



**First Capital**  
A Janashakthi Group Company

# **FIRST CAPITAL FIXED INCOME FUND**

**ANNUAL REPORT 2024/25**

Managed by  
**FIRST CAPITAL ASSET MANAGEMENT LIMITED**

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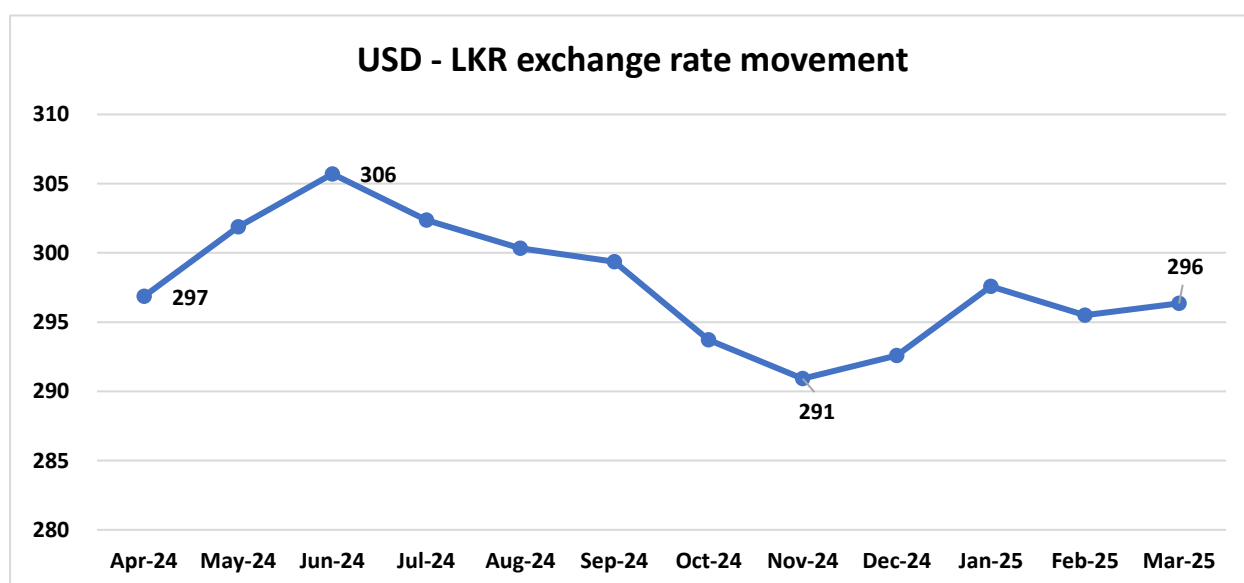
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## Report of The Manager

We have pleasure in presenting to you the Audited Financial Statements of First Capital Fixed Income Fund for the year ended 31 March 2025.

## Economic and Industry Overview

The Sri Lankan economy continued to rebound during 2024/25 period driven by macro-economic stability and continuous reduction in policy rates by the central bank of Sri Lanka. The growth in the economy was supported by all three major segments of the economy, with the industry segment recording the highest growth of 11.0% YoY in 2024. Services and Agriculture segments recorded a growth of 2.4%YoY and 1.2%YoY, respectively as of 31 December 2024.



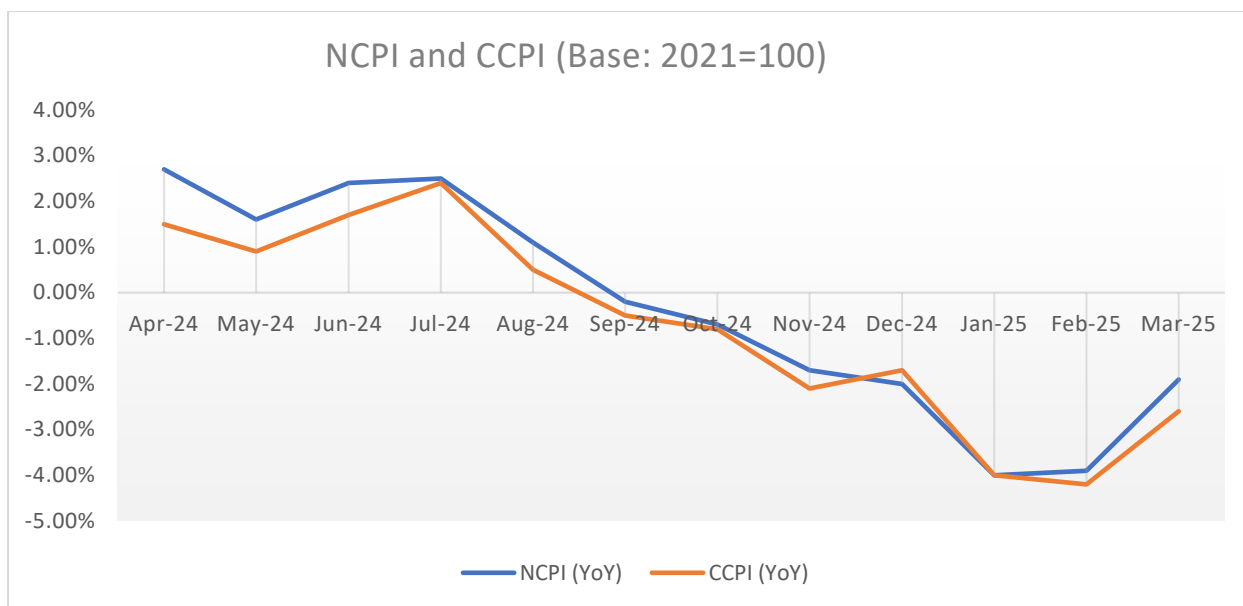
The improvement in GDP growth was also supported by the continuous improvement in key economic indicators and timely completion of the IMF reviews held thus far. Sri Lanka successfully unlocked the fourth tranche of USD 330 Mn after completing the third review with the IMF in March 2025. Completion of external debt restructuring was a key milestone for the review whilst Sri Lanka successfully achieved the set targets for 2024.

**FIRST CAPITAL ASSET MANAGEMENT LIMITED**

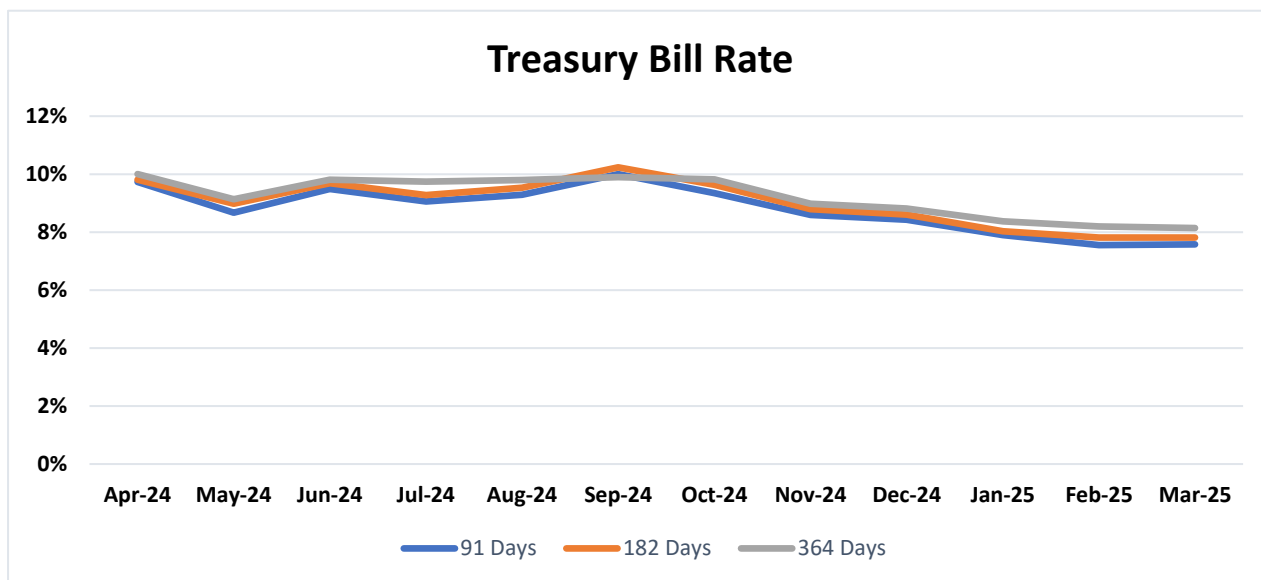
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Company Reg. No : PB 187



Sri Lanka managed to successfully curtail inflation during 2024/25 period with the country currently experiencing deflation. At the end of the fourth quarter of FY25, the Colombo Consumer Price Index (CCPI) recorded a deflation rate of -2.6% (YoY). Gross official reserves continued to strengthen in line with other indicators recording USD 6.5 Bn by March 2025, aided by higher inflows from tourism and remittances supporting Balance of Payment (BOP) surplus, which led to increased USD purchases by the CBSL, which directly boosted reserves during the aforementioned period.



