First Capital
A Janashakthi Group Company

ANNUAL REPORT 2023/24

FIRST CAPITAL WEALTH FUND

Managed by
FIRST CAPITAL ASSET MANAGEMENT LIMITED

CONTENT

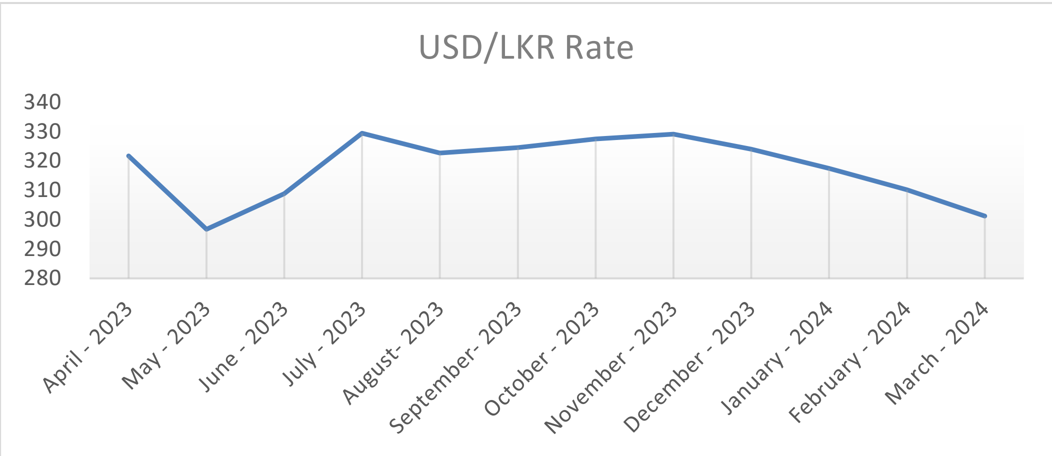
First Capital

Report of The Manager

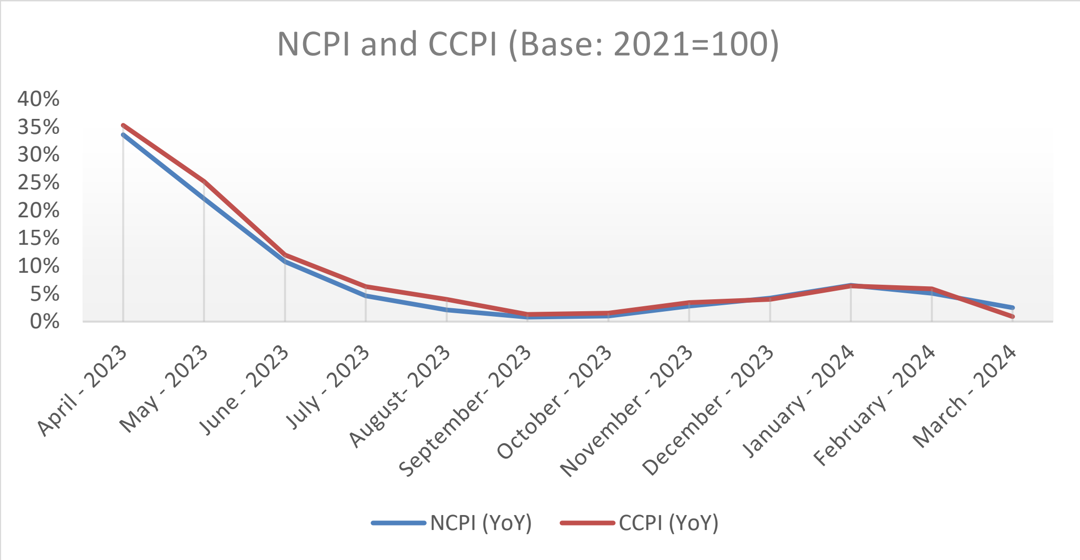
We are pleased to provide you with the Audited Financial Statements of First Capital Wealth Fund for the fiscal year ended on 31st March 2024.

Economic and Industry Overview

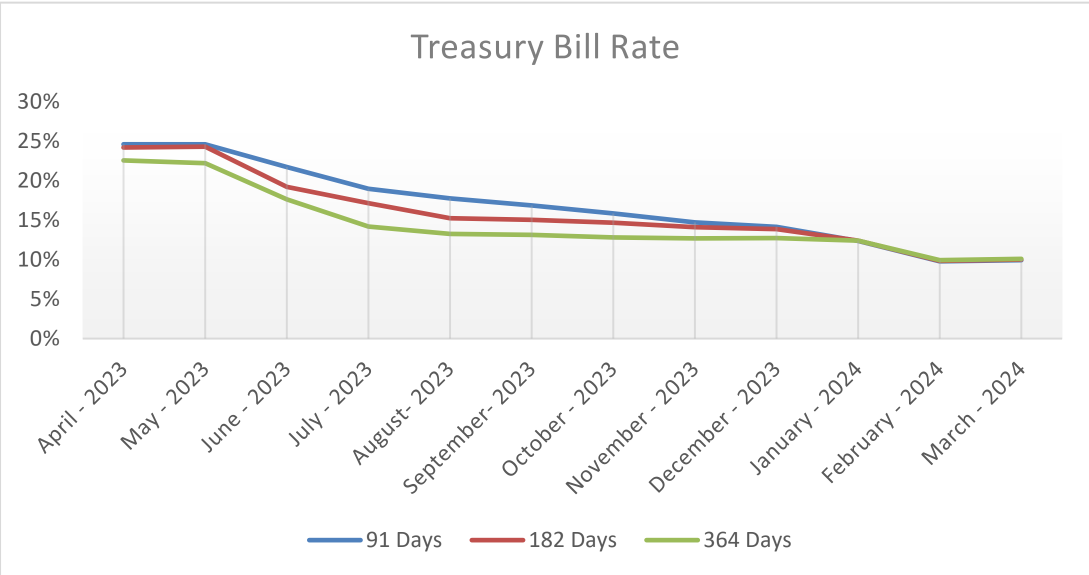
Having undergone a challenging year in 2022/23 filled with multiple Black Swan events such as declaration of default by the Government of Sri Lanka (GoSL) on its outstanding foreign debt, political turmoil, social unrest due to the shortages in essential items, foreign currency shortages and steep depreciation of the Rupee, which led to record high levels of inflation, Sri Lanka as a nation has shown great resilience during 2023 backed by timely measures taken by the GoSL and the Central Bank of Sri Lanka (CBSL).



The appointment of the new CBSL governor in April 2022 augur well for the Sri Lankan economy whilst proactive steps taken by the GoSL together with the CBSL in terms of increasing policy rates, implementation of cost reflective pricing mechanisms for fuel, electricity and water, together with the floating of the LKR, enabled CBSL to curb the inflation rate back to mid-single digit levels compared to the record high prevailed in 2022. Having brought inflation below the CBSL guidance of 5%, CBSL commenced to reduce policy rates in June 2023 and announced the first rate cut of 250 bps in order to support the rebound in the economy from the unprecedented crisis encountered in 2022 and to lower the overall finance cost of the Government.



