



First Capital
A Janashakthi Group Company

ANNUAL REPORT 2022/23

FIRST CAPITAL MONEY MARKET FUND

Managed by
FIRST CAPITAL ASSET MANAGEMENT LIMITED

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First Capital

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 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 Money Market Fund reported a Profit after Tax of Rs. 703Mn for the year ended 31st March 2023 compared to Rs. 1.5Bn in the previous year (2021/22). The decline in profit after tax is mainly due to reduction in interest income on financial assets from Rs. 1.59Bn to Rs. 671Mn (year-on-year basis), which is due to the lower funds under management.

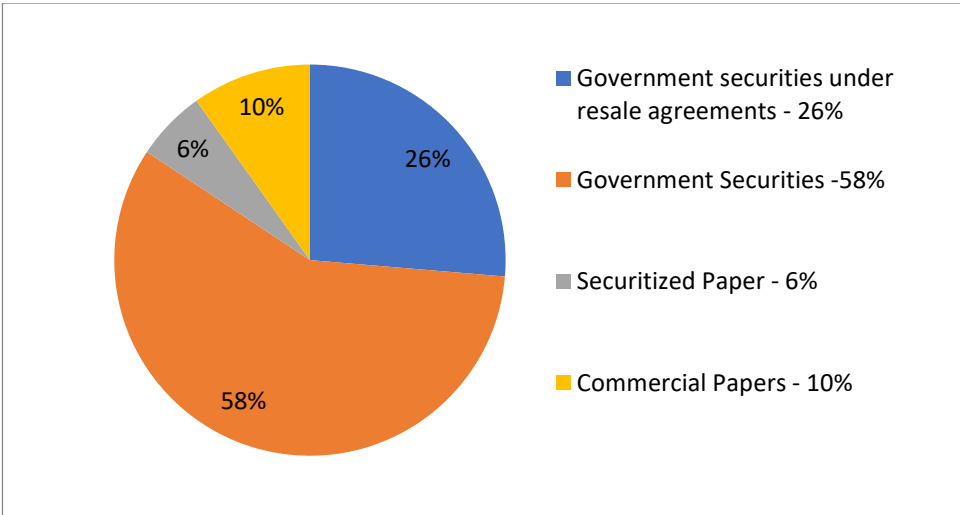
The Fund reported an Annualised Return of 20.5% for the year ended 31st March 2023 compared to the Average Weighted Deposit Rate of 11.3% (Source: Central Bank of Sri Lanka – Monthly Economic Indicators; <https://www.cbsl.gov.lk/statistics/economic-indicators/monthly-indicators>). The Annualised Return reported in the previous year (2021/22) was 7.5% compared to the Average Weighted Deposit Rate of 4.9% (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 31st March 2023 were Rs. 4.68Bn compared to Rs. 15.4Bn in the previous year (2021/22). The decline in Funds under Management (YoY basis) is due to moving out of funds because of significant increase in yields of the government securities during the year. A substantial appetite on investment in treasury bills among the unit trust investor communities was noticed during the year.

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) for past five years as at 31st March 2023 (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 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 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 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 MONEY MARKET 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	694,203,631	1,713,285,944
Direct expenses	7	<u>(41,449,199)</u>	<u>(13,961,934)</u>
Net trading income		652,754,432	1,699,324,010
Gain on financial assets recognised through profit or loss -measured at fair value		75,843,801	(36,327,806)
		<u>728,598,233</u>	<u>1,662,996,204</u>
Administration expenses	8	(26,095,570)	(139,782,885)
Other operating expenses	9	(484,170)	(512,200)
Reversal for impairment of financial assets at amortised cost	13.3.1	916,285	4,960,219
Profit before taxation		702,934,778	1,527,661,338
Income tax expenses	10	-	-
Profit for the year		<u>702,934,778</u>	<u>1,527,661,338</u>
Other comprehensive income		-	-
Total comprehensive income for the year		<u><u>702,934,778</u></u>	<u><u>1,527,661,338</u></u>

Figures in bracket indicate deductions.

