



softlogic  
**INVEST**

**Annual Report  
2022/2023**

Softlogic Money Market Fund

Managed by

Softlogic Asset Management Pvt Ltd

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## Macro Environment<sup>1</sup>

	2020	2021	2022
GDP growth (%)	-3.6	3.5	-7.8
Government Revenue (% of GDP)	8.1	7.4	7.3
Government Expenditure (% of GDP)	17.0	-20.0	-18.5
Budget Deficit (% of GDP)	-11.1	-12.2	-10.2
Debt/GDP (%)	100.6	104.6	118.7
Foreign debt (% of total debt)	40.3	38.6	64.5
Trade balance (% of GDP)	-7.4	-9.6	-6.73
Current balance (% of GDP)	-1.5	-4	6.4
FX reserves (months of imports)	4.3	3.6	3.9
LKR/USD	186.41	200.43	363.13
Depreciation (%)	2.6	7.5	44.8

In 2022, Sri Lanka encountered significant macroeconomic challenges across multiple fronts. The country experienced its third consecutive year of double-digit fiscal deficit as a percentage of GDP, with revenue shortfalls and escalating expenditure. This imbalance placed additional strain on debt sustainability and adding to the country's economic woes.

The balance of payments situation also presented noteworthy concerns for Sri Lanka's macroeconomic performance. A substantial decline in foreign exchange reserves was observed, primarily driven by decreases in export income, tourism revenue, and remittances. These factors culminated in a historic occurrence of a soft default on external debt. The depletion of foreign exchange reserves further strained the country's ability to meet international obligations and maintain a stable external position.

As a result of these challenges, Sri Lanka's GDP growth rate in 2022 suffered a significant setback, contracting by 7.8% given the recessionary environment and the economic disruptions triggered by the COVID-19 pandemic. The negative GDP growth rate further exacerbated macroeconomic vulnerabilities and presented obstacles to achieving sustainable economic recovery. The government's endeavors to stimulate economic growth and address fiscal and balance of payments challenges became pivotal in revitalizing the economy and restoring stability.

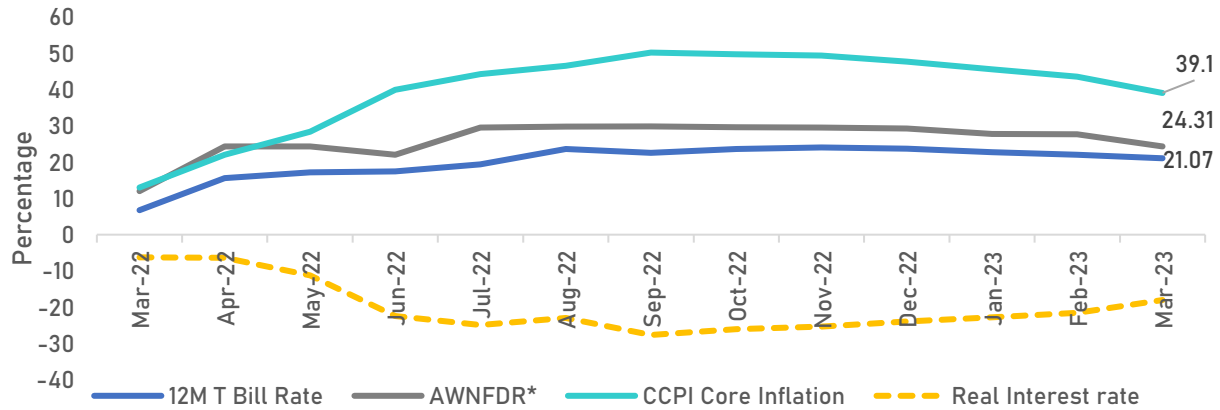
To overcome the fiscal budget imbalance, balance of payments difficulties, and negative GDP growth rate, the government implemented comprehensive policy measures and initiated structural reforms in the second half of 2022. These measures aimed to restore financial stability, promote revenue generation, and foster sustainable economic growth.

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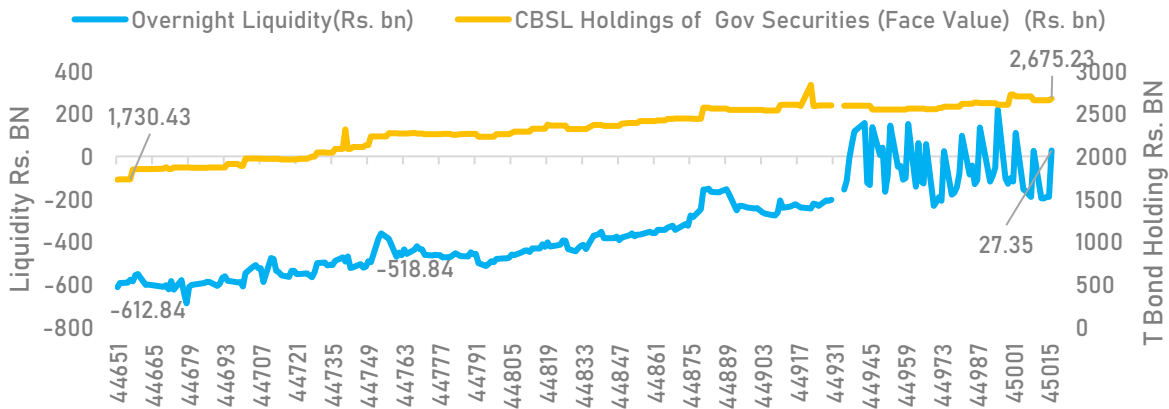
<sup>1</sup> [Annual Report | Central Bank of Sri Lanka \(cbsl.gov.lk\)](https://www.cbsl.gov.lk)

## Interest rates and inflation

### Money Market Rates and Inflation<sup>2</sup>



### Market Liquidity Vs. CBSL intervention in the Government Security Market<sup>3</sup>



From March 2022 to April 2023, Sri Lanka experienced fluctuations in interest rates due to varying macroeconomic challenges. In April 2023, there was a sudden increase in interest rates, caused by the soft default on Sri Lanka's foreign debt. This event significantly influenced the overall interest rate environment and shaped the country's monetary policy decisions. The rise in interest rates was attributed to the depletion of foreign exchange reserves and the balance of payments crisis.

The year-on-year inflation, measured by the CCPI, showed an upward trend, reaching a peak of 69.8% in September 2023, before decelerating as the exchange rate and supply-side constraints improved. In the backdrop to control inflation and stabilize the currency, the Central Bank of Sri

<sup>2</sup> [Weekly Economic Indicators | Central Bank of Sri Lanka \(cbsl.gov.lk\)](https://www.cbsl.gov.lk/WeeklyEconomicIndicators)

<sup>3</sup> [https://www.cbsl.gov.lk/eResearch/Modules/RD/SearchPages/Indicators\\_DailyOperationsNew.aspx](https://www.cbsl.gov.lk/eResearch/Modules/RD/SearchPages/Indicators_DailyOperationsNew.aspx)

Lanka (CBSL) raised its policy rates, sending secondary market interest rates higher. The policy rate increased from 6.5% to 13.50% (SDR) in April 2022 in an effort to address inflationary pressures caused by supply-side shortages and the depreciation of the Sri Lankan rupee. The 12-month treasury bill rate rose to 17.45% in June 2022 from 6.75% in March 2022. Despite these adjustments in policy rates, real interest rates remained negative throughout the period of review. The overall deficit of the banking system liquidity stood at Rs. 518 BN.

In June 2022, the Government of Sri Lanka decided to seek an IMF standing facility, which further increased market interest rates due to concerns about requirements for domestic debt restructuring. The 12-month treasury bill rate reached 30.5% in Q2 2022/23. Despite declining inflation from Q3 2022/23, interest rates remained high due to uncertainty surrounding domestic debt restructuring and obtaining consent from external creditors for a haircut on the foreign debt, including ISB (International sovereign bonds).

However, in Q4 2022/23, interest rates started to decline in line with inflation as market sentiment improved following the expected IMF board-level agreement in April 2023. Consequently, the 12-month treasury bill rate decreased to 24.31% from 27.62% in Q4 2022/23. During February and March 2023, the Sri Lankan government successfully obtained consent from the Paris Club and India to restructure their external debt. In April 2023, Sri Lanka secured China's consent and obtained the IMF board-level agreement.

# Fund Managers' Review

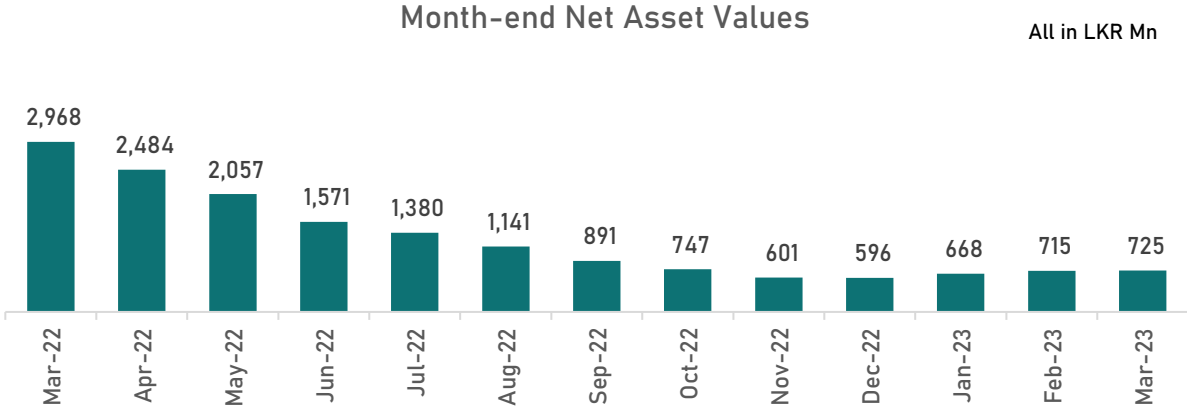
We are pleased to present the Annual Report of the Softlogic Invest Money Market Fund for the year ending 31st March 2023.

	1 Month	3 Months	YTD 2023*
NDB CRISIL Index	36.44%	32.73%	33.11%
Fund	26.96%	26.27%	26.71%

\* From 1st April 2022 to 31st March 2023

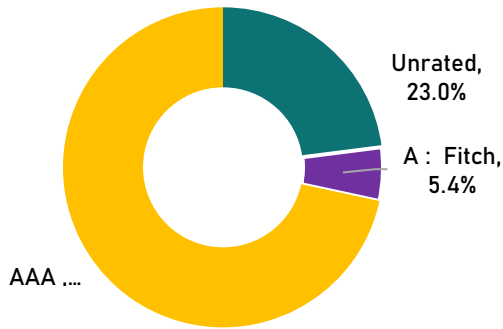
Over the 12-month reference period ending in March 2023, our money market fund delivered an annualized yield of 15.45%. Additionally, the fund's current yield as of March 2023 stood at 26.09%. Our performance fell short compared to the respective benchmark yield (NDBIB - CRISIL 91 Day T-Bill Index) of 25.48% during the period of review.

The underperformance against the benchmark can be attributed to a sudden spike in interest rates during the first quarter of 2022. This spike was a consequence of Sri Lanka's soft default on foreign debt, hyperinflation, currency depreciation, and expectations regarding domestic debt restructuring. As a result, it took time for our portfolio to adjust to the upward yield curve and reprice accordingly. The time taken for repricing led to a decrease in the portfolio's net asset value (NAV) from Rs. 2,968 million to Rs. 725 million due to redemptions during the period.

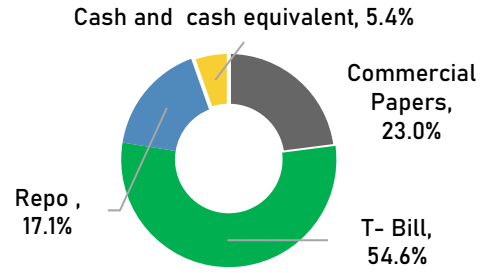


Our commitment to maintaining credit quality remained steadfast in the backdrop of heightening risks. We allocated 77% of our assets to issuers rated 'A' or above, with the remaining 23% allocated to unrated issuers.'

### Rating Wise Exposure