Since its first downward adjustment of policy rates in June 2023, CBSL continued on the expansionary monetary policy direction by reducing policy rates on two separate occasions totaling 300 bps lowering the Standing Deposit Facility Rate (SDFR) and Standing Lending Facility Rate (SLFR) to 9.00% and 10.00%, respectively, which resulted in a significant reduction in yields of Government securities across the yield curve. Furthermore, the reduction in policy rates contributed towards the recovery of the overall economy which recorded a growth during the 3rd quarter of 2023, after 6 consecutive quarters of contraction.



Meanwhile, since announcing default in April 2022, the policymakers have proactively worked with all key stakeholders in a combined effort to reach debt sustainability targets highlighted by the IMF. With the completion of local debt optimization in September 2023, Sri Lanka completed the 1st milestone of reaching debt sustainability whilst the 2nd milestone of reaching an agreement with bilateral creditors and Paris Club was completed in December 2023. Presently, restructuring of outstanding commercial debts is in progress.

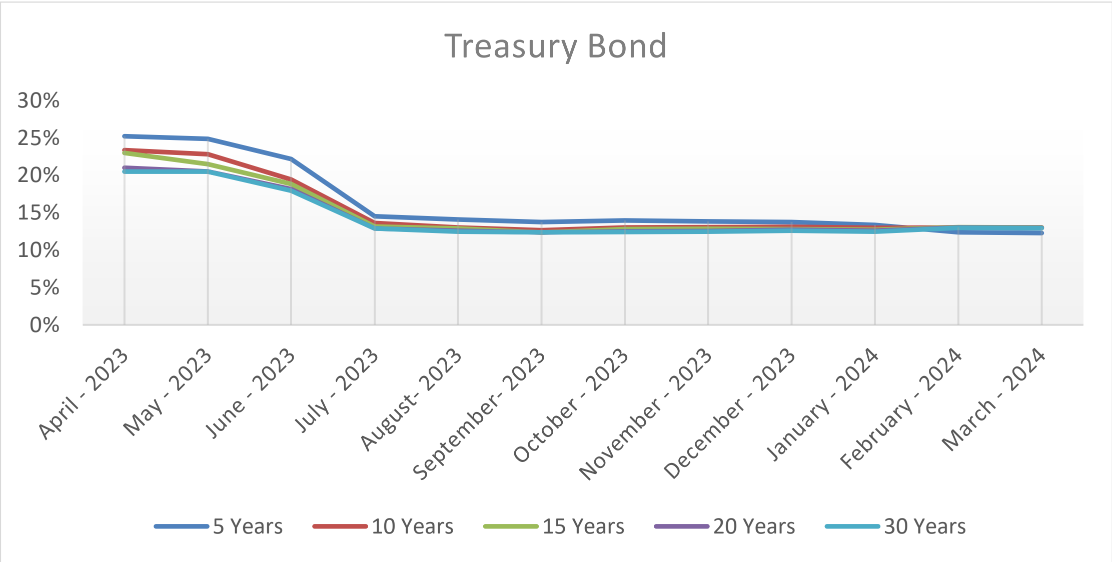
During 2023/24, there were 16 licensed unit trust management companies with 76 funds in operation. Total assets under management of the industry reached Rs. 472Bn as at 31st March 2024 (Source: The UnitTrust Association of Sri Lanka).

Fund Performance

First Capital Wealth Fund reported a Profit after Tax of Rs. 53Mn for the year ended 31st March 2024 compared to Rs. 1Mn in the previous year (2022/23). The increase in profit after tax is mainly due to increase in interest income on financial assets from Rs. 5.4Mn to Rs. 33.6Mn (Year on Year basis) and increase in fair valuation gain amounting to Rs. 21.5Mn (2022/23 – fair valuation loss of Rs. 2.5Mn was reported).

The Fund reported an Annualised Return of 66.9% for the year ended 31st March 2024 compared to the average 5-year treasury bond yield (base yield) of 15.9% (source: Central Bank of Sri Lanka - *Monthly Economic Indicators;* https://www.cbsl.gov.lk/statistics/economic-indicators/monthly-indicators. 5-year treasury bond (risk free return) is used to evaluate the performance of the Fund which denotes the return over the risk-free return since there is no appropriate benchmark index for the Fund).

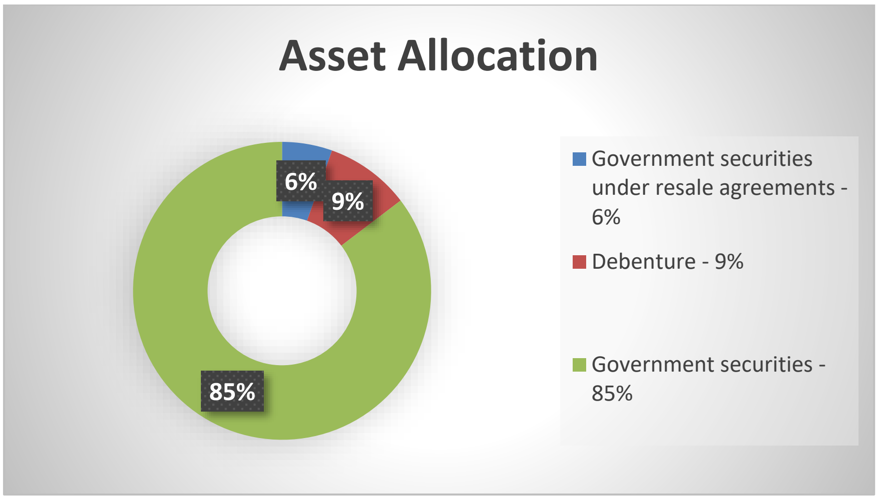
The Annualised Return reported in the previous year (2022/23) was 5.6% compared to the average 5-year treasury bond yield (base yield) of 24% (source: Central Bank of Sri Lanka - *Monthly Economic Indicators;* https://www.cbsl.gov.lk/statistics/economic-indicators/monthly- indicators).



The Funds under Management as at 31st March 2024 were Rs. 170Mn compared to Rs. 63.4Mn as at 31st March 2023. In accordance with Sri Lanka Financial Reporting Standards, the Fund is accounted for on a marked-to-market basis wherein the return to investors reduces during periods of rising interest rates and increases when interest rates are decline.

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

Asset Allocation as at 31st March 2024



Future Outlook

Having entered the path of steady recovery from 2nd half of 2023, Sri Lanka is beginning to witness fruitful results of difficulties endured during the last 2 years. The economy is expected to gradually recover as the operating environment normalises amidst a backdrop of reducing interest rates, whilst Tourism and remittances are expected to contribute towards building foreign reserves of the country. However, successful completion of the foreign debt restructuring process with creditors coupled with implementing the much needed reforms and privatisation of loss making state-owned enterprises (SOE) are identified as key milestones in the IMF programme, which we believe are crucial to rebuild the economy.