Central Bank of Sri Lanka continued to ease policy rates following the expansionary monetary policy direction adapted in 2H 2023. Further, CBSL during 2024 reduced policy rates on two separate occasions by 75bps whilst, in the November 2024 policy review, CBSL also adapted single policy rate with the introduction of the Overnight Policy Rate (OPR) at 8.00% below the average weighted call money rate (AWCMR) of 8.50%, indirectly offering a rate cut of 75bps to the market.

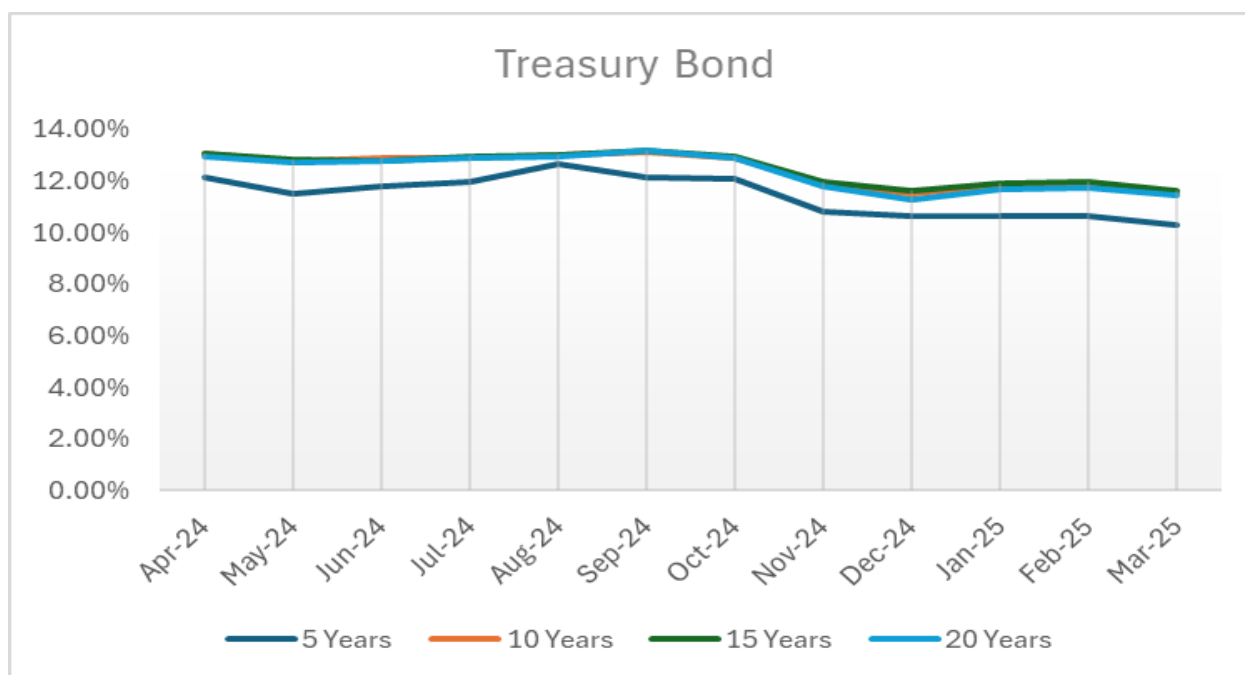
During 2024/25, there were 16 licensed unit trust management companies with 82 funds in operation in the industry. Total assets under management of the industry reached Rs. 586 Bn as at 31 March 2025 (Source: The UnitTrust Association of Sri Lanka).

## Fund Performance

First Capital Fixed Income Fund reported a Profit after Tax of Rs. 149 Mn for the year ended 31 March 2025 compared to Rs. 478 Mn in the previous year (2023/24). The decrease in Profit after Tax is mainly due to the substantial increase in fair valuation loss on financial investments amounting to Rs. 228 Mn (2023/24 – fair valuation gain of Rs. 309 Mn was reported).

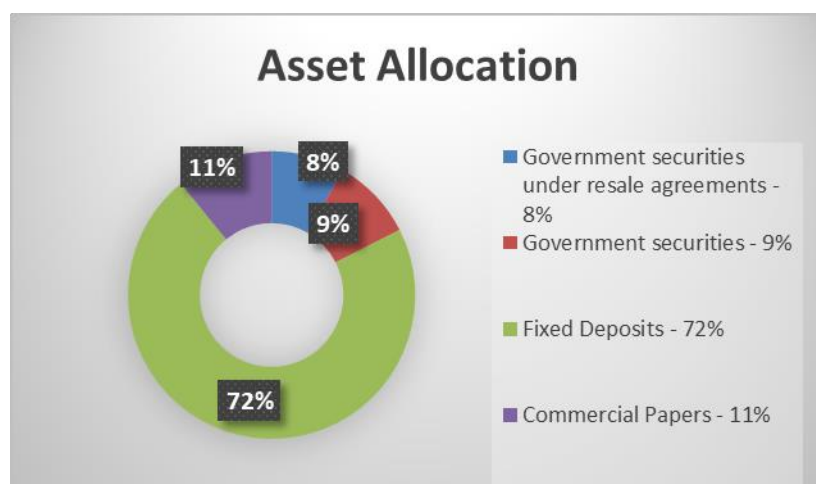
The Fund reported an Annualised Return of 13.8% for the year ended 31 March 2025 compared to the average 5-year treasury bond yield (base yield) of 11.3% (source: Central Bank of Sri Lanka - *Monthly Economic Indicators*; <https://www.cbsl.gov.lk/statistics/economic-indicators/monthly-indicators>. 5-year 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 (2023/24) was 56.9% 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>. The Funds under Management as at 31 March 2025 were Rs. 1.6 Bn compared to Rs. 1.1 Bn as at 31 March 2024.



As the portfolio may include investments subject to mark-to-market valuation, the Fund is accounted for on a mark-to-market basis in accordance with Sri Lanka Financial Reporting Standards. Consequently, investor returns tend to decrease during periods of rising market interest rates and increase when interest rates decline.

## Asset Allocation as at 31 March 2025



### Future Outlook

Sri Lanka made continued progress throughout 2024, as the overall economic recovery began to gradually extend its benefits across all sectors of the economy. Interest rates continue to edge down as Central Bank of Sri Lanka continued on its expansionary monetary policy stance. Moreover, 2024 also marked the completion of debt restructuring for Sri Lanka with the completion of external debt restructuring in December 2024. Further, the conclusion of both Presidential election and Parliamentary elections, with newly appointed president backed party gaining more than 2/3 offered political stability to the country.

Looking ahead, we anticipate that 2025 will be a year of continued economic recovery, with GDP growth projected to exceed 3%, supported by stable macroeconomic fundamentals. Inflation is expected to remain below the 5% threshold, in line with the Central Bank of Sri Lanka's monetary policy guidance. The continuous recovery in the economy, together with the modest growth in tourism and remittances are expected to limit pressure on interest rates. Furthermore, the results of the local government elections held in early May 2025 are expected to have a significant impact on the country's political stability and the direction of future policies.

The global economic outlook remains challenging in the near term, primarily due to the heightened risks stemming from the reciprocal tariffs imposed by the United States in April 2025 and fragile geopolitical events. These global events may have dampening effects on majority of countries, which may in turn impact overall growth of key global economies. As a result, overall global growth projections for 2025E and 2026E have been revised downward, reflecting the broader impact of rising trade and geopolitical tensions.

### Appreciations

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.