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



**FIRST CAPITAL MONEY MARKET FUND
STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2023**

	Note	31.03.2023 Rs.	31.03.2022 Rs.
Assets			
Cash at bank	11	4,939,744	7,688,208
Financial assets recognised through profit or loss - measured at fair value	12	3,456,230,665	8,657,802,283
Financial assets at amortised cost	13	1,235,534,352	6,756,610,440
Other receivables	14	409,260	27,469,207
Total assets		4,697,114,021	15,449,570,138
Unitholders' funds and liabilities			
Liabilities			
Accruals and other payables	15	14,898,976	18,404,923
Total liabilities		14,898,976	18,404,923
Unitholders' funds			
Net assets attributable to unitholders		4,682,215,045	15,431,165,215
		4,682,215,045	15,431,165,215
Total Unitholders' Funds and Liabilities		4,697,114,021	15,449,570,138
Net assets value per unit (Rs.)	16	2,503.13	2,076.65

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 13 July 2023.


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

FOR BANK OF CEYLON

.....
Authorised Signatory


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 MONEY MARKET FUND
STATEMENT OF CHANGES IN UNITHOLDERS' FUNDS
FOR THE YEAR ENDED 31 MARCH 2023**

	Total Rs.
Balance as at 1 April 2021	21,478,221,453
Increase due to unit creation during the year	35,063,404,418
Decrease due to unit redemption during the year	(42,638,121,994)
Increase in net assets attributable to unitholders	1,527,661,338
Balance as at 31 March 2022	<u>15,431,165,215</u>
Balance as at 1 April 2022	15,431,165,215
Increase due to unit creation during the year	15,959,591,347
Decrease due to unit redemption during the year	(27,411,476,295)
Increase in net assets attributable to unitholders	702,934,778
Balance as at 31 March 2023	<u>4,682,215,045</u>

Figures in bracket indicate deductions.

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



**FIRST CAPITAL MONEY MARKET FUND
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2023**

	2022/2023 Rs.	2021/2022 Rs.
Cash flows from operating activities		
Profit before taxation	702,934,778	1,527,661,338
Adjustment for :		
Gain on fair valuation of financial assets recognised through profit or loss -measured at fair value	(75,843,801)	36,327,806
Provision/ (reversal) for impairment of financial assets at amortised cost (Note 13.3.1)	(916,285)	(4,960,219)
Operating profit before working capital changes	626,174,692	1,559,028,925
Increase in financial assets recognised through profit or loss -measured at fair value	5,277,415,419	663,921,311
Increase in financial asset at amortised cost	5,521,992,371	5,340,298,277
Decrease in other receivables	27,059,947	24,625,569
Decrease in accruals and other payable	(3,505,947)	(24,243,742)
Cash flows generated from operations	11,449,136,484	7,563,630,340
Tax paid	-	-
Net cash flows generated from operating activities	11,449,136,484	7,563,630,340
Net cash flows from / (used in) investing activities	-	-
Cash flows from (used in) financing activities		
Proceeds from units creations (Note 16)	15,959,636,997	35,063,404,418
Payments for units redemption (Note 16)	(27,411,521,945)	(42,638,121,994)
Net cash flows used in financing activities	(11,451,884,948)	(7,574,717,576)
Net (decrease)/increase in cash and cash equivalents during the year	(2,748,464)	(11,087,236)
Cash and cash equivalents at the beginning of the year	7,688,208	18,775,444
Cash and cash equivalents at the end of the year (Note 11)	4,939,744	7,688,208

Figures in bracket indicate deductions.

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



**FIRST CAPITAL MONEY MARKET FUND
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2023**

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 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 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.

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 MONEY MARKET 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 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.

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 MONEY MARKET 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 eliminate or significantly reduce a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases.

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.

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

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.



**FIRST CAPITAL MONEY MARKET 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 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.

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 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 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.



**FIRST CAPITAL MONEY MARKET 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 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.

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



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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 have been prepared using the "Indirect Method" of preparing cash flows in accordance with the Sri Lanka Accounting Standard LKAS 7 - "Statement of Cash Flows". 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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	2022/2023 Rs.	2021/2022 Rs.
6 Income		
Interest income on financial assets recognised through profit & loss measured at fair value	483,543,532	913,764,557
Interest income on financial assets at amortised cost	187,519,029	678,870,711
Placement fee	18,662,968	122,293,726
Loss on sale of financial assets recognised through profit or loss - measured at fair value	4,478,102	(1,643,050)
	<u>694,203,631</u>	<u>1,713,285,944</u>
7 Direct expenses		
Interest expense on repo borrowings	41,449,199	13,961,934
	<u>41,449,199</u>	<u>13,961,934</u>
8 Administration expenses		
Management fee	19,119,706	105,278,573
Trustee fee	6,480,958	34,110,258
Auditor's remuneration	494,906	394,054
	<u>26,095,570</u>	<u>139,782,885</u>
9 Other operating expenses		
Bank charges	484,170	512,200
	<u>484,170</u>	<u>512,200</u>

10 Income tax expenses

First Capital Money Market 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).