Furthermore, year 2024 is also expected to be a politically significant year for Sri Lanka as for the world, given that elections are expected to be held in multiple countries around the world (64 countries, covering 49% of the world population). Sri Lanka is expected face back-to-back elections from Presidential, Parliament to Local Government elections in the next 12 months.

The global economy is also expected to recover during 2024, with IMF projecting a growth of 3.1% and World Bank projecting a growth of 3.2%. Sri Lankan exports are expected to rise towards the latter part of 2024, with the easing of interest rates in US and the recovery of advanced economies. However, growing earnings from tourism and remittances, together with the inflows from multilateral agencies are expected to contribute towards a steady LKR.

Appreciation

We would like to express our gratitude to our esteemed unitholders for their confidence in us. Additionally, we wish to acknowledge the invaluable support received from the Securities and Exchange Commission of Sri Lanka and our Trustee, the Bank of Ceylon.

Deloitte.

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INDEPENDENT AUDITOR'S REPORT
TO THE UNITHOLDERS OF FIRST CAPITAL WEALTH FUND

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of First Capital Wealth Fund, which comprise the statement of financial position as at 31 March 2024, 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 material accounting policy information.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the fund as at 31 March 2024, 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 Code of Ethics for Professional Accountants issued by CA Sri Lanka (Code of Ethics), 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 fund manager, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information included in the fund manager's report and we do 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 report that fact. We have nothing to report on 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.

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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.

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Deloitte Associates

Deloitte Associates
Chartered Accountants
Colombo
4 June 2024

FIRST CAPITAL WEALTH FUND
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2024

	Note	2023/2024 Rs.	2022/2023 Rs.
Income	8.	33,588,101	5,372,092
Direct expenses	9.	(43,959)	(26,558)
Net trading income		**33,544,142**	**5,345,534**
Gain/ (Loss) on fair valuation of financial assets recognised - through profit or loss- measured at fair value	10.	21,479,888	(2,449,546)
		55,024,030	**2,895,988**
Administration expenses	11.	(2,027,858)	(1,856,185)
Other operating expenses	12.	(46,000)	(39,210)
Net operating profit before taxation		**52,950,172**	**1,000,593**
Income tax expenses	13.	-	-
Profit for the year		**52,950,172**	**1,000,593**
Other comprehensive income		-	-
Total comprehensive income for the year		**52,950,172**	**1,000,593**
Increase in net assets attributable to unitholders		**52,950,172**	**1,000,593**

Figures in bracket indicate deductions.
The attached notes from 1 to 25 form an integral part of these financial statements.

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FIRST CAPITAL WEALTH FUND
STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2024

	Note	31.03.2024 Rs.	31.03.2023 Rs.
Assets			
Cash at bank	**14.**	608,197	221,056
Financial assets recognised through profit or loss - measured at fair value	**15.**	160,059,365	43,737,437
Financial assets at amortised cost	**16.**	9,209,326	20,433,534
Total assets		**169,876,888**	**64,392,027**
Unitholders' funds and liabilities			
Liabilities			
Accrued expenses and other liabilities	**17.**	795,414	985,379
Total liabilities		**795,414**	**985,379**
Unitholders' funds			
Net assets attributable to unitholders		169,081,474	63,406,648
		169,081,474	**63,406,648**
Total unitholders' funds and liabilities		**169,876,888**	**64,392,027**
Net assets value per unit (Rs.)	**18.**	1,825.59	1,093.96

The Management Company of First Capital Wealth 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 4 June 2024.

Mangala Jayashantha
First Capital Asset Management Limited
Fund Management Company

Trustee of the Fund
Bank of Ceylon

Dilshan Wirasekara
Managing Director
First Capital Asset Management Limited
Fund Management Company

Nishan Fernando
Chairman
First Capital Asset Management Limited
Fund Management Company

Figures in bracket indicate deductions.

The attached notes from 1 to 25 form an integral part of these financial statements.

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FIRST CAPITAL WEALTH FUND
STATEMENT OF CHANGES IN UNITHOLDERS FUNDS
FOR THE YEAR ENDED 31 MARCH 2024

	Unitholder's Funds
	Rs.
Balance as at 1 April 2022	256,773,980
Increase due to unit creation during the year	1,781,023
Decrease due to unit redemption during the year	(192,173,580)
Increase in net assets attributable to unitholders	1,000,593
Income distribution to unitholders	(3,975,368)
Balance as at 31 March 2023	**63,406,648**
Balance as at 1 April 2023	63,406,648
Increase due to unit creation during the year	146,832,416
Decrease due to unit redemption during the year	(94,107,762)
Increase in net assets attributable to unitholders	52,950,172
Income distribution to unitholders	-
Balance as at 31 March 2024	**169,081,474**

Figures in bracket indicate deductions.
The attached notes from 1 to 25 form an integral part of these financial statements.

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FIRST CAPITAL WEALTH FUND
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2024

Accounting policy

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".

	2023/2024 Rs.	2022/2023 Rs.
Cash flows from operating activities		
Profit before taxation	52,950,172	1,000,593
Adjustment for :		
Gain / (loss) on fair valuation of financial assets recognised through profit or loss - measured at fair value	(21,479,888)	2,449,546
Operating profit before working capital changes	**31,470,284**	**3,450,139**
(Decrease) / increase in financial assets recognised through profit or loss	(94,842,041)	180,810,900
Decrease in financial investments -at amortised cost	11,224,209	9,299,421
Decrease in other receivables	-	299,180
Decrease in accruals and other liabilities	(189,965)	(91,137)
Cash flows (used in) / generated from operations	**(52,337,513)**	**193,768,503**
Tax paid	-	-
Net cash flows (used in) / generated from operating activities	**(52,337,513)**	**193,768,503**
Cash flows from financing activities		
Proceeds from units creation	146,832,416	1,781,023
Payments for units redemption	(94,107,762)	(192,173,580)
Dividend paid	-	(3,975,368)
Net cash flows used in financing activities	**52,724,654**	**(194,367,925)**
Net increase / (decrease) in cash and cash equivalent during the year	387,141	(599,422)
Cash and cash equivalents at the beginning of the year	221,056	820,478
Cash and cash equivalents at the end of the year *(Note 14)*	**608,197**	**221,056**

Figures in bracket indicate deductions.

The attached notes from 1 to 25 form an integral part of these financial statements.

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FIRST CAPITAL WEALTH FUND
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2024

1. **Reporting entity**

First Capital Wealth Fund is an Open-Ended unit trust approved by the Securities and Exchange Commission of Sri Lanka on 18 August 2010.

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 Wealth Fund while Bank of Ceylon has been appointed as the Trustee.

1.1. **Principal activities**

The unit trust engages in investment in fixed income securities (i.e. Government Securities and Corporate Debt Instruments) on behalf of its clients.

The objective of First Capital Wealth 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 2022) of the Securities and Exchange Commission of Sri Lanka.

