash flows generated from/(used in) investing activities		-	-
Cash flows from financing activities			
Capital infused by unitholders		26,400,602,785	30,000
Capital redeemed by unitholders		(25,749,432,941)	(10,058)
Net cash flows generated from financing activities		651,169,844	19,942
Net increase in cash and cash equivalents for the year		2,095,066	1,088,608
Cash and cash equivalents at the beginning of the year		1,890,938	802,330
Cash and cash equivalents at the end of the year	11	3,986,004	1,890,938

Figures in bracket indicate deductions.

The attached notes from 1 to 23 form an integral part of these financial statements.



**FIRST CAPITAL GILT-EDGED FUND
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2023**

1. Reporting entity

First Capital Gilt-Edged 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 Unit Trust is located at No. 2, Deal Place, Colombo 03. First Capital Asset Management is the Managing Company of First Capital Gilt-Edged Fund while Bank of Ceylon has been appointed as the Trustee.

1.1. Principal activities

The fund engages in investment in Government securities. The operations of the Trust commenced on 24 September 2014.

The Objective of the First Capital Gilt-Edged Fund is to yield maximum possible return to Unitholders while minimizing their risk through investments in Government Securities placed according to the parameters stated in the Collective Investment Scheme code (CIS code) of the Securities and Exchange Commission of Sri Lanka.

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

1.2. Approval of financial statements

The financial statements of the fund for the year ended 31 March 2023 were authorized for issue by the Fund Management Company on 13 July 2023.

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 in compliance with the requirements of the Collective Investment Scheme code (CIS code) of the 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 or 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.

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.



**FIRST CAPITAL GILT-EDGED FUND
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2023**

2.4 Use of estimates and judgments (Contd.)

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 management 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, fund management company 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

4.1. Financial instruments

4.1.1. 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 market place.

4.1.2. Initial measurement of financial instruments

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.

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.



**FIRST CAPITAL GILT-EDGED FUND
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2023**

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 eliminates 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/(losses) 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.

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.



**FIRST CAPITAL GILT-EDGED FUND
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2023**

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

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 Lanka Rating Agency Limited as applicable to determine the significant deterioration in credit risk and to estimate the ECLs.

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

Further, movements within the ratings of the investment grade stipulate significant deterioration of credit risk. Significant deterioration is measured through a two 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 assets at amortised cost at both a specific asset and collective level. All individually significant financial assets at amortised cost are assessed for specific impairment. All individually significant financial assets at amortised cost found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Financial assets at amortised cost that are not individually significant are collectively assessed for impairment by grouping together financial assets at amortised cost with similar risk characteristics.

In assessing collective impairment, the Fund uses 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.

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, during 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 equity security is recognised in other comprehensive income.



**FIRST CAPITAL GILT-EDGED FUND
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2023**

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.

There were no sale and repurchase borrowings as of year end 31 March 2023 and 31 March 2022.

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 during 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-recognised 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 substantially transferred 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.

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 is declared by the Fund Managing Company and approved by the Trustee.

4.3. Provision

A provision is recognised if, as a result of a past event, the Unit Trust 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.



**FIRST CAPITAL GILT-EDGED FUND
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2023**

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 Comprehensive Income include interest on financial assets and financial liabilities measured at amortised cost calculated on an effective interest basis and fair value changes in 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.

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 and subsequent amendments thereto. The fund's income generated through investment business are treated as "pass through vehicles" under the provisions of Inland Revenue Act No. 24 of 2017 and subsequent amendments thereto.

4.8. Expenses

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

Management fee	-	0.5% p.a. of net asset value of the fund calculated on a daily basis
Trustee fee	-	0.22% 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.



**FIRST CAPITAL GILT-EDGED FUND
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2023**

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.

Presentation

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.

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 have 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.