	2022/2023 Rs.	2021/2022 Rs.
Reconciliation between current tax expense and the accounting profit		
Profit before tax as per financial statements	861,170,859	1,527,661,338
Less: Exempted income	(861,170,859)	(1,527,661,338)
Taxable income	<u>-</u>	<u>-</u>
Income tax expense	<u>-</u>	<u>-</u>



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	31.03.2023	31.03.2022
	Rs.	Rs.
11 Cash at bank		
Bank of Ceylon - Corporate Branch (Note 11.1)	4,675,304	7,419,468
Sampath Bank - Head office Branch (Note 11.1)	264,440	268,740
	4,939,744	7,688,208

- 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		
Commercial papers (Note 12.1)	461,991,491	2,965,236,197
Securitised papers (Note 12.2)	273,300,432	952,340,492
Government securities	2,720,938,742	4,740,225,594
	3,456,230,665	8,657,802,283



12.1 Commercial papers

Name of the issuer	Credit rating	Value - Net as at 31 March 2023 (Rs.)	Percentage exposure to each issuer against the Net Value of the Fund	Value - Net as at 31 March 2022 (Rs.)	Percentage exposure to each issuer against the Net Value of the Fund
First Capital Holdings PLC	A	266,667,759	6%	-	-
LOLC Holdings PLC	A	-	-	1,065,661,690	7%
Janashakthi Limited	BB	195,323,732	4%	755,384,880	5%
Softlogic Capital PLC	*NR	-	-	1,144,189,627	7%
Total		461,991,491		2,965,236,197	

12.2 Securitized papers

Name of the issuer	Credit rating	Value - Net as at 31 March 2023 (Rs.)	Percentage exposure to each issuer against the Net Value of the Fund	Value - Net as at 31 March 2022 (Rs.)	Percentage exposure to each issuer against the Net Value of the Fund
Alliance Finance Company PLC	BBB-	-	-	256,928,471	2%
Fintrex Finance Limited	B+	-	-	79,347,419	1%
U B Finance Co. Ltd	*NR	-	-	160,240,963	1%
Richard Pieris Finance Limited	A	273,300,432	6%	-	-
Commercial Credit and Finance PLC	BBB	-	-	-	-
LOLC Development Finance PLC	*NR	-	-	225,937,390	1%
Orient Finance PLC	BB+	-	-	-	-
Softlogic Finance PLC	*NR	-	-	229,886,249	1%
Sarvodaya Development Finance Ltd	BB	-	-	-	-
Total		273,300,432		952,340,492	

* Due to the cessation of operations by ICRA Lanka Limited as a Credit Rating Agency in Sri Lanka, the issuers who had obtained credit ratings from ICRA Lanka Limited are classified as Non-Rated "NR", until a new rating is obtained.

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	31.03.2023 Rs.	31.03.2022 Rs.
13 Financial assets at amortised cost		
Government securities under resale agreements (Note 13.1)	1,235,534,352	1,234,247,265
Investments in fixed deposits (Note 13.2)	-	5,522,363,175
	1,235,534,352	6,756,610,440

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

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

Name of the issuer	Credit rating	31.03.2023		31.03.2022	
		Value - Net as at 31 March 2023 Rs.	Percentage exposure to each issuer against the Net Value of the Fund	Value - Net as at 31 March 2022 Rs.	Percentage exposure to each issuer against the Net Value of the Fund
Asia Asset and Finance PLC	A-	-	-	1,043,760,091	7%
Commercial Credit and Finance PLC	BBB	-	-	553,316,281	4%
Mercantile Investment & Finance PLC	BBB-	-	-	209,134,270	1%
Richard Pieris Finance Limited	A	-	-	1,578,852,554	10%
LOLC Development Finance PLC	*NR	-	-	1,078,031,532	7%
Vallibel Finance PLC	BBB+	-	-	282,460,962	2%
Softlogic Finance PLC	*NR	-	-	776,807,485	5%
Total		-		5,522,363,175	