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

1.2. **Approval of financial statements**

The financial statements of the fund for the year ended 31 March 2024 were authorized for issue by the Fund Management Company on 4 June 2024.

2. **Basis of preparation**

2.1. **Statement of compliance**

The financial statements of the Fund 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 2022) of the Securities and Exchange Commission of Sri Lanka.

These SLFRSs and LKASs are available at the website of CA Sri Lanka www.casrilanka.com.

Managing Companies and Trustee of Unit Trusts are directed to maintain a minimum number of fifty (50) unitholders for each fund at all times. Where the minimum number of unitholders fall below the specified minimum threshold due to redemption by an unitholder or any other supervening circumstance, the managing company of the fund is required to make the best efforts for compliance within 3 months from the date of the first shortfall and should consult the Commission forthwith.

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.

2.1.1 **Fund Managers' Responsibility for the Financial Statements**

The Fund Manager is responsible for the preparation and fair presentation of these Financial Statements in accordance with SLFRS and LKAS and CIS 2022 code of the Securities and Exchange Commission of Sri Lanka.

This responsibility includes: designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of Financial Statements that are free from material misstatements, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

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2. Basis of preparation

2.1 Statement of compliance – (contd.)

2.1.1 Fund Managers' responsibility for the financial statements – (contd.)

Financial Statements of the Fund at 31 March 2024 comprises of –

- The statement of profit or loss and statement of comprehensive income (SOCI) providing information on the performance for the year under review.
- Statement of financial position (SOFP) providing the information on the financial position of the Fund as at the year end.
- Statement of changes in Unitholders' Fund providing the movement in the unitholders' funds during the year under review.
- Notes to the financial statements, which comprise of the accounting policies and other explanatory notes and information.

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. Following are the bases of measurement of financial instruments by the Fund.

CATEGORY	BASIS OF MEASUREMENT	NOTE
Financial assets measured at fair value though profit or loss	Fair value	Note 15
Financial assets at amortised cost	Amortised cost	Note 16

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.

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.

CRITICAL ACCOUNTING ESTIMATE/JUDGMENT	DISCLOSURE NOTE
Going concern	Note 2.4.1
Classification of financial assets	Note 3.4.5
Fair value of financial instruments	Note 2.4.3

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2. Basis of preparation – (contd.)

2.4 Use of estimates and judgments – (contd.)

2.4.1 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.

2.4.2 Determination of Fair Values

'Fair value' is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Fund has access at that date. The fair value of a liability reflects its non-performance risk. Several of the Fund's accounting policies and disclosures require the determination of fair value for both financial assets and liabilities.

2.4.3 Fair Value of Financial Instruments

Management applies valuation techniques to determine the fair value of financial instruments where active market quotes are not available. This requires management to develop estimates and assumptions based on market inputs, using observable data that market participants would use in pricing the instrument. Where such data is not observable, management uses its best estimate. Estimated fair values of financial instruments may vary from the actual prices that would be achieved in an arm's length transaction at the reporting date.

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 SOFP, 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.

3.1. Material Accounting Policies

The material accounting policies set out below have been applied consistently to all periods presented in the Financial Statements of the Fund, unless otherwise indicate.

In addition, the Fund adopted the disclosure of accounting policies (Amendments to LKAS 1 and SLFRS Practice statements) from 01 January 2023. The amendments require the disclosure of "material" rather than "significant" accounting policies. These amendments did not result in any changes to the accounting policies themselves.

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3. Materiality and presentation – (contd.)

3.2. Summary of material accounting policies

The accounting policies set out below have been applied consistently for all periods presented in the financial statements by the Fund unless otherwise indicated.

3.3. Index of material accounting policy information

ACCOUNTING POLICY	NOTE
Material accounting policies - General Financial Instruments	Note 3.4
Material accounting policies - Recognition of income and expenses Income	
Direct income	Note 8
Direct expense	Note 9
Gain/(loss) on fair valuation of financial assets recognised through profit or loss - measured at fair value	Note 10
Administration expenses	Note 11
Income tax expenses	Note 13
Material accounting policies - Recognition of assets and liabilities	
Financial assets recognised through profit or loss - measured at fair value	Note 15
Financial assets at amortised cost	Note 16

3.4. Financial instruments

3.4.1 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.

3.4.2 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.

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3. Materiality and presentation – (contd.)

3.4 Financial instruments – (contd.)

3.4.3. Classification and subsequent measurement of financial assets

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

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

➤ the asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and

➤ the contractual terms of the financial asset give rise on specified dates to cash flows that are Assessment of whether Contractual Cash Flows are sole payments of principal and interest ("SPPI").

3.4.4 Business model assessment

The Fund makes an assessment of the objective of a business model in which an asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to Management. The information considered includes:

➤ the stated policies and objectives for the portfolio and the operation of those policies in practice. In particular, whether Management's strategy focuses on earning contractual interest revenue, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realising cash flows through the sale of the assets;

➤ how the performance of the portfolio is evaluated and reported to the Fund's Management;

➤ the risks that affect the performance of the business model (and the financial assets held within that business model) and its strategy for how those risks are managed;

➤ how managers of the business are compensated (e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected); and

➤ the frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Fund's stated objective for managing the financial assets is achieved and how cash flows are realised.

Financial assets that are held for trading or managed and whose performance is evaluated on a fair value basis are measured at FVTPL because they are neither held to collect contractual cashflows nor held both to collect contractual cash flows and to sell financial assets.

3.4.5 Financial assets

Financial assets are classified appropriately as financial assets recognised through profit or loss, financial assets measured at fair value through other comprehensive income and financial assets at amortized cost. All the financial assets are recognised at fair value at its initial recognition.

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3. Materiality and presentation – (contd.)

3.4 Financial instruments – (contd.)

3.4.5 Financial assets – (contd.)

Financial assets - assessment whether contractual cash flows are solely payments of principal and interest (SPPI test)

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are sole payments of principal and interest, the Fund considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Fund considers:

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable-rate features;
- prepayments and extension features; and
- terms that limit the Fund's claim to cash flows from specified assets (e.g. non- recourse features).

A prepayment feature is consistent with the sole payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable additional compensation for early termination of the contract. Additionally, for a financial asset acquired at a discount or premium to its contractual paramount, a feature that permits or requires prepayment at an amount that substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable additional compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant at initial recognition.

Subsequent measurement

Financial assets at FVTPL	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 sole 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 FVTPL 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 FVTPL is recognised in profit or loss and presented net within unrealised gains/(loss) during the period in which it arises. FVTPL at SOFP comprise of investment in Government Securities and Corporate Debt Securities.

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3. Materiality and presentation – (contd.)

3.4 Financial instruments – (contd.)

3.4.5 Financial assets – (contd.)

Subsequent measurement – (contd.)

Financial assets at 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 sole payments of principal and interest on the principal amount outstanding. Debt instruments at amortised cost in the SOFP 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. The amortized cost is reduced by impairment losses. Interest income, and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised inprofit or loss.

3.4.6. Financial liabilities

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.

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 SOFP.

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 SOCI when the liabilities are derecognised as well as through the EIR amortisation process.

3.4.7. Identification, measurement and assessment of impairment

The Fund assesses on a forward-looking basis, the expected credit losses (ECLs) associated with its debt instruments not held at fair value through profit or loss. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Fund expects to receive, discounted at an approximation of the original effective interest rate.

ECLs are recognized in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL).For those credit exposures from which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

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3. Materiality and presentation – (contd.)

3.4 Financial instruments – (contd.)

3.4.7. Identification, measurement and assessment of impairment – (contd.)

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 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.

3.4.8. Sale and repurchase agreements

Securities sold subject to repurchase agreements (repos) remain on the SOFP, 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.

3.4.9. De-recognition

A financial asset is de-recognized when,

1. The rights to receive cash flows from the asset have expired.
2. The Fund has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass–through' arrangement; and either,

   - The Fund has transferred substantially all the risks and rewards of the asset or
   - The Fund has neither transferred nor retained substantially all the risks and rewards of the asset but has transferred control of the asset.

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3. Materiality and presentation – (contd.)

3.4 Financial instruments – (contd.)

3.4.10. Offsetting of financial instruments

Financial assets and financial liabilities are offset, and the net amount reported in the SOFP 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.

3.4.11. 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.

3.4.12. Gain / (loss) on fair valuation of financial assets recognised through profit or loss - measured at fair value

Gain/(loss) on Fair Valuation of Financial assets is the unrealised gain/ (loss) on fair valuation (marked to market valuation) of government securities, commercial papers, securitised paper and debentures. The fair valuation gain/ (loss) is presented in profit or loss in the statement of profit or loss and other comprehensive income.

3.4.13. Expenses

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

Management fee	-	1.10 % p.a. of net asset value of the fund calculated on a daily basis
Trustee fee	-	0.225% p.a. of net asset value of the fund calculated on a daily basis

4. 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.

5. 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.

6. Financial risk management

Risks arising from holding financial instruments are inherent in the fund's activities, and are managed through a process of ongoing identification, measurement and monitoring. The fund is exposed to credit risk, market risk, and liquidity risk.

Financial instruments of the fund comprise investments in government securities, treasury bills/bonds repurchase agreements under government securities, fixed deposits, and commercial papers for the purpose of generating a return on the investment made by unitholders, in addition to cash at bank and other financial instruments such as receivables and payables, which arise directly from its operations.

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6. Financial Risk Management (contd.)

Fund Managers' Responsibility for Financial Risk Management

The fund manager is responsible for identifying and controlling the risk that arise from these financial instruments. Fund Manager's financial risk management policies are established to identify and analyse the risks faced by the Fund, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Financial Risk Management Policies of the Fund translates overall risk appetite on business activities in a holistic approach to provide the guidance required for convergence of strategic and risk perspectives of the Fund.

The risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Fund's activities. The Fund Manager, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations. The fund manager agrees on policies for managing each of the risks identified below.

The risks are measured using a method that reflects the expected impact on the SOCI and SOFP of the fund from reasonably possible changes in the relevant risk variables. Information about these risk exposures at the reporting date, measured on this basis, is disclosed below.

The fund manager also monitors information about the total fair value of financial instruments exposed to risk, as well as compliance with established investment mandate limits. These mandate limits reflect the investment strategy and market environment of the fund, as well as the level of risk that the fund is willing to accept, with additional emphasis on selected industries. This information is prepared and reported to relevant parties within the fund manager on a regular basis as deemed appropriate, including the fund manager, other key management, investment committee, and ultimately the trustee of the fund.

Concentration of risk arises when a number of financial instruments or contracts are entered in to with the same counterparty, or where a number of counterparties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economics, political or other conditions.

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6. Financial Risk Management (contd.)

Market risk

Market risk represents the risk that the value of the fund's investments portfolios will fluctuate as a result of changes in market prices. However, the fund's exposure to price risk and currency risk are deemed negligible as all its investments are short term fixed income securities denominated in Sri Lankan Rupees. While market risk cannot be eliminated the fund manager will attempt to reduce this risk by diversifying the fund's investment portfolio in line with investment objectives of the fund.

Liquidity risk

Liquidity Risks represents the Unit Trust will not have adequate financial resources to meet Unit Trust's obligations as when they fall due. This risk arises from mismatches in the timing of cash flows. 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.

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.

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.

A detailed disclosure on how the financial risk management is carried out within the Fund's Financial Risk Management Framework with due consideration given to Market, Liquidity, Credit, and Concentration risks are given in the Notes to the Financial Statements Section on "Risk Management disclosures" on pages.

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7. New amendments to the Sri Lanka Accounting Standards issued but not effective as at reporting date

The Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) has issued following new amendments to the Sri Lanka Accounting Standards which will become applicable for financial periods beginning after on or after 1 January 2024. Accordingly, the Fund has not applied the following new amendments to the standard in preparing these Financial Statements.

• **Definition of accounting estimates (Amendments to LKAS 8)**

Accounting Policies, Changes in Accounting Estimates and Errors clarifies how companies shall distinguish changes in accounting policies from changes in accounting estimates. The amendments introduce a new definition for accounting estimates clarifying that they are monetary amounts in the financial statements that are subject to measurement uncertainty. Additionally, the amendments also clarify the relationship between accounting policies and accounting estimates by specifying that an entity develops an accounting estimate to achieve the objective set out by an accounting policy. Further, it emphasises that a change in accounting estimate that results from new information or new developments are not the correction of an error and the effects of a change in an input or a measurement technique used to develop an accounting estimate change in accounting estimates if they do not result from the correction of prior period errors.

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Accounting policy

Interest Income and Expense

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

The calculation of the effective interest rate includes transaction costs and fees and points paid or received that are an integral part of the effective interest rate. Transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial asset or financial liability.

- interest on financial assets and financial liabilities measured at amortised cost calculated on an effective interest basis; and

- interest on financial assets measured at fair value through other comprehensive income are calculated on an effective interest basis.

Interest income and expenses on all trading assets and liabilities are considered to be incidental to the Fund's trading operations and are presented together with all other changes in the fair value of trading assets and liabilities in net trading income.

Gain/(loss) on sale of financial assets measured at fair value though profit or loss

Gain/(loss) on Sale of Financial Assets measured at fair value through profit or loss comprises realised trading gains on disposal of government securities, commercial papers, securitised papers and debentures, are presented in direct income as sale of financial assets at fair value through profit or loss in the statement of profit or loss and other comprehensive income.