Private & Confidential

## INDEPENDENT AUDITOR'S REPORT

### TO THE UNITHOLDERS OF FIRST CAPITAL FIXED INCOME FUND

#### Report on the Audit of the Financial Statements

##### Opinion

We have audited the financial statements of First Capital Fixed Income Fund ("the Fund"), which comprise the statement of financial position as at 31 March 2025 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 2025, 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 Matter

The financial statements of First Capital Fixed Income Fund for the year ended 31 March 2024 were audited by another auditor who expressed an unmodified opinion on those statements on 4 June 2024.

##### Other Information

The Fund Managing 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 in this regard.



Partners - N.S.C. De Silva FCA, FCMA (UK), CGMA, L.C. Priyasena FCA, L.L.S. Wickremasinghe FCA,  
F.S.N. Marikkar FCA, S.M.S.S. Bandana MBA, FCA, D.S. De Silva LL.B., Attorney - at - Law  
ACA, ACMA (UK), CGMA

Partner (Kandy) W.L.L. Perera FCA.

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## **Responsibilities of Management and Those Charged with Governance for the Financial Statements**

The fund managing 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. Also, we:

- 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 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 2022) of the Securities and Exchange Commission of Sri Lanka and Trust Deed.



**B. R. DE SILVA & CO.**  
Chartered Accountants  
Colombo 05.



Date... 4 June 2025 .....

(LW/ST/IS)

**FIRST CAPITAL FIXED INCOME FUND**

**STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED 31 MARCH 2025**

	Notes	2024/2025 Rs.	2023/2024 Rs.
Income	(08)	388,025,211	183,092,471
Direct expenses	(09)	<u>(450)</u>	<u>(5,090,167)</u>
<b>Net trading income</b>		<b>388,024,761</b>	<b>178,002,304</b>
Gain/ (loss) on financial assets recognised through profit or loss -measured at fair value	(10)	(228,118,236)	308,894,440
		<u>159,906,525</u>	<u>486,896,744</u>
Administration expenses	(11)	(10,453,968)	(9,014,085)
Other operating expenses	(12)	(57,975)	(41,250)
(Provision) for impairment of financial assets at amortised cost	(16.4.1)	<u>(127,951)</u>	<u>-</u>
<b>Profit before tax</b>		<b>149,266,631</b>	<b>477,841,409</b>
Income tax expenses	(13)	-	-
<b>Profit for the year</b>		<u><b>149,266,631</b></u>	<u><b>477,841,409</b></u>
<b>Other comprehensive income</b>		-	-
<b>Total comprehensive income for the year</b>		<u><b>149,266,631</b></u>	<u><b>477,841,409</b></u>
Increase in net assets attributable to unitholders		<u><b>149,266,631</b></u>	<u><b>477,841,409</b></u>

Figures in bracket indicate deductions.

The accounting policies and notes form an integral part of these financial statements.



**FIRST CAPITAL FIXED INCOME FUND**

**STATEMENT OF FINANCIAL POSITION**  
**AS AT 31 MARCH 2025**

	Notes	31.03.2025 Rs.	31.03.2024 Rs.
<b><u>ASSETS</u></b>			
Cash at bank	(14)	435,090	195,214
Financial assets recognised through profit or loss - measured at fair value	(15)	145,967,150	1,092,699,780
Financial assets at amortised cost	(16)	1,435,815,533	14,414,597
<b>Total Assets</b>		<b>1,582,217,773</b>	<b>1,107,309,591</b>
<b><u>UNITHOLDERS' FUNDS AND LIABILITIES</u></b>			
<b><u>Liabilities</u></b>			
Accruals and other payable	(17)	1,356,038	1,601,500
<b>Total liabilities</b>		<b>1,356,038</b>	<b>1,601,500</b>
<b><u>Unitholders' funds</u></b>			
Net assets attributable to unitholders		1,580,861,735	1,105,708,091
<b>Total unitholders' funds</b>		<b>1,580,861,735</b>	<b>1,105,708,091</b>
<b>Total Unitholders' Funds and Liabilities</b>		<b>1,582,217,773</b>	<b>1,107,309,591</b>
Net assets value per unit (Rs.)	(18)	4,023.78	3,536.57


The Managing Company of First Capital Fixed Income Fund is responsible for the preparation and presentation of these financial statements in accordance with the Sri Lanka Accounting Standards.

The accounting policies and notes form an integral part of these financial statements.

Approved by the Fund Managing Company on 4 June 2025.

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

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

  
.....  
**Trustee of the Fund**  
**Bank of Ceylon**

  
.....  
**Nishan de Mel**  
**Chairman**  
**First Capital Asset Management Limited**  
**Fund Managing Company**



**FIRST CAPITAL FIXED INCOME FUND**

**STATEMENT OF CHANGES IN UNITHOLDERS' FUNDS**  
**FOR THE YEAR ENDED 31 MARCH 2025**

	Notes	Unitholders' Funds Rs.
Balance as at 1 April 2023		976,866,682
Increase due to unit creation during the year	(18.1)	2,838,406,096
Decrease due to unit redemption during the year	(18.1)	(3,187,406,096)
Increase in net assets attributable to unitholders		477,841,409
Balance as at 31 March 2024		<u>1,105,708,091</u>
Balance as at 1 April 2024		1,105,708,091
Increase due to unit creation during the year	(18.1)	1,369,305,399
Decrease due to unit redemption during the year	(18.1)	(1,043,418,386)
Increase in net assets attributable to unitholders		149,266,631
Balance as at 31 March 2025		<u>1,580,861,735</u>

Figures in bracket indicate deductions.

The accounting policies and notes form an integral part of these financial statements.



**FIRST CAPITAL FIXED INCOME FUND****STATEMENT OF CASH FLOWS****FOR THE YEAR ENDED 31 MARCH 2025****Accounting policy**

The statement of cash flows has been prepared using the "Indirect Method" of preparing cash flows in accordance with the Sri Lanka Accounting Standard LKAS 7 - "Statement of Cash Flows".

For the year ended 31 March,	<u>Notes</u>	<u>2024/2025</u> Rs.	<u>2023/2024</u> Rs.
<b>Cash flows from operating activities</b>			
Profit before taxation		149,266,631	477,841,409
<b>Adjustment for :</b>			
(Gain) / Loss on fair valuation of financial assets recognised through profit or loss -measured at fair value	(10)	228,118,236	(308,894,440)
Provision for impairment of financial assets at amortised cost	(16.4.1)	127,951	-
<b>Operating profit before working capital changes</b>		<b>377,512,818</b>	<b>168,946,969</b>
Decrease in financial assets recognised through profit or loss - measured at fair value		718,614,394	121,914,310
(Increase) / Decrease in financial asset at amortised cost		(1,421,528,887)	50,091,265
(Decrease) in accruals and other payable		(245,463)	(369,330)
<b>Cash flows generated from/ (used in) operations</b>		<b>(325,647,138)</b>	<b>348,971,977</b>
Tax paid		-	-
<b>Net cash flows generated from/ (used in) operating activities</b>		<b>(325,647,138)</b>	<b>348,971,977</b>
<b>Net cash flows from / (used in) investing activities</b>		<b>-</b>	<b>-</b>
<b>Cash flows from / (used in) financing activities</b>			
Payment for units redemption		325,887,014	(349,000,000)
<b>Net cash flows generated from/(used in) financing activities</b>		<b>325,887,014</b>	<b>(349,000,000)</b>
<b>Net increase / (decrease) in cash and cash equivalents during the year</b>		<b>239,876</b>	<b>(28,023)</b>
Cash and cash equivalents at the beginning of the year	(14)	195,214	223,237
<b>Cash and cash equivalents at the end of the year</b>	<b>(14)</b>	<b>435,090</b>	<b>195,214</b>

Figures in bracket indicate deductions.

The accounting policies and notes form an integral part of these financial statements.



## **FIRST CAPITAL FIXED INCOME FUND**

### **NOTES TO THE FINANCIAL STATEMENTS** **FOR THE YEAR ENDED 31 MARCH 2025**

#### **1. Reporting entity**

First Capital Fixed Income Fund (“the Fund”) is an open-ended unit trust approved by the Securities and Exchange Commission of Sri Lanka on 25 April 2014.

The registered office/ place of business of the Fund is located at No. 2, Deal Place, Colombo 3. First Capital Asset Management Limited is the Managing Company of First Capital Fixed Income Fund, while Bank of Ceylon has been appointed as the Trustee.

#### **1.1. Principal activities**

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

The objective of the First Capital Fixed Income 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 principal 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 2025 were authorized for issue by the Fund Managing Company on 4 June 2025.

#### **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](http://www.casrilanka.com).

Management 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 unit holders falls below the specified minimum threshold due to redemption by a 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.



## **FIRST CAPITAL FIXED INCOME FUND**

### **NOTES TO THE FINANCIAL STATEMENTS** **FOR THE YEAR ENDED 31 MARCH 2025**

#### **2.1. Statement of compliance (Cont'd...)**

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 Code 2022 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.

Financial Statements of the Fund at 31 March 2025 comprises of:

- The Statement of Profit or Loss and Other Comprehensive Income providing information on the performance for the year under review.
- Statement of Financial Position (SFP) providing 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.
- Statement of Cashflows, which provides the information to the users, on the ability of the fund to generate cash and cash equivalents and utilization of those cash flows.
- Notes to the Financial Statements, which comprise of 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 through profit or loss	Fair value	Note 15
Financial assets at amortised cost	Amortised cost	Note 16





## **FIRST CAPITAL FIXED INCOME FUND**

### **NOTES TO THE FINANCIAL STATEMENTS** **FOR THE YEAR ENDED 31 MARCH 2025**

#### **2.3. Functional and presentation currency**

The financial statements are presented in Sri Lankan Rupees (LKR), 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.

<b>Critical Accounting Estimate/ Judgment</b>	<b>Disclosure Note</b>
Going concern	Note 2.4.1
Classification of financial assets	Note 3.3.3
Fair value of financial instruments	Note 15
Impairment losses on financial assets	Note 16.2.1

##### **2.4.1. Going concern**

The Fund Management 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 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



## **FIRST CAPITAL FIXED INCOME FUND**

### **NOTES TO THE FINANCIAL STATEMENTS** **FOR THE YEAR ENDED 31 MARCH 2025**

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.



## **FIRST CAPITAL FIXED INCOME FUND**

### **NOTES TO THE FINANCIAL STATEMENTS** **FOR THE YEAR ENDED 31 MARCH 2025**

#### **3.2. Index of material accounting policy information**

<b>Accounting Policy</b>	<b>Note</b>
<b>Material accounting policies – General</b>	
Financial instruments	Note 3.3
<b>Material accounting policies – Recognition of income and expenses</b>	
Direct income	Note 08
Direct expenses	Note 09
Gain / (loss) on fair valuation of financial assets recognized through profit or loss – measured at fair value	Note 10
Administration expenses	Note 11
Income tax expenses	Note 13
<b>Material accounting policies – Recognition of assets and liabilities</b>	
Financial assets recognised through profit or loss – measured at fair value	Note 15
Financial assets at amortised cost	Note 16
Securities sold under re-purchase agreement	Note 3.3.7

#### **3.3. Financial instruments**

##### **3.3.1. Initial recognition**

Financial assets and liabilities are initially recognised 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.

##### **3.3.2. Initial measurement of financial instrument**

The classification of financial instruments at initial recognition depends on their contractual terms and the business model for managing the instruments. At initial recognition, the Fund measures a financial asset at its fair value plus transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in the statement of profit or loss.



## **FIRST CAPITAL FIXED INCOME FUND**

### **NOTES TO THE FINANCIAL STATEMENTS** **FOR THE YEAR ENDED 31 MARCH 2025**

#### **3.3.3. 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 Solely Payments of Principal and Interest ("SPPI").

#### **3.3.4. 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.



## **FIRST CAPITAL FIXED INCOME FUND**

### **NOTES TO THE FINANCIAL STATEMENTS** **FOR THE YEAR ENDED 31 MARCH 2025**

#### **3.3.5. 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 amortised cost. All the financial assets are recognised at fair value at their initial recognition.

#### **Financial Assets - Assessment of 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 solely 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;
- prepayment 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.



## FIRST CAPITAL FIXED INCOME FUND

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2025

#### 3.3.5.Financial Assets (Cont'd...)

##### Subsequent measurement

Financial assets at FVTPL	<p>A financial asset is measured at fair value through profit or loss if:</p> <p>(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</p> <p>(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</p> <p>(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.</p> <p>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.</p>
Financial assets at amortised cost	<p>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.</p> <p>Debt instruments at amortised cost in the SOFP comprise of investments in Investment in government securities purchased under resale agreement and fixed deposits.</p> <p>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 amortised cost is reduced by impairment losses. Interest income and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.</p>



## **FIRST CAPITAL FIXED INCOME FUND**

### **NOTES TO THE FINANCIAL STATEMENTS** **FOR THE YEAR ENDED 31 MARCH 2025**

#### **3.3.6. Identification, measurement and assessment of impairment**

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

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

ECLs are recognised 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 amortised 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 is 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.





## **FIRST CAPITAL FIXED INCOME FUND**

### **NOTES TO THE FINANCIAL STATEMENTS** **FOR THE YEAR ENDED 31 MARCH 2025**

#### **3.3.6. Identification, measurement and assessment of impairment (Cont'd...)**

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.

#### **3.3.7. 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.

#### **3.3.8. De-recognition**

A financial asset is de-recognised when,

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

#### **3.3.9. 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.



## **FIRST CAPITAL FIXED INCOME FUND**

### **NOTES TO THE FINANCIAL STATEMENTS** **FOR THE YEAR ENDED 31 MARCH 2025**

#### **3.3.10. 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.

#### **3.3.11. 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. 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 unit holders 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 unit holders, in addition to cash at bank and other financial instruments such as receivables and payables, which arise directly from its operations.



## **FIRST CAPITAL FIXED INCOME FUND**

### **NOTES TO THE FINANCIAL STATEMENTS** **FOR THE YEAR ENDED 31 MARCH 2025**

#### **6. Financial risk management (Cont'd...)**

##### **Fund managers' responsibility for financial risk management**

The fund manager is responsible for identifying and controlling the risk that arises 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 SOPLOCI 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 into 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.

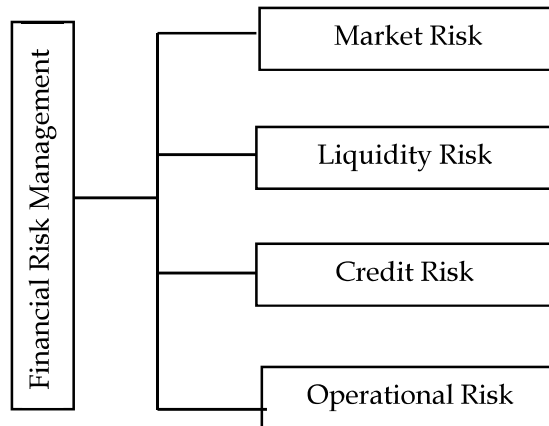


**FIRST CAPITAL FIXED INCOME FUND**

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 MARCH 2025**

**6. Financial risk management (Cont'd...)**

**Fund managers' responsibility for financial risk management (Cont'd...)**



**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 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.



**FIRST CAPITAL FIXED INCOME FUND**

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 MARCH 2025**

**6. Financial risk management (Cont'd...)**

**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".

**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 new amendments to the Sri Lanka Accounting Standards which will become applicable for financial periods beginning on or after 1 January 2025 (LKAS 21). However, there is no impact on the Fund via the said amendments.



**FIRST CAPITAL FIXED INCOME FUND**

**NOTES TO THE FINANCIAL STATEMENTS**  
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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 income and expense presented in the statement of profit or loss and other comprehensive income include:

- 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 expense 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 through 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.

	2024/2025 Rs.	2023/2024 Rs.
<b>(08) <u>INCOME</u></b>		
Interest income on financial assets recognised through profit or loss measured at fair value	120,906,365	170,146,119
Interest income on financial assets at amortised cost	30,812,986	8,996,902
Gain on sale of financial assets recognised through profit or loss - measured at fair value	236,305,860	3,949,450
	<b>388,025,211</b>	<b>183,092,471</b>
<b>(09) <u>DIRECT EXPENSES</u></b>		
Interest expense on repo borrowings	450	5,090,167
	<b>450</b>	<b>5,090,167</b>
<b>(10) <u>GAIN/ (LOSS) ON FAIR VALUATION OF FINANCIAL ASSETS RECOGNISED THROUGH PROFIT OR LOSS - MEASURED AT FAIR VALUE</u></b>		
Commercial Papers	(507,724)	507,724
Debentures	562,650	47,451,810
Securitised Papers	-	10,852,280
Treasury Bill	(913,795)	999,120
Treasury Bond	(227,259,367)	249,083,506
<b>Total</b>	<b>(228,118,236)</b>	<b>308,894,440</b>

Gain/ (loss) on fair valuation of financial investments has been accounted for in accordance with the SLFRS 9.



**FIRST CAPITAL FIXED INCOME FUND**

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 MARCH 2025**

	2024/2025 Rs.	2023/2024 Rs.
<b>(11) <u>ADMINISTRATION EXPENSES</u></b>		
<b>Accounting policy</b>		
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.		
Management fee	6,982,349	5,811,469
Trustee fee	3,072,234	2,856,113
Auditor's remuneration	399,385	346,503
	<u>10,453,968</u>	<u>9,014,085</u>
<b>(12) <u>OTHER OPERATING EXPENSES</u></b>		
Bank charges	57,975	41,250
	<u>57,975</u>	<u>41,250</u>
<b>(13) <u>INCOME TAX EXPENSES</u></b>		
<b>Accounting policy</b>		
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.		
<b><u>Reconciliation between current tax expense and the accounting profit</u></b>		
Profit before tax as per financial statements	149,266,631	477,841,409
Less: Exempted income	<u>(149,266,631)</u>	<u>(477,841,409)</u>
Taxable income	-	-
Income tax expense	<u>-</u>	<u>-</u>





**FIRST CAPITAL FIXED INCOME FUND**

**NOTES TO THE FINANCIAL STATEMENTS**  
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	Notes	31.03.2025 Rs.	31.03.2024 Rs.
(14)	<b><u>CASH AT BANK</u></b>		
<b>Accounting policy</b>			
Cash and cash equivalents in the statement of financial position comprise of cash at bank.			
Bank of Ceylon	(14.1)	435,090	195,214
		<u>435,090</u>	<u>195,214</u>

The above balance represents as at 31 March 2025 is with credit rating of "AA-".

- (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.

(15) **FINANCIAL ASSETS RECOGNISED THROUGH PROFIT OR LOSS - MEASURED AT FAIR VALUE**

<b>Accounting policy</b>			
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 Fund manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Fund'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			

Debentures	(15.1)	-	155,690,850
Commercial papers	(15.2)	-	68,399,005
Government securities	(15.3)	145,967,150	868,609,925
		<u>145,967,150</u>	<u>1,092,699,780</u>



**FIRST CAPITAL FIXED INCOME FUND**

**NOTES TO THE FINANCIAL STATEMENTS**  
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**(15) FINANCIAL ASSETS RECOGNISED THROUGH PROFIT OR LOSS - MEASURED AT FAIR VALUE (CONT'D.)**

**(15.1) Debentures**

**(15.1.1) Unlisted**

Name of the issuer	Number of Debentures	Value - Net as at 31 March 2025 (Rs.)	Percentage exposure to each issuer against the Net Asset Value of the Fund	Number of Debentures	Value - Net as at 31 March 2024 (Rs.)	Percentage exposure to each issuer against the Net Asset Value of the Fund
Softlogic Capital PLC		-	-		155,690,850	14%
<b>Total</b>		<u>-</u>			<u>155,690,850</u>	

**(15.2) Commercial papers**

Name of the issuer	Issuer credit rating	Value - Net as at 31 March 2025 (Rs.)	Percentage exposure to each issuer against the Net Asset Value of the Fund	Issuer credit rating	Value - Net as at 31 March 2024 (Rs.)	Percentage exposure to each issuer against the Net Asset Value of the Fund
Singer Finance (Lanka) PLC	A	-	-	A	68,399,005	6%
<b>Total</b>		<u>-</u>			<u>68,399,005</u>	

**(15.3) Government securities**

	31.03.2025	31.03.2024
	Rs.	Rs.
Treasury Bill	92,683,600	96,232,215
Treasury Bond	53,283,550	772,377,710
	<u>145,967,150</u>	<u>868,609,925</u>



## FIRST CAPITAL FIXED INCOME FUND

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2025

#### **(16) FINANCIAL ASSETS AT AMORTISED 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 under re-sale agreements
- ii. Fixed deposits
- iii. Commercial papers

##### **Recognition and Measurement of ECL**

The Fund measures loss allowances at an amount equal to lifetime ECL, except for the following, for which are measured as 12-month ECL: debt investment securities that are determined to have low credit risk at the reporting date; and other financial instruments on which credit risk has not increased significantly since their initial recognition. The Fund considers a debt investment security to have low credit risk when its credit risk rating is equivalent to the definition of "investment grade". The Fund does not apply the low credit risk exemption to any other financial instruments. 12-month ECL are the portion of ECL that result from default events on a financial instrument that are possible within the 12 months after the reporting date.

The Fund assesses financial assets under three stages in determining ECL.

##### **► Stage 1 :**

A financial asset that is not originally credit impaired on initial recognition is classified in Stage 1. Financial instruments in Stage 1 have their ECL measured at an amount equal to the proportion of life time ECL that result from default events possible within the next 12 months (12mECL).

##### **► Stage 2 :**

Financial instruments that have experienced a significant increase in credit risk since initial recognition but for which the exposure is not yet defaulted. For these assets, lifetime ECLs are recognised, representing the expected credit losses that result from all possible default events over the expected life of the financial asset.

##### **► Stage 3 :**

Financial instruments which are deemed to be credit impaired. This is where a credit loss has already been suffered on the assets. For these assets, lifetime ECLs are recognised, representing the expected credit losses that result from all possible default events over the expected life of the financial asset.

ECL are a probability-weighted estimate of credit losses. They are measured as follows:

- financial assets that are not credit impaired at the reporting date: as the present value of all cash shortfalls (i.e, the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Fund expects to receive);
- financial assets that are credit impaired at the reporting date: as the difference between the gross carrying amount and the present value of estimated future cash flows;
- undrawn loan commitments: as the present value of the difference between the contractual cash flows that are due to the Fund if the commitment is drawn down and the cash flows that the Fund expects to receive; and
- financial guarantee contracts: the expected payments to reimburse the holder less any amounts that the Fund expects to recover.

The mechanics of the ECL calculations are outlined below and the key elements, Probability of Default (PD), Exposure at Default (EAD) and Loss Given Default (LGD) under collective impairment assessment are as follows:

##### **Probability of Default (PD)**

The PD is an estimate of the likelihood of default over a given time horizon. A default may only happen at a certain time over the assessed period, if the facility has not been previously derecognised and is still in the portfolio.

##### **Loss Given Default (LGD)**

is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, including from the realisation of any collateral. They are calculated on a discounted cashflow basis using EIR as the discounting factor.



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**NOTES TO THE FINANCIAL STATEMENTS**  
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	Notes	31.03.2025 Rs.	31.03.2024 Rs.
Investment in government securities under resale agreements	(16.1)	131,097,170	14,414,597
Investments in fixed deposits	(16.2)	1,132,217,943	-
Investment in commercial papers	(16.3)	172,500,420	-
		<u>1,435,815,533</u>	<u>14,414,597</u>

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

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

Name of the issuer	Issuer credit rating	Value - Net as at 31 March 2025 Rs.	Percentage exposure to each issuer against the Net Asset Value of the Fund	Value - Net as at 31 March 2024 Rs.	Percentage exposure to each issuer against the Net Asset Value of the Fund
Alliance Finance Company PLC	BBB-	166,903,540	10.56%	-	-
AMW Capital Leasing & Finance PLC	BBB	116,662,929	7.38%	-	-
Asia Asset Finance PLC	A+	212,534,694	13.44%	-	-
HNB Finance PLC	A	200,334,488	12.67%	-	-
Peoples Leasing Company PLC	A	71,294,052	4.51%	-	-
Singer Finance (Lanka) PLC	BBB+	202,167,901	12.79%	-	-
Siyapatha Finance PLC	A	162,320,340	10.27%	-	-
<b>Total</b>		<u>1,132,217,943</u>		<u>-</u>	

	31.03.2025 Rs.	31.03.2024 Rs.
(16.2.1) Investments in fixed deposits	1,132,343,748	-
Less : Provision for Impairment	(125,805)	-
	<u>1,132,217,943</u>	<u>-</u>



# FIRST CAPITAL FIXED INCOME FUND

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2025

### **(16.3) Investments in Commercial Papers (Net of provision for impairment)**

Name of the issuer	Issuer credit rating	Value - Net as at 31 March 2025 Rs.	Percentage exposure to each issuer against the Net Asset Value of the Fund	Value - Net as at 31 March 2024 Rs.	Percentage exposure to each issuer against the Net Asset Value of the Fund
LOLC Holdings PLC	A	172,500,420	10.91%	-	-
		<u>172,500,420</u>		<u>-</u>	

	31.03.2025 Rs.	31.03.2024 Rs.
Investments in commercial papers	172,502,566	-
Less :- Provision for Impairment	(2,146)	-
	<u>172,500,420</u>	<u>-</u>

**(16.4)** Provision for impairment in investment in fixed deposit represents "Stage 1", "Stage 2" and "Stage 3" expected credit losses (ECL) in accordance with SLFRS 9. Accordingly, individual impairment provision has been derived as follows:

Stage 1 - 12 months expected loss	127,951	-
Stage 2 - Life time expected loss, not credit impaired	-	-
Stage 3 - Life time expected loss, credit impaired	-	-
Total	<u>127,951</u>	<u>-</u>

### **(16.4.1) Movement in provision for expected credit loss**

Balance as the beginning of the year	-	-
Provision for the year	127,951	-
Balance at the end of the year	<u>127,951</u>	<u>-</u>

### **(17) ACCRUALS AND OTHER PAYABLES**

#### **Accounting policy**

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.

Management fee payable	670,346	615,016
Trustee fee payable	294,952	267,417
Auditor's remuneration payable	390,740	338,363
Miscellaneous payables	-	380,704
	<u>1,356,038</u>	<u>1,601,500</u>



**FIRST CAPITAL FIXED INCOME FUND**

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 MARCH 2025**

**(18) NET ASSETS PER UNIT**

Net assets attributable to unitholders (Rs.)	1,580,861,735	1,105,708,091
Total number of units	392,880	312,650
Net assets value per unit (Rs.)	<u><u>4,023.78</u></u>	<u><u>3,536.57</u></u>

**(18.1) Movements in the number of units and net assets during the year is as follows:**

	<b>No. of units</b>	<b>Rs.</b>
Balance as at 1 April 2023	433,333	976,866,682
Increase due to unit creation during the year	907,516	2,838,406,096
Decrease due to unit redemption during the year	(1,028,199)	(3,187,406,096)
Increase in net assets attributable to unit holders	-	477,841,409
<b>Balance as at 31 March 2024</b>	<u><u>312,650</u></u>	<u><u>1,105,708,091</u></u>
Balance as at 1 April 2024	312,650	1,105,708,091
Increase due to unit creation during the year	343,381	1,369,305,399
Decrease due to unit redemption during the year	(263,151)	(1,043,418,386)
Increase in net assets attributable to unit holders	-	149,266,631
<b>Balance as at 31 March 2025</b>	<u><u>392,880</u></u>	<u><u>1,580,861,735</u></u>
<b>Year on Year Increase</b>	<b>26%</b>	<b>43%</b>



**FIRST CAPITAL FIXED INCOME FUND**

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 MARCH 2025**

**(19) 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 2025	Financial Assets/ Liabilities - FVTPL Rs.	Financial Assets/ Liabilities - at amortised cost Rs.	Total carrying amount Rs.	Fair value Rs.
<b><u>Financial assets measured at fair value</u></b>				
Financial asset - FVTPL	145,967,150	-	145,967,150	145,967,150
<b><u>Financial assets not measured at fair value</u></b>				
Cash at bank	-	435,090	435,090	435,090
Financial assets at amortised cost	-	1,435,815,533	1,435,815,533	1,435,815,533
<b>Total</b>	<b>145,967,150</b>	<b>1,436,250,623</b>	<b>1,582,217,773</b>	<b>1,582,217,773</b>
<b><u>Liabilities not measured at fair value</u></b>				
Accruals and other payable	-	1,356,038	1,356,038	1,356,038
<b>Total</b>	<b>-</b>	<b>1,356,038</b>	<b>1,356,038</b>	<b>1,356,038</b>
<b>As at 31 March 2024</b>	<b>Financial Assets/ Liabilities - FVTPL Rs.</b>	<b>Financial Assets/ Liabilities - at amortised cost Rs.</b>	<b>Total carrying amount Rs.</b>	<b>Fair value Rs.</b>
<b><u>Financial assets measured at fair value</u></b>				
Financial asset - FVTPL	1,092,699,780	-	1,092,699,780	1,092,699,780
<b><u>Financial assets not measured at fair value</u></b>				
Cash at bank	-	195,214	195,214	195,214
Financial assets at amortised cost	-	14,414,597	14,414,597	14,414,597
<b>Total</b>	<b>1,092,699,780</b>	<b>14,609,811</b>	<b>1,107,309,591</b>	<b>1,107,309,591</b>
<b><u>Liabilities not measured at fair value</u></b>				
Accruals and other payable	-	1,601,500	1,601,500	1,601,500
<b>Total</b>	<b>-</b>	<b>1,601,500</b>	<b>1,601,500</b>	<b>1,601,500</b>





**FIRST CAPITAL FIXED INCOME FUND**

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 MARCH 2025**

**(20) DETERMINING OF FAIR VALUE AND HIERARCHY OF FAIR VALUE**

**Level 1 - Inputs that are quoted market prices (unadjusted) in an active market for identical instruments.**

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 - Inputs other than quoted prices included within Level 1 that are observable either directly (i.e., as prices) or indirectly (i.e., derived from prices).**

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 - Inputs that are unobservable**

Valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

Due to the nature of short term maturity, carrying value of the financial assets at amortised cost are approximated to their fair value. Fund has not transferred any financial assets during the year 2024-25.

Following table represents the fair value measurement of the fund according to fair value hierarchy

Financial instrument category	Fair value technique	Fair value hierarchy
<b>Government securities</b>		
Treasury bills	Valued using the CBSL yield curve	Level 1*
Treasury bonds	Valued using the CBSL yield curve	Level 1*
<b>Corporate debt</b>		
Commercial papers	Comparable market yield (Government Securities)	Level 2
Securitised papers	Comparable market yield (Government Securities)	Level 2

*CBSL - Central Bank of Sri Lanka*

\*The fair values of treasury bills and bonds have been derived using the market yields published by Central Bank of Sri Lanka. Accordingly, investments in treasury bills and bonds have been classified as level 1.

	Total Carrying Amount	Quoted Prices in Active Markets	Significant Observable Inputs	Significant Unobservable Inputs	Total fair value
<b>As at 31 March 2025</b>		<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	
	Rs.	Rs.	Rs.	Rs.	Rs.
<b><u>Financial assets measured at fair value</u></b>					
<b>Financial assets recognised through profit or loss - measured at fair value</b>					
Investment in Government securities					
- Treasury Bills	92,683,600	92,683,600	-	-	92,683,600
- Treasury Bonds	53,283,550	53,283,550	-	-	53,283,550
	<u>145,967,150</u>	<u>145,967,150</u>	<u>-</u>	<u>-</u>	<u>145,967,150</u>
<b><u>Financial assets not measured at fair value</u></b>					
<b>Financial assets at amortised cost</b>					
Investment in commercial papers	172,500,420	-	-	172,500,420	172,500,420
	<u>172,500,420</u>	<u>-</u>	<u>-</u>	<u>172,500,420</u>	<u>172,500,420</u>
Total financial assets	<u>318,467,570</u>	<u>145,967,150</u>	<u>-</u>	<u>172,500,420</u>	<u>318,467,570</u>

	Total Carrying Amount	Quoted Prices in Active Markets	Significant Observable Inputs	Significant Unobservable Inputs	Total fair value
<b>As at 31 March 2024</b>		<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	
	Rs.	Rs.	Rs.	Rs.	Rs.
<b><u>Financial assets measured at fair value</u></b>					
<b>Financial assets recognised through profit or loss - measured at fair value</b>					
Investment in Debentures	155,690,850	-	155,690,850	-	155,690,850
Investment in Securities papers	68,399,005	-	68,399,005	-	68,399,005
Investment in Government securities					
- Treasury Bills	96,232,215	96,232,215	-	-	96,232,215
- Treasury Bonds	772,377,710	772,377,710	-	-	772,377,710
	<u>1,092,699,780</u>	<u>868,609,925</u>	<u>224,089,855</u>	<u>-</u>	<u>1,092,699,780</u>



**FIRST CAPITAL FIXED INCOME FUND****NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 MARCH 2025****(20) DETERMINING OF FAIR VALUE AND HIERARCHY OF FAIR VALUE (CONT'D...)****(20.1) Measurement of fair values****(20.1.1).(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
Commercial papers	The valuation model is based on Yield Curve of the Government Securities. Yields relating to Government Securities based on the maturities of the respective commercial paper is interpolated in the valuation considering the initial risk premiums (at the time of issue) of the investee companies are constant as at the reporting date.	Risk premium of the investee companies (0.08% - 3.19%)

**(20.1.1).(b) Reconciliation of level 2 fair values**

The following table shows a reconciliation from the opening balance to the closing balances for Level 2 fair values.

	Debentures	Commercial papers	Total
	Rs.	Rs.	Rs.
Balance as at 01 April 2024	155,690,850	68,399,005	224,089,855
Sales / Matured	(155,690,850)	(68,399,005)	(224,089,855)
<b>Balance as at 31 March 2025</b>	<b>-</b>	<b>-</b>	<b>-</b>

**(20.1.1).(c) Sensitivity of the Market Yield on Financial Instruments measured at fair value is as follows.**

	(-) 0.5% Decrease (Effect in Rs.)	(+) 0.5% Increase (Effect in Rs.)
Investment in Treasury Bills	418,400	(414,700)
Investment in Treasury Bonds	1,035,309	(1,007,518)

**Financial Instruments for which fair value approximates carrying value**

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



**FIRST CAPITAL FIXED INCOME FUND**

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 MARCH 2025**

**(21) 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.

**(21.1) 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 Managing Company has established a Board Integrated Risk Management Committee (BIRMC) 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.

**(21.1)(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 manager.
- The operational authority for managing market risk is vested with the Investment, Asset and Liability Committee (IALCO) of the fund manager.
- Interest rate risk is managed within the approved limits by the IALCO of the fund manager.

**(21.1)(b) Liquidity risk**

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



**FIRST CAPITAL FIXED INCOME FUND**

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 MARCH 2025**

**(21) FINANCIAL RISK MANAGEMENT (CONT'D.)**

**(21.1)(b) Liquidity risk (Cont'd.)**

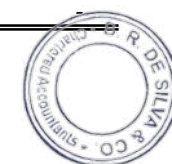
**Maturity analysis of the financial assets and financial liabilities**

**As at 31 March 2025**

	Carrying amount Rs.	Up to 3 months Rs.	3 Months to 1 year Rs.	1-3 years Rs.	3-5 years Rs.	Over 5 years Rs.
<u>Assets</u>						
Cash at bank	435,090	435,090	-	-	-	-
Financial assets recognised through profit or loss - measured at fair value	145,967,150	-	92,683,600	-	-	53,283,550
Financial assets at amortised cost	1,435,815,533	131,097,170	172,500,420	1,132,217,943	-	-
<b>Total financial assets</b>	<b>1,582,217,773</b>	<b>131,532,260</b>	<b>265,184,020</b>	<b>1,132,217,943</b>	<b>-</b>	<b>53,283,550</b>
<u>Liabilities</u>						
Accruals and other payable	1,356,038	1,356,038	-	-	-	-
<b>Total financial liabilities</b>	<b>1,356,038</b>	<b>1,356,038</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>53,283,550</b>

**As at 31 March 2024**

	Carrying amount Rs.	Up to 3 months Rs.	3 Months to 1 year Rs.	1-3 years Rs.	3-5 years Rs.	Over 5 years Rs.
<u>Assets</u>						
Cash at bank	195,214	195,214	-	-	-	-
Financial assets recognised through profit or loss - measured at fair value	1,092,699,779	68,399,005	251,923,065	406,276,860	66,725,065	299,375,785
Financial assets at amortised cost	14,414,597	14,414,597	-	-	-	-
<b>Total financial assets</b>	<b>1,107,309,590</b>	<b>83,008,816</b>	<b>251,923,065</b>	<b>406,276,860</b>	<b>66,725,065</b>	<b>299,375,785</b>
<u>Liabilities</u>						
Accruals and other payable	1,601,500	1,601,500	-	-	-	-
<b>Total financial liabilities</b>	<b>1,601,500</b>	<b>1,601,500</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>



**FIRST CAPITAL FIXED INCOME FUND****NOTES TO THE FINANCIAL STATEMENTS****FOR THE YEAR ENDED 31 MARCH 2025****(21) FINANCIAL RISK MANAGEMENT (CONT'D.)****(21.1)(c) Credit risk**

Credit risk is the risk of financial loss to the Unit Trust if a client or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Unit Trust's investment in corporate debt securities and investment in reverse repo agreements.

Management of credit risk includes the following components:

- Formulating credit policies in consultation with business units covering collateral requirements, credit assessment, risk grading and reporting, documentary and legal procedures and compliance with regulatory and statutory requirements.
- Establishing the authorisation structure for the approval and renewal of credit facilities.
- Limiting concentration of exposures to counterparties.
- Reviewing compliance through regular audits by internal audit.

**Credit quality by class of financial assets**

As at 31 March 2025	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	435,090	-	-	435,090
Financial assets at amortised cost	1,435,815,533	-	-	1,435,815,533
Total financial assets	<u>1,436,250,623</u>	<u>-</u>	<u>-</u>	<u>1,436,250,623</u>

As at 31 March 2024	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	195,214	-	-	195,214
Financial assets at amortised cost	14,414,597	-	-	14,414,597
Total financial assets	<u>14,609,811</u>	<u>-</u>	<u>-</u>	<u>14,609,811</u>

**Credit quality analysis of financial investments**

As at 31 March 2025	Risk Status	Amortised Cost Rs.	FVTPL Rs.	Total Rs.
Government securities	Risk free	131,097,170	145,967,150	277,064,320

**Debt instruments having credit ratings**

AA+ to A+	Low risk	-	-	-
A to BBB-	Medium risk	172,500,420	-	172,500,420
Below BBB-	High risk	-	-	-

**Fixed Deposits**

AA+ to A+	Low risk	212,534,693	-	212,534,693
A to BBB -	Medium risk	919,683,250	-	919,683,250
Below BBB -	High risk	-	-	-



**FIRST CAPITAL FIXED INCOME FUND****NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 MARCH 2025****(21) FINANCIAL RISK MANAGEMENT (CONT'D.)****(21.1)(c) Credit risk (Cont'd.)****Credit quality analysis of financial investments (Cont'd...)**

<b>As at 31 March 2024</b>	<b>Risk Status</b>	<b>Amortised Cost Rs.</b>	<b>FVTPL Rs.</b>	<b>Total Rs.</b>
Government securities	Risk free	14,414,597	868,609,925	883,024,522

**Debt instruments having credit ratings**

AA+ to A+	Low risk	-	68,399,005	68,399,005
A to BBB -	Medium risk	-	155,690,850	155,690,850
Below BBB -	High risk	-	-	-

\*This includes governments securities' investments and repo investments under government securities.

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

**Analysis of concentration risk**

The following table shows the risk concentration by sector for the components of the Statement of Financial Position.

<b>As at 31 March 2025</b>	<b>Cash at bank Rs.</b>	<b>Financial assets recognised through profit or loss - measured at fair value Rs.</b>	<b>Financial assets - at amortised cost Rs.</b>	<b>Total financial assets Rs.</b>
<u>Sector wise breakdown</u>				
Government	435,090	145,967,150	131,097,170	277,499,410
Corporate	-	-	1,304,718,362	1,304,718,362
<b>Total</b>	<b>435,090</b>	<b>145,967,150</b>	<b>1,435,815,533</b>	<b>1,582,217,773</b>

<b>As at 31 March 2024</b>	<b>Cash at bank Rs.</b>	<b>Financial assets recognised through profit or loss - measured at fair value Rs.</b>	<b>Financial assets at amortised cost Rs.</b>	<b>Total financial assets Rs.</b>
<u>Sector wise breakdown</u>				
Government	195,214	868,609,925	-	868,805,139
Corporate	-	224,089,855	14,414,597	238,504,452
<b>Total</b>	<b>195,214</b>	<b>1,092,699,780</b>	<b>14,414,597</b>	<b>1,107,309,591</b>

**(21.1)(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 risk 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.

## FIRST CAPITAL FIXED INCOME FUND

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2025

#### **(21) FINANCIAL RISK MANAGEMENT (CONT'D...)**

##### **(21.1)(d) Interest rate risk (Cont'd...)**

The following table demonstrates the sensitivity of the statement of comprehensive income to reasonably possible changes in interest rates, with all other variables held

	<b>Increase/ (decrease)</b>	<b>Effect on the profit for the year ended 31.03.2025 Rs.</b>	<b>Effect on the profit for the year ended 31.03.2024 Rs.</b>
Increase in interest rate	+0.5%	(1,422,218)	(12,949,806)
Decrease in interest rate	-0.5%	1,453,709	12,891,127

The Interest rate profile of the Fund's interest-bearing financial instruments are as follows:

<b>As at 31 March 2025</b>	<b>Floating interest rate Rs.</b>	<b>Fixed interest rate Rs.</b>	<b>Total Rs.</b>
<u>Assets</u>			
Debentures	-	-	-
Commercial Papers	-	-	-
Government securities	-	145,967,150	145,967,150
<b>Total financial assets</b>	<b>-</b>	<b>145,967,150</b>	<b>145,967,150</b>
<b>As at 31 March 2024</b>	<b>Floating interest rate Rs.</b>	<b>Fixed interest rate Rs.</b>	<b>Total Rs.</b>
<u>Assets</u>			
Debentures	-	155,690,850	155,690,850
Commercial Papers	-	68,399,005	68,399,005
Government securities	-	868,609,925	868,609,925
<b>Total financial assets</b>	<b>-</b>	<b>1,092,699,780</b>	<b>1,092,699,780</b>



## FIRST CAPITAL FIXED INCOME FUND

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2025

#### **(21) FINANCIAL RISK MANAGEMENT (CONT'D...)**

##### **(21.1)(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 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 Board Audit Committee.





**FIRST CAPITAL FIXED INCOME FUND****NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2025****(22) 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 Disclosures'

**(22.1) Directorships in other companies**

The Directors of First Capital Asset Management Limited (Managing Company of the Unit Trusts) are also Directors of the following group companies (as of 31 March 2025).

Name of the company	Relationship	Dr. Nishan de Mel	Ms. Minette Perera	Mr. Dilshan Wirasekara	Mr. Kuda Banda Herath
Janashakthi Limited	Ultimate Parent	-	Director	-	-
First Capital Holdings PLC	Intermediary Parent	-	-	Managing Director/ CEO	Director
First Capital Limited	Immediate Parent	-	-	Managing Director/ CEO	Director
First Capital Treasuries PLC	Subsidiary of the Immediate Parent	Director	Director	Director	-
First Capital Markets Limited	Subsidiary of the Immediate Parent	-	-	Managing Director/ CEO	-
First Capital Equities (Private) Limited	Subsidiary of the Immediate Parent	-	-	Director	-
First Capital Trustee Services (Private) Limited	Subsidiary of the Immediate Parent	-	-	Managing Director/ CEO	-
First Capital Advisory Services (Private) Limited	Subsidiary of the Immediate Parent	-	-	Director	-
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	-	-	-	-

\*Mr. Ramesh Schaffter represents as a director of First Capital Holdings PLC( intermediary parent) and is also a director of Janashakthi Limited (Ultimate Parent company), Janashakthi Insurance PLC, Janashakthi Capital Limited, Janashakthi Business Services (Private) Limited, Janashakthi Corporate Services Limited and Beckett Capital (Pvt) Limited.

\*\* Mr. Prakash Schaffter represents as a director of Orient Finance PLC and is also a director of Janashakthi Limited (Ultimate Parent Company).

Orient Finance PLC has subsequently been renamed as Janashakthi Finance PLC.



**FIRST CAPITAL FIXED INCOME FUND**

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 MARCH 2025**

**(22) RELATED PARTY DISCLOSURES (CONT'D.)**

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, First Capital Equity Fund and First Capital Money Plus 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.

**(22.2) Transaction with managing company**

<b>Name of the company</b>	<b>Nature of the transaction</b>	<b>Transaction amount 2024/25 Rs.</b>	<b>Transaction amount 2023/24 Rs.</b>
First Capital Asset Management Limited	Management fee	6,982,349	5,811,469
<b>Amounts owed (to) / by the related party</b>	<b>Nature of the transaction</b>	<b>Amounts owed (to) / by the related party as at 31.03.2025 Rs.</b>	<b>Amounts owed (to) / by the related party as at 31.03.2024 Rs.</b>
First Capital Asset Management Limited	Bank deposit made	-	(60,158)

**(22.3) Transaction with ultimate parent company/ intermediary parent company/ immediate parent company / subsidiaries of the parent companies of the Managing Company.**

<b>Nature of transaction</b>	<b>Year ended 31.03.2025 Rs.</b>	<b>Amounts owed (to)/ by the related party as at 31-03-2025 Rs.</b>	<b>Year ended 31.03.2024 Rs.</b>	<b>Amounts owed (to)/ by the related party as at 31-03-2024 Rs.</b>
<b>Statement of Profit or Loss and Other Comprehensive Income</b>				
Interest income	13,492,102	-	20,610,269	-
Interest expense	450	-	5,090,167	-
Gain/ (loss) on sale of financial investments - held for trading	235,532,460	-	3,949,450	-
Benefit accrued/ realised on Unit Trust	148,608,393	-	477,779,218	-
<b>Statement of Financial Position</b>				
Resale agreements	-	-	-	14,414,597
Investment in Unit Trust	-	(1,265,762,135)	-	(1,105,536,565)



## FIRST CAPITAL FIXED INCOME FUND

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2025

#### **(22) RELATED PARTY DISCLOSURES (CONT'D...)**

##### **(22.4) 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 of Frist Capital Asset Management Limited (Managing company) and Chief Executive Officer of First Capital Asset Management Limited have been classified as KMPs 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.

Transaction with Key Management Personal and their close family members are disclosed below.

Transactions with KMP/CFM	Year ended 31.03.2025	Amounts owed (to)/ by the related party as at	Year ended 31.03.2024	Amounts owed (to)/ by the related party as at
	Rs.	Rs.	Rs.	Rs.
Investment in Unit Trust	-	(3,903)	-	(3,430)
Benefit accrued/ realised on Unit Trust	473	-	1,244	-

#### **(23) 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.

#### **(24) 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.

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

#### **(25) RECONCILIATION BETWEEN THE NET ASSET VALUE AS PER FINANCIAL STATEMENT AND THE MONTHLY RETURN**

Net Asset Value of the Fund as per Monthly Return	Rs. 1,580,989,686
Add : Gain on fair valuation of financial asset - at fair value through profit or loss	-
Less : Impairment provision for financial asset - at amortised cost	(127,951)
Net Asset Value of the Fund as per Audited Financial Statements	<u>1,580,861,735</u>



## **CORPORATE INFORMATION**

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

First Capital Fixed Income Fund

### **FUND MANAGING COMPANY**

First Capital Asset Management Limited (PB 187)

### **TRUSTEE OF THE FUND**

Bank of Ceylon

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

First Capital Asset Management Limited  
No. 2, Deal Place  
Colombo 3

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

Dr. Nishan de Mel  
Mr. Dilshan Wirasekara  
Ms. Minette Perera  
Mr. Kuda Banda Herath

### **SECRETARIES**

Janashakthi Corporate Services Limited  
No. 324, 39 Floor, Mireka Tower  
Havelock Road  
Colombo 5

### **EXTERNAL AUDITORS**

M/s B. R. De Silva & Co  
Chartered Accountants  
No. 22/4, Vijaya Kumaranatunga Mawatha  
Colombo 5

### **INTERNAL AUDITORS**

M/s Ernst & Young  
No. 109, Rotunda Towers  
Galle Road  
Colombo 3

### **PRINCIPAL BANKERS**

Bank of Ceylon



First Capital  
A Janashakthi Group Company