	31.03.2023 Rs.	31.03.2022 Rs.
13.2.1 Investments in fixed deposits	-	5,523,279,460
Less :- Provision for Impairment (Note 13.3)	-	(916,285)
	-	5,522,363,175

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,

	31.03.2023 Rs.	31.03.2022 Rs.
Stage 1 - 12 months expected loss	-	532,088
Stage 2 - Life time expected loss	-	-
Stage 3 - Life time expected loss	-	384,197
Total	-	916,285

13.3.1. Movement in provision for expected credit loss

Balance as the beginning of the year	916,285	5,876,504
Provision /(reversal) for the year	(916,285)	(4,960,219)
Balance at the end of the year	-	916,285



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	31.03.2023	31.03.2022
	Rs.	Rs.
14 Other receivables		
Placement fee receivables	-	6,916,311
Miscellaneous receivables	409,260	20,552,896
	<u>409,260</u>	<u>27,469,207</u>
15 Accruals and other payables		
Management fee payable	2,059,321	7,185,209
Trustee fee payable	728,683	2,328,008
Auditor's remuneration payable	480,311	394,054
Placement fee received in advance	108,975	108,975
Unit investments received in advance	3,921,390	3,059,000
Miscellaneous payables	7,600,296	5,329,677
	<u>14,898,976</u>	<u>18,404,923</u>
16 Net assets per unit		
Net assets (Rs.)	4,682,215,045	15,431,165,215
Total number of units	1,870,544	7,430,808
Net assets value per unit (Rs.)	<u>2,503.13</u>	<u>2,076.65</u>

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

	No. of Units	Rs.
Balance as at 1 April 2021	11,118,650	21,478,221,453
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
Balance as at 31 March 2022	<u>7,430,808</u>	<u>15,431,165,215</u>
Balance as at 1 April 2022	7,430,808	15,431,165,215
Increase due to unit creation during the year	6,955,113	15,959,591,347
Decrease due to unit redemption during the year	(12,515,377)	(27,411,476,295)
Increase in net assets attributable to unit holders	-	702,934,778
Balance as at 31 March 2023	<u>1,870,544</u>	<u>4,682,215,045</u>



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Analysis of financial instrument by measurement basis

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

	Measured at fair value	Amortised cost	Carried at cost	Total
	Rs.	Rs.	Rs.	Rs.
As at 31 March 2023				
<u>Assets</u>				
Cash at bank	-	4,939,744	-	4,939,744
Financial assets recognised through profit or loss - measured at fair value				
Securitised papers	273,300,432	-	-	273,300,432
Commercial papers	461,991,491	-	-	461,991,491
Government securities	2,720,938,742	-	-	2,720,938,742
Financial assets at amortised cost				
Government securities under resale agreements	-	1,235,534,352	-	1,235,534,352
Total	3,456,230,665	1,240,474,096	-	4,696,704,761
<u>Liabilities</u>				
Accruals and other payables	-	-	14,898,976	14,898,976
Total	-	-	14,898,976	14,898,976

	Measured at fair value	Amortised cost	Carried at cost	Total
	Rs.	Rs.	Rs.	Rs.
As at 31 March 2022				
<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	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 payables	-	-	18,404,923	18,404,923
Total	-	-	18,404,923	18,404,923



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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.

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

	Level 1 Rs.	Level 2 Rs.	Level 3 Rs.	Total fair value Rs.
As at 31 March 2022				
Financial assets measured at fair value				
Financial assets recognised through profit or loss - measured at fair value				
Investment in Securitized 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>

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	Significant unobservable inputs
Investment in Commercial papers	The valuation model is based on Yield Curve of the Government Securities. Yields relating to Government Securities based on the maturities of the respective commercial paper is interpolated in the valuation considering the initial risk premiums (at the time of issue) of the investee companies are constant as at the reporting date.	Risk premium of the investee companies (5.86% - 6.57%)
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 (3.86% -6.72%)

18.1.1 (a) 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 Commercial Papers	983,735	(978,520)
Investment in Securitized Papers	673,069	(669,571)
Investment in Treasury Bills	2,826,288	(2,819,419)

Financial Instruments for which fair value approximates carrying value

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



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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 of the fund management company has 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 optimising the return on risk.