		2023/2024 Rs.	2022/2023 Rs.
8.	**Income**		
	Interest income on financial assets recognised - through profit or loss measured at fair value	17,426,118	13,004,725
	Interest income on financial assets at amortised cost	2,413,977	5,735,545
	Gain/ (Loss) on sale of financial assets recognised through - profit and loss measured at fair value	13,512,391	(13,694,821)
	Penalty fee	235,615	326,643
		33,588,101	**5,372,092**
9.	**Direct expenses**		
	Brokerage and taxes	-	7,350
	Interest expense on repo borrowing	43,959	19,208
		43,959	**26,558**

10. Gain / (loss) on financial assets recognised through profit or loss -measured at fair value

Commercial papers	(4,877)	779,892
Treasury bonds	18,381,640	590,940
Debentures	3,103,125	(5,837,945)
Securitised papers	-	1,817,267
Treasury bills	-	200,300
Total	21,479,888	(2,449,546)

11. Administration expenses

Management fee	1,325,933	1,241,145
Trustee fee	297,934	286,256
Auditor's remuneration - Audit services	403,991	328,784
	2,027,858	**1,856,185**

12. Other operating expenses

Bank charges	46,000	39,210
	46,000	**39,210**

13. Income tax expenses

Accounting policy

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 as amended by the Inland Revenue (Amendment) Act No. 10 of 2021 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 as amended by the Inland Revenue (Amendment) Act No. 10 of 2021 and subsequent amendments thereto.

	2023/2024	**2022/2023**
	Rs.	**Rs.**
Reconciliation between current tax expense and the accounting profit		
Accounting profit from ordinary activities before tax	52,950,172	1,000,593
Less:- Exempted income	(52,950,172)	(1,000,593)
Taxable profit	-	-
Income tax provision for the year	-	-

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		31.03.2024	31.03.2023
		Rs.	Rs.
14.	**Cash at bank**		
	Bank of Ceylon - (Note 14.1)	608,197	221,056
		608,197	**221,056**

14.1 Bank balances are maintained only to settle day to day operations. Excess cash balances are reviewed on a daily basis and transferred the same to investment account. Remaining cash at bank represent current account balance with banks, which are due on demand. Accordingly no impairment provision is required.

Above balance represents as at 31 March 2024 is with credit rating of (A).

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

Accounting policy

A financial asset is classified at fair value through Profit or Loss if it is classified as held for trading or is designated as such upon initial recognition. Financial assets are designated at fair value through Profit or Loss if the Group manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Group's documented risk management or investment strategy. Upon initial recognition, transaction costs are recognised in Profit or Loss as incurred.

Financial assets at fair value through Profit or Loss are measured at fair value, and subsequent therein are recognised in Profit or Loss.

Following assets represent financial assets at fair value though profit or loss,
* Investment in government securities
* Investment in debentures
* Investment in commercial papers
* Investment in securitised papers

	31.03.2024	31.03.2023
	Rs.	Rs.
Commercial papers *(Note 15.1)*	-	6,128,402
Debentures *(Note 15.2)*	15,569,085	12,460,545
Government securities	144,490,280	25,148,490
	160,059,365	**43,737,437**

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15. Financial assets recognised through profit or loss- measured at fair value (contd.)

15.1 Commercial paper

Name of the issuer	31-Mar-24 Credit Rating	31-Mar-24 Market value Rs.	31-Mar-24 Percentage exposure to each issuer against the Net Value of the Fund - Rs.	31-Mar-23 Credit Rating	31-Mar-23 Market value Rs.	31-Mar-23 Percentage exposure to each issuer against the Net Value of the Fund Rs.
Janashakthi Limited	-	-	0%	BB	6,128,402	10%
Total		**-**			**6,128,402**	

15.2 Debentures - Listed

Name of the issuer	Credit rating	31-Mar-24 No. of debentures	31-Mar-24 Market value Rs.	31-Mar-24 Percentage exposure to each issuer against the Net Value of the Fund Rs.	31-Mar-23 No. of debentures	31-Mar-23 Market value Rs.	31-Mar-23 Percentage exposure to each issuer against the Net Value of the Fund Rs.
Softlogic Capital PLC	BBB-	150,000	15,569,085	9%	150,000	12,460,545	20%
Total			**15,569,085**			**12,460,545**	

From the above investments as at 31 March 2024, LKR 15,569,085 represents credit rating of (BBB-). (As at 31 March 2023 LKR 12,460,545 is not rated. * 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).

16. Financial assets - at amortized cost

Accounting policy

A financial asset shall be measured at amortised cost if both of the following conditions are met:

(a) the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and

(b) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. Financial assets at amortised cost of the Fund comprise of the followings,

i. Investment in re-sale agreements

ii. Fixed deposits

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		31.03.2024 Rs.	31.03.2023 Rs.
16.	**Financial assets - at amortised cost - (contd.)**		
	First Capital Treasuries PLC- repurchase agreements *(Note 16.1)*	9,209,326	20,433,534
		9,209,326	20,433,534

16.1 This represents investment in resale agreements entirely backed by Government Securities. No impairment provisions derived through these investments.

		31.03.2024 Rs.	31.03.2023 Rs.
17.	**Accrued expenses and other liabilities**		
	Management fee payable	229,008	58,157
	Trustee fee payable	46,519	14,031
	Auditor's remuneration - Audit services	354,716	279,303
	Miscellaneous payables	165,171	633,888
		795,414	**985,379**
18.	**Net assets per unit**		
	Net assets (Rs.)	169,081,474	63,406,648
	Total no. of units	92,617	57,961
	Net assets per value unit (Rs.)	**1,825.59**	**1,093.96**

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19. Net assets value per unit

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

	No. of Units	Rs.
Balance as at 1 April 2022	236,078	256,773,980
Increase due to unit creation during the year	1,729	1,781,023
Decrease due to unit redemption during the year	(179,846)	(192,173,580)
Increase in net assets attributable to unitholders	-	1,000,593
Income distribution to unitholders	-	(3,975,368)
Balance as at 31 March 2023	**57,961**	**63,406,648**
Balance as at 1 April 2023	57,961	63,406,648
Increase due to unit creation during the year	89,109	146,832,416
Decrease due to unit redemption during the year	(54,452)	(94,107,762)
Increase in net assets attributable to unitholders	-	52,950,172
Income distribution to unitholders	-	-
Balance as at 31 March 2024	**92,618**	**169,081,474**
YoY Percentage Increase	**59.79%**	**166.66%**

20. Analysis of financial instrument by measurement basis

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

As at 31 March 2024	**Measured at fair value Rs.**	**Carried at cost Rs.**	**Amortized cost Rs.**	**Total Rs.**
Assets				
Cash at bank	-	-	608,197	608,197
Financial assets recognised through profit or loss - measured at fair value	160,059,365	-	-	160,059,365
Financial assets - at amortised cost	-	-	9,209,326	9,209,326
Total	**160,059,365**	**-**	**9,817,523**	**169,876,888**
Liabilities				
Accrued expenses and other payables	-	795,414	-	795,414
Total	**-**	**795,414**	**-**	**795,414**

As at 31 March 2023	**Measured at fair value Rs.**	**Carried at cost Rs.**	**Amortized cost Rs.**	**Total Rs.**
Assets				
Cash at bank	-	-	221,056	221,056
Financial assets recognised through profit or loss - measured at fair value	43,737,437	-	-	43,737,437
Financial assets - at amortised cost	-	-	20,433,534	20,433,534
Total	**43,737,437**	**-**	**20,654,590**	**64,392,027**
Liabilities				
Accrued expenses and other payables	-	985,379	-	985,379
Total	**-**	**985,379**	**-**	**985,379**

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21. 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.

Financial assets measured at fair value

	Level 1	Level 2	Level 3	Total fair value
As at 31 March 2024	**Rs.**	**Rs.**	**Rs.**	**Rs.**
Financial assets recognised through profit or loss - measured at fair value				
- Debentures	-	15,569,085	-	15,569,085
- Government securities	144,490,280	-	-	144,490,280
	144,490,280	**15,569,085**	**-**	**160,059,365**

	Level 1	Level 2	Level 3	Total fair value
As at 31 March 2023	**Rs.**	**Rs.**	**Rs.**	**Rs.**
Financial assets recognised through profit or loss - measured at fair value				
- Commercial papers	-	6,128,402	-	6,128,402
- Debentures	-	12,460,545	-	12,460,545
- Government securities	25,148,490	-	-	25,148,490
Total financial investments	25,148,490	18,588,947	-	43,737,437

Level 1 - Financial Instruments that are measured in whole or in party by reference to published quotes in an active market. A Financial Instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange and those prices represent actual and regularly occurring market transactions on an arm's length basis.

Level 2 - Financial instruments that are measured at fair value on a 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 short term maturity, carrying value of the financial assets at amortised cost are approximated to their fair values.

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21. Determining of fair value and hierarchy of fair value (contd.)

21.1 Measurement of fair values

21.1 (a) 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 Debenture	The valuation model is based on Yield Curve of the Government Securities. Yields relating to Government Securities based on the maturities of the respective debenture is interpolated in the valuation considering the initial risk premiums (at the time of issue) of the investee companies are constant as at the reporting date.	Risk premium of the investee companies (5.20%)

21.1 (b) Reconciliation of level 2 fair values

	Commercial papers	Debenture	Total
	Rs.	Rs.	Rs.
Balance as at 01 April 2023	6,128,402	12,460,545	18,588,947
Purchases	6,959,573	-	6,959,573
Sales / Matured	(14,439,848)	-	(14,439,848)
Interest accrued	1,356,750	5,415	1,362,165
Gain/ (Loss) on fair valuation of financial assets	(4,877)	3,103,125	3,098,248
Balance as at 31 March 2024	-	15,569,085	15,569,085

21.1.1 (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 Treasury Bonds	2,121,510	(2,080,640)
Investment in Debentures	47,265	(51,465)

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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22. 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.

22.1 Risk management framework

The Board of Directors of the Fund Manager has the overall responsibility for the establishment and oversight of the Unit Trust's risk management framework. The senior management has established an Enterprise Risk Management Committee (ERMC) of the Fund Manager 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.

22.1(a) Market risk

Market risk is the risk that changes in market prices, such as interest rates which 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 Manager.
- The operational authority for managing market risk is vested with the Investment Committee (IC) Fund manager.
- Interest rate risk is managed within the approved limits by the Investment Committee Fund Manager.

22.1(b) Liquidity risk

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

22. Financial risk management (contd.)

22.1(b) Liquidity risk (contd.)

Maturity analysis of the financial assets and financial liabilities

As at 31 March 2024	**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.**
Assets						
Cash at bank	608,197	608,197	-	-	-	-
Financial assets at fair value through profit or loss						
Debentures	15,569,085	-	-	15,569,085	-	-
Treasury bonds	144,490,280	-	-	-	144,490,280	-
Financial assets at amortised cost						
Investment in Government securities under resale agreements	9,209,326	9,209,326	-	-	-	-
Total financial assets	**169,876,888**	**9,817,523**	**-**	**15,569,085**	**144,490,280**	**-**
Liabilities						
Accruals and other payables	795,414	795,414	-	-	-	-
Total financial liabilities	**795,414**	**795,414**	**-**	**-**	**-**	**-**

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.**
Assets						
Cash at bank	221,056	221,056	-	-	-	-

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FIRST CAPITAL WEALTH FUND
NOTES TO THE FINANCIAL STATEMENTS
AS AT 31 MARCH 2024

22. Financial risk management (contd.)

22.1(b) Liquidity risk (contd.)

Financial assets at fair value through profit or loss						
Commercial paper	6,128,402	6,128,402	-	-	-	-
Debentures	12,460,545	-	-	12,460,545	-	-
Government securities						
Treasury bonds	25,148,490	-	-	-	25,148,490	-
					-	-
Financial assets - at amortised cost						
Investment in Government securities under resale agreements	20,433,534	20,433,534	-	-	-	-
Total financial assets	**64,392,027**	**26,782,992**	**-**	**12,460,545**	**25,148,490**	**-**
Liabilities						
Accruals and other payables	985,379	985,379	-	-	-	-
Total financial liabilities	**985,379.4**	**985,379.4**	**-**	**-**	**-**	**-**

22.1(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 of Fund manager.

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22. Financial risk management (contd.)

22.1 (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 authorization 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 2024	**12 Month expected credit losses**	**Life time expected credit losses not credit impaired**	**Life time expected credit losses credit impaired**	**Total**
	Rs.	**Rs.**	**Rs.**	**Rs.**
Assets				
Cash at bank	608,197	-	-	608,197
Financial assets at amortised cost	9,209,326	-	-	9,209,326
Total financial assets	**9,817,523**	**-**	**-**	**9,817,523**

As at 31 March 2023	**12 Month expected credit losses**	**Life time expected credit losses not credit impaired**	**Life time expected credit losses credit impaired**	**Total**
	Rs.	**Rs.**	**Rs.**	**Rs.**
Assets				
Cash at bank	221,056	-	-	221,056
Financial assets - at amortised cost	20,433,534	-	-	20,433,534
Total financial assets	**20,654,590**	**-**	**-**	**20,654,590**

Analysis of concentration risk

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

22. Financial risk management (contd.)

22.1 (c) Credit risk

As at 31 March 2024	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.
Sector wise breakdown				
Government	608,197	144,490,280	-	145,098,477
Corporate	-	15,569,085	9,209,326	24,778,411
Others	-	-	-	-
Total	**608,197**	**160,059,365**	**9,209,326**	**169,876,888**

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.
Sector wise breakdown				
Government	221,056	25,148,490	-	25,369,546
Corporate	-	18,588,947	20,433,534	39,022,481
Others	-	-	-	-
Total	**221,056**	**43,737,437**	**20,433,534**	**64,392,027**

Credit quality analysis of financial investments
As at 31 March 2024

	Risk Status	Amortised Cost Rs.	FVTPL Rs.	Total Rs.
Government securities	Risk free	-	144,490,280	144,490,280
Debt instruments having credit ratings*				
AA+ to A+	Low risk	-	-	-
A to BBB+	Medium risk	-	-	-
Below BBB	High risk	-	15,569,085	15,569,085

As at 31 March 2023

	Risk Status	Amortised Cost Rs.	FVTPL Rs.	Total Rs.
Government securities	Risk free	-	25,148,490	-
Debt instruments having credit ratings*				
AA+ to A+	Low risk			
A to BBB+	Medium risk			
Below BBB	High risk		6,128,402	

*This includes only investment in Commercial Papers and Securitized Papers and does not include equity investments.

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22. Financial risk management (contd.)

22.1 (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 are measured using sensitivity analysis. However, due to the short term nature of the fund, 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 31.03.2024 Rs.	Effect on the profit for the year ended 31.03.2023 Rs.
Increase in interest rate	+0.5%	(2,132,105)	(374,120)
Decrease in interest rate	-0.5%	2,168,775	380,265

	Floating interest rate Rs.	Fixed interest rate Rs.	Total Rs.
As at 31 March 2024			
Assets			
Debentures	-	15,569,085	15,569,085
Government Securities	-	144,490,280	144,490,280
Total financial assets	**-**	**160,059,365**	**160,059,365**

	Floating interest rate Rs.	Fixed interest rate Rs.	Total Rs.
As at 31 March 2023			
Assets			
Commercial papers	-	6,128,402	6,128,402
Debentures	-	12,460,545	12,460,545
Government securities	-	25,148,490	25,148,490
Total financial assets	**-**	**43,737,437**	**43,737,437**

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22. Financial risk management (contd.)

22.1 (e) 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.

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23. Related party disclosures

Accounting policy

The company carried out transactions in the ordinary course of business on arm's length basis with parties who are defined as related parties as per the Sri Lanka Accounting Standard-LKAS 24 'Related Party Disclousers'.

23.1. Directorships in other companies

The Directors of First Capital Asset Management Limited (Managing Company of the Unit Trust) are also Directors of the following companies (as of 31 March 2024).

Name of the company	Relationship	Mr. Nishan Fernando	Ms. Manjula Mathews	Mr. Dilshan Wirasekara	Ms. Minette Perera	Mr. Chandana De Silva	Dr. Nishan De Mel
Janashakthi Limited	Ultimate Parent	-	Director	-	Director	Chairman	-
Janashakthi Insurance PLC	Subsidiary of the Ultimate Parent	-	-	-	-	-	Director
Janashakthi Capital Limited	Subsidiary of the Ultimate Parent	-	-	-	-	-	-
Janashakthi Business Services (Private) Limited	Subsidiary of the Ultimate Parent	-	-	-	-	-	-
Janashakthi Corporate Services Limited	Subsidiary of the Ultimate Parent	-	-	-	-	-	-
Beckett Capital (Pvt) Ltd	Subsidiary of the Ultimate Parent	-	-	-	-	-	-
Orient Finance PLC	Subsidiary of the Ultimate Parent	-	-	-	Director	-	-
First Capital Holding PLC	Intermediary Parent	Chairman	Deputy Chairperson	Managing Director/ CEO	-	Director	-

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23.1. Directorships in other companies (contd.)

Name of the company	Relationship	Mr. Nishan Fernando	Ms. Manjula Mathews	Mr. Dilshan Wirasekara	Ms. Minette Perera	Mr. Chandana De Silva	Dr. Nishan De Mel
First Capital Limited	Immediate Parent	Chairman	Deputy Chairperson	Managing Director/ CEO	-	Director	-
First Capital Treasuries PLC	Subsidiary of the Immediate Parent	-	Chairperson	Director	Director	Director	Director
First Capital Markets Limited	Subsidiary of the Immediate Parent	Chairman	Deputy Chairperson	Managing Director/ CEO	-	Director	Director
First Capital Equities (Private) Limited	Subsidiary of the Immediate Parent	Chairman	Deputy Chairperson	Managing Director	-	Director	Director
First Capital Trustee Services (Private) Limited	Subsidiary of the Immediate Parent	-	Deputy Chairperson	Managing Director/ CEO	-	-	-
First Capital Advisory Services (Private) Limited	Subsidiary of the Immediate Parent	Chairman	Deputy Chairperson	Managing Director/ CEO	-	-	-

KMP - Key Management Personnel

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23 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.

23.2 Transaction with managing company

Transactions for the year ended

Name of the company	Nature of the transaction	Transaction amount 2023/2024 Rs.	Transaction amount 2022/2023 Rs.
First Capital Asset Management Limited	Management fee	1,325,933	1,241,145

Amounts owed (to)/ by the related party	Nature of the transaction	Amounts owed (to) / by the related party as at 31-03-2024 Rs.	Amounts owed (to) / by the related party as at 31-03-2023 Rs.
First Capital Asset Management Limited	Bank deposit made	(108,542)	(108,542)

23.3 Transaction with ultimate parent company/ parent company/ immediate parent company/ intermediary parent company/ subsidiaries of the immediate parent of the managing company

Nature of the transaction	For the year ended 31.03.2024		For the year ended 31.03.2023	
	2023/2024	Amount owed (to) / by the related party as at 31.03.2024	2022/2023	Amount owed (to) / by the related party as at 31.03.2023
	Rs.	Rs.	Rs.	Rs.
Resale agreements	-	9,209,326	-	20,433,534
Investment in Commercial Papers	-	-	-	6,128,402
Interest income	4,145,272	-	8,329,262	-
Interest expense	(43,959)	-	(19,208)	-
Investment in Unit Trust	-	-	-	-
Benefit accrued on Unit Trust	-	-	-	-
Gain/ (loss) on sale of financial investments - held for trading	13,512,391	-	34,558,140	-

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23. Related party disclosures (Contd.)

23.4 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 Personnel are those family members who may be expected to influence, or be influenced by, that individual in their dealings with the Entity. They may include;

a. The individual's domestic partner and children;

b. Children of the individual's domestic partner; and

c. Dependents of the Individual or the individual's domestic partner

Close Family Members are related parties to the Entity.

	For the year ended 31.03.2024		For the year ended 31.03.2023	
Transactions with KMP/CFM	**2023/2024**	**Amount owed (to) / by the related party as at 31.03.2024**	**2022/2023**	**Amount owed (to) / by the related party as at 31.03.2023**
	Rs.	**Rs.**	**Rs.**	**Rs.**
Investment in Unit Trust	-	-	-	-
Dividend received from Unit Trust	-	-	-	-
Benefit accrued on Unit Trust	-	-	-	-

24. Capital commitments and contingent liabilities

Accounting Policy

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 SOFP but are disclosed unless they are remote.

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

25. Events occurring after the reporting period

Accounting Policy

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.

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

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CORPORATE INFORMATION

NAME OF THE FUND (UNIT TRUST)
First Capital Wealth 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
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Havelock Road
Colombo 05

EXTERNAL AUDITORS
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Chartered Accountants
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Colombo 04

INTERNAL AUDITORS
Ernst & Young
No. 109, Rotunda Towers
Galle Road
Colombo 03

PRINCIPAL BANKERS
Bank of Ceylon