FIRST CAPITAL GILT-EDGED FUND
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	2022/2023 Rs.	2021/2022 Rs.
6. Income		
Interest income on financial assets recognised - through profit and loss measured at fair value	105,531,650	-
Interest income on financial investments - at amortised cost	571,732,390	3,147,197
	<u>677,264,040</u>	<u>3,147,197</u>
7. Direct expenses		
Interest expense on repurchase agreements	163,808	-
	<u>163,808</u>	<u>-</u>
8. Administration expenses		
Management fee	15,517,614	273,953
Trustee fee	5,303,344	88,761
Auditor's remuneration	200,282	159,469
	<u>21,021,240</u>	<u>522,183</u>
9. Other operating expenses		
Bank charges	464,775	14,150
	<u>464,775</u>	<u>14,150</u>
10. Income tax expenses		
First Capital Equity Fund is not liable to pay income tax as at the reporting date in accordance with Inland Revenue Act No. 24 of 2017 and subsequent amendments thereto. The Fund's income generated through investment business are treated "pass through vehicles" under the provisions of Inland Revenue Act No. 24 of 2017 and subsequent amendments thereto (2021/2022 - Nil).		
10.1 Reconciliation between current tax expense and the accounting profit		
Accounting profit from ordinary activities before tax	659,831,517	2,610,864
Less:- Exempted income	(659,831,517)	(2,610,864)
Taxable profit	<u>-</u>	<u>-</u>
Income tax provision for the year	<u>-</u>	<u>-</u>



FIRST CAPITAL GILT-EDGED FUND
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	31.03.2023	31.03.2022
	Rs.	Rs.
11. Cash at bank		
Bank of Ceylon - Corporate Branch (Note 11.1)	3,986,004	1,890,938
	<u>3,986,004</u>	<u>1,890,938</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.	
	The above balance represents as at 31 March 2023 is with credit rating of "A".	
	31.03.2023	31.03.2022
	Rs.	Rs.
12. Financial assets recognised through profit or loss- measured at fair value		
Government securities - Treasury bills	772,563,400	-
	<u>772,563,400</u>	<u>-</u>
13. Financial assets - at amortised cost		
Government Securities under resale agreements (Note 13.1)		
Bank of Ceylon	11,304,036	-
First Capital Treasuries PLC	492,447,671	54,586,229
Capital Alliance PLC	91,274,247	-
	<u>595,025,954</u>	<u>54,586,229</u>
13.1	This represent investment in repurchase agreement entirely backed by Government securities. No impairment provisions derived through these investments.	
14. Accrued expenses and other liabilities		
Management fee payable	512,212	23,817
Trustee fee payable	181,244	7,717
Audit fee payable	194,376	159,468
Other payables	3,461,750	61,750
	<u>4,349,582</u>	<u>252,752</u>



FIRST CAPITAL GILT-EDGED FUND
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2023

	31.03.2023	31.03.2022
	Rs.	Rs.
15. Net assets value per unit		
Net assets (Rs.)	1,367,225,776	56,224,415
Total number of units	696,546.35	35,701.31
Net assets value per unit (Rs.)	<u>1,962.86</u>	<u>1,574.86</u>

15.1 Net assets attributable to unitholders

Movements in the number of units and net assets attributable to unit holders during the year were as follows:

	31.03.2023		31.03.2022	
	Units	Rs.	Units	Rs.
Opening capital balance	35,701	56,224,415	35,688	53,593,609
Increase due to unit creation during the year	15,658,240	26,400,602,785	20	30,000
Decrease due to unit redemption during the year	(14,997,395)	(25,749,432,941)	(7)	(10,058)
<i>Distributions to unitholders</i>				
Increase in net assets attributable to unitholders	-	659,831,517	-	2,610,864
Closing balance	<u>696,546</u>	<u>1,367,225,776</u>	<u>35,701</u>	<u>56,224,415</u>



FIRST CAPITAL GILT-EDGED FUND
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2023

16. Analysis of financial instruments by measurement basis

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

Summary of financial assets and liabilities

	Measured at fair value Rs.	Carried at cost Rs.	Amortized cost Rs.	Total Rs.
As at 31 March 2023				
<u>Assets</u>				
Financial assets				
Cash at bank	-	-	3,986,004	3,986,004
Financial assets recognised through profit or loss	772,563,400	-	-	772,563,400
Financial assets - at amortised cost	-	-	595,025,954	595,025,954
Total	<u>772,563,400</u>	<u>-</u>	<u>599,011,958</u>	<u>1,371,575,358</u>
<u>Liabilities</u>				
Accruals and other liabilities	-	4,349,582	-	4,349,582
Total	<u>-</u>	<u>4,349,582</u>	<u>-</u>	<u>4,349,582</u>
	Measured at fair value Rs.	Carried at cost Rs.	Amortized cost Rs.	Total Rs.
As at 31 March 2022				
<u>Assets</u>				
Financial assets				
Cash at bank	-	-	1,890,938	1,890,938
Financial assets - at amortised cost	-	-	54,586,229	54,586,229
Total	<u>-</u>	<u>-</u>	<u>56,477,167</u>	<u>56,477,167</u>
<u>Liabilities</u>				
Accruals and other payables	-	252,752	-	252,752
Total	<u>-</u>	<u>252,752</u>	<u>-</u>	<u>252,752</u>

Financial instruments for which fair value approximates carrying value

For financial assets and 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.



FIRST CAPITAL GILT-EDGED FUND
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2023

17. 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.

As at 31 March 2023	Total carrying value Rs.	Level 1 Rs.	Level 2 Rs.	Level 3 Rs.	Total fair value Rs.
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Financial assets measured at fair value

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

- Investment in Government Securities	772,563,400	772,563,400	-	-	772,563,400
	<u>772,563,400</u>	<u>772,563,400</u>	<u>-</u>	<u>-</u>	<u>772,563,400</u>

As at 31 March 2022	Total carrying value	Level 1 Rs.	Level 2 Rs.	Level 3 Rs.	Total fair value Rs.
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Financial assets measured at fair value

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

-	-	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</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.



FIRST CAPITAL GILT-EDGED FUND
NOTES TO THE FINANCIAL STATEMENTS
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18. Measurement of fair values

18.1 Sensitivity of the market yield on financial instruments measured at fair value is as follows.

	(-) 0.5% Decrease (Effect in Rs.)	(+) 0.5% Increase (Effect in Rs.)
Investment in Treasury Bills	539,600.00	(539,000.00)

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.

19. Financial risk management

Overview

The unit trust has exposure to the following risks via financial instruments.

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

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

19.1 Risk management framework

The Board of Directors hold 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 with 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 risks.



**FIRST CAPITAL GILT-EDGED FUND
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FOR THE YEAR ENDED 31 MARCH 2023**

19. Financial risk management (Contd.)

19.1(a) Market risk (Contd.)

Management of market risk includes the following elements.

- Overall authority for managing market risk is vested with the Board of Directors.
- 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.

The fund's interest bearing financial assets expose it to risks associated with the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. The risk is measured using sensitivity analysis. Since the fund had not held financial instruments with variable interest rates as at 31 March 2023 and 31 March 2022, it was not exposed to interest rate risk. Hence a sensitivity analysis has not been presented.

19.1(b) Liquidity risk

Liquidity risk is the risk that the Unit Trust will not have adequate financial resources to meet Unit Trust's obligations as and 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.



FIRST CAPITAL GILT-EDGED FUND
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19. Financial risk management (Contd.)

19.1(b) Liquidity risk (Contd.)

Maturity analysis of the financial assets and financial liabilities

As at 31 March 2023	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	3,986,004	3,986,004	-	-	-	-
Financial assets recognised through profit or loss - measured at fair value	772,563,400	772,563,400	-	-	-	-
Financial assets - at amortised cost	595,025,954	595,025,954	-	-	-	-
Total financial assets	1,371,575,358	1,371,575,358	-	-	-	-

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	1,890,938	1,890,938	-	-	-	-
Financial assets - at amortised cost	54,586,229	54,586,229	-	-	-	-
Total financial assets	56,477,167	56,477,167	-	-	-	-



FIRST CAPITAL GILT-EDGED FUND
NOTES TO THE FINANCIAL STATEMENTS
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19. Financial risk management (Contd.)

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 investment in reverse repo agreements.

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

	12 Month expected credit losses	Life time expected credit losses not credit impaired	Life time expected credit losses credit impaired	Total
As at 31 March 2023	Rs.	Rs.	Rs.	Rs.
<u>Assets</u>				
Cash at bank and in hand	3,986,004	-	-	3,986,004
Financial assets - at amortised cost	595,025,954	-	-	595,025,954
Total financial assets	599,011,958	-	-	599,011,958

	12 Month expected credit losses	Life time expected credit losses not credit impaired	Life time expected credit losses credit impaired	Total
As at 31 March 2022	Rs.	Rs.	Rs.	Rs.
<u>Assets</u>				
Cash at bank and in hand	1,890,938	-	-	1,890,938
Financial assets - at amortised cost	54,586,229	-	-	54,586,229
Total financial assets	56,477,167	-	-	56,477,167



FIRST CAPITAL GILT-EDGED FUND
NOTES TO THE FINANCIAL STATEMENTS
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19. Financial risk management (Contd.)

19.1(c) Credit risk (Contd.)

Analysis of concentration risk

The following table shows the risk concentration by sector for the components of the statement of financial position.

	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.
As at 31 March 2023				
<u>Sector wise breakdown</u>				
Government	3,986,004	772,563,400	11,304,036	787,853,440
Corporate	-	-	583,721,918	583,721,918
Others	-	-	-	-
Total	-	772,563,400	595,025,954	1,371,575,358

	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.
As at 31 March 2022				
<u>Sector wise breakdown</u>				
Government	1,890,938	-	-	1,890,938
Corporate	-	-	54,586,229	54,586,229
Total	1,890,938	-	54,586,229	56,477,167



FIRST CAPITAL GILT-EDGED FUND
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2023

19. Financial risk management (Contd.)

19.1 (d) Operational risk

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

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

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

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

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



FIRST CAPITAL GILT-EDGED FUND
NOTES TO THE FINANCIAL STATEMENTS
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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 (as of 31 March 2023):

Name of the company	Relationship	Mr. Nishan Fernando	Ms. Manjula Mathews	Mr. Dilshan Wirasekara	Ms. Minette Perera	Mr. Chandana Lal de Silva	Dr. Nishan de Mel	Mr. Ramesh Schaffter
Janashakthi Limited	Ultimate Parent	-	Director	-	-	Chairman	-	Managing Director/ Group CEO
Janashakthi Insurance PLC	Subsidiary of the Ultimate Parent	-	-	-	-	-	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
Beckett Capital (Pvt) Ltd	Subsidiary of the Ultimate Parent	-	-	-	-	-	-	Director
Orient Finance PLC	Subsidiary of the Ultimate Parent	-	-	-	-	-	-	Director
First Capital Limited	Immediate parent	Chairman	Deputy Chairperson	Managing Director/ CEO	Director	Director	Director	-
First Capital Treasuries PLC	Subsidiary of immediate parent	Chairman	Deputy Chairperson	Managing Director	Director	Director	Director	Director
First Capital Markets Limited	Subsidiary of immediate parent	Chairman	Deputy Chairperson	Managing Director/ CEO	Director	Director	Director	-
First Capital Equities (Private) Limited	Subsidiary of immediate parent	Chairman	Deputy Chairperson	Managing Director	Director	Director	Director	-
First Capital Trustee Services (Private) Limited	Subsidiary of immediate parent	-	Deputy Chairperson	Managing Director/ CEO	-	-	-	-
Kelsey Developments PLC	Related party through KMP	-	-	-	-	-	-	-
Kelsey Homes (Private) Limited	Related party through KMP	-	-	-	-	-	-	-
Kelesy Homes (Central Park) Limited	Related party through KMP	-	-	-	-	-	-	-



Note

- Mr. Eardley Perera who was director of First Capital Group companies other than First Capital Treasuries PLC and First Capital Trustee Services (Private) Limited retired with effect from 1 September 2022.
- Mr. Dinesh Schaffter who was the Managing Director of First Capital Group companies passed away on 15 December 2022.
- Ms. Manjula Mathews was appointed to the Board of Directors of First Capital Group Companies except for First Capital Trustee Services Limited with effect from 27 December 2022.

FIRST CAPITAL GILT-EDGED FUND
NOTES TO THE FINANCIAL STATEMENTS
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20. Related party disclosures (Contd.)

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.

20.2 Transaction with managing company

Transactions for the year ended

Name of the company	Nature of the Transaction	Transaction amount 2022/2023 Rs.	Transaction amount 2022/2023 Rs.
First Capital Asset Management Limited	Management fee	15,517,614	273,953
	Benefit accrued on Unit Trust	11,158,718	-
Amounts owed (to) / by the related party	Nature of the Transaction	Amounts owed (to) / by the related party as at 31-03-2023	Amounts owed (to) / by the related party as at 31-03-2022
First Capital Asset Management Limited	Bank deposit made	(61,750)	(61,750)

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

Nature of the transaction	2022/2023 Rs.	Amounts owed (to) / by the related party as at 31.03.2023 Rs.	2021/2022 Rs.	Amounts owed (to) / by the related party as at 31.03.2022 Rs.
Interest income	546,585,669	-	3,147,197	-
Interest expense	163,808	-	-	-
Benefit accrued on Unit Trust	15,637,826	-	-	-
Resale agreements	-	492,447,671	-	54,586,229



FIRST CAPITAL GILT-EDGED FUND
NOTES TO THE FINANCIAL STATEMENTS
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20. Related party disclosures (Contd.)

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. Dependants of the Individual or the individual's domestic partner

Close Family Members are related parties to the Entity.

Transactions with KMP/CFM	Year ended 31.03.2023		Year ended 31.03.2022	
	2022/2023	Amounts owed (to) / by the related party as at 31.03.2023	2021/2022	Amounts owed (to) / by the related party as at 31.03.2022
	Rs.	Rs.	Rs.	Rs.
Investment in Unit Trust	-	(16,585,102)	-	-
Benefit accrued on Unit Trust	7,784,615	-	-	-
Investment in Unit Trust	-	-	-	-

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.

23. Economic outlook and business impact

The Economic activities for near term are expected to be induced by the favorable developments occurred since end of 1st quarter of 2023 followed by the reduction in policy rates by the Central Bank of Sri Lanka in May 2023. However, GDP growth for year 2023 is expected to be negatively impacted due to lower volume of economic activities as a result of contraction in private consumption.

The Economy is expected to recover in the medium to long term conditional on restoring reassurance on the implementation of proposed economic adjustment programme via the International Monetary Fund (IMF) and social coherence.

The Fund has adequate level of financial and other resources to face the uncertainties via economic unrest and therefore the impact on the business operations is expected to be minimal. The economic uncertainties (if any) do not have a significant impact on the liquidity, valuation of assets and solvency of the Fund.



First Capital Gilt- Edged Fund

Reconciliation of Net Asset Value reported as at 31st March 2023

	RS
Net Asset Value as per Monthly Return	1,367,225,782
Adjustment on under provision for Audit Fee	(6)
Net Asset Value as per Audited Financial Statements	1,367,225,776

CORPORATE INFORMATION

NAME OF THE FUND (UNIT TRUST)

First Capital Gilt Edged 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
Ms. Manjula Mathews
Mr. Dilshan Wirasekara
Ms. Minette Perera
Mr. Chandana de Silva
Dr. Nishan de Mel

SECRETARIES

Janashakthi 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 Ernst & Young
Chartered Accountants
No. 201, De Saram Place
Colombo 10

PRINCIPAL BANKERS

Sampath bank
Bank of Ceylon