Management of market risk includes the following elements.

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

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
19.1(b) Liquidity risk (Contd.)

Maturity analysis of the financial assets and financial liabilities

	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.
As at 31 March 2023						
<u>Assets</u>						
Cash at bank	4,939,744	4,939,744	-	-	-	-
Financial assets recognised through profit or loss - measured at fair value	3,456,230,665	1,562,754,333	1,893,476,332	-	-	-
Financial assets at amortised cost	1,235,534,352	1,235,534,352	-	-	-	-
Total financial assets	4,696,704,761	2,803,228,429	1,893,476,332	-	-	-
<u>Liabilities</u>						
Accruals and other payables	14,898,976	14,898,976	-	-	-	-
Total financial liabilities	14,898,976	14,898,976	-	-	-	-
	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.
As at 31 March 2022						
<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>						
Accruals and other payables	18,404,923	18,404,923	-	-	-	-
Total financial liabilities	18,404,923	18,404,923	-	-	-	-



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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 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 2023	12 Month expected credit loss	Life time expected credit losses not credit impaired	Life time expected credit losses credit impaired	Total
	Rs.	Rs.	Rs.	Rs.
<u>Assets</u>				
Cash at bank	4,939,744	-	-	4,939,744
Financial assets at amortised cost	1,235,534,352	-	-	1,235,534,352
Total financial assets	1,240,474,096	-	-	1,240,474,096
As at 31 March 2022	12 Month expected credit loss	Life time expected credit losses not credit impaired	Life time expected credit losses credit impaired	Total
	Rs.	Rs.	Rs.	Rs.
<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



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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.

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

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, 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 31.03.2023 Rs.	Effect on the profit for the year ended 31.03.2022 Rs.
Increase in interest rate	+0.5%	(4,467,510)	(5,959,543)
Decrease in interest rate	-0.5%	4,483,092	5,974,950



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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 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 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.



**FIRST CAPITAL MONEY MARKET FUND
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2023**

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 with effect from 27 December 2022 .

**FIRST CAPITAL MONEY MARKET FUND
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2023**

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	Amounts owed (to)/ by the related party as at 31-03-2023	Transaction amount 2021/2022	Amounts owed (to)/ by the related party as at 31-03-2022
		Rs.	Rs.	Rs.	Rs.
First Capital Asset Management Limited	Management fee Benefit Accrued on Unit Trust	19,119,706 11,805,047	(2,059,321) -	105,278,573 3,211,895	(7,185,209)

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
		Rs.	Rs.
First Capital Asset Management Limited	Bank deposit made Investment in Unit Trust		(277,374) (34,955,134)
			(277,374) (76,292,356)

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 31.03.2023</u>		<u>Year ended 31.03.2022</u>	
	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.
Interest income	147,636,461	-	346,055,076	-
Placement fee income	-	-	669,808	-
Interest expense	25,926,710	-	13,961,934	-
Investment in Unit Trust	-	(942,238,533)	-	(1,622,852,064)
Resale agreements	-	904,572,726	-	1,000,205,479
Benefit accrued on Unit Trust	126,161,230	-	207,460,961	-
Investment in Commercial Papers	-	461,991,491	-	755,384,880



**FIRST CAPITAL MONEY MARKET FUND
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2023**

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 31.03.2021	
	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	-	(11,748,866)	-	(198,361,385)
Benefit accrued on Unit Trust	3,489,673	-	14,933,737	-

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 the near term are expected to be induced by the favourable developments that occurred since the 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 the year 2023 is expected to be negatively impacted due to a lower volume of economic activities as a result of a contraction in private consumption.

The Economy is expected to recover in the medium to long term conditional on restoring reassurance on the implementation of the proposed economic adjustment program 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 Money Market Fund

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

	RS
Net Asset Value as per Monthly Return	4,644,624,739
Adjustment on fair valuation of financial asset - at fair value through profit or loss	37,654,871
Adjustment on under provision for Audit Fee	(64,565)
Net Asset Value as per Audited Financial Statements	4,682,215,045

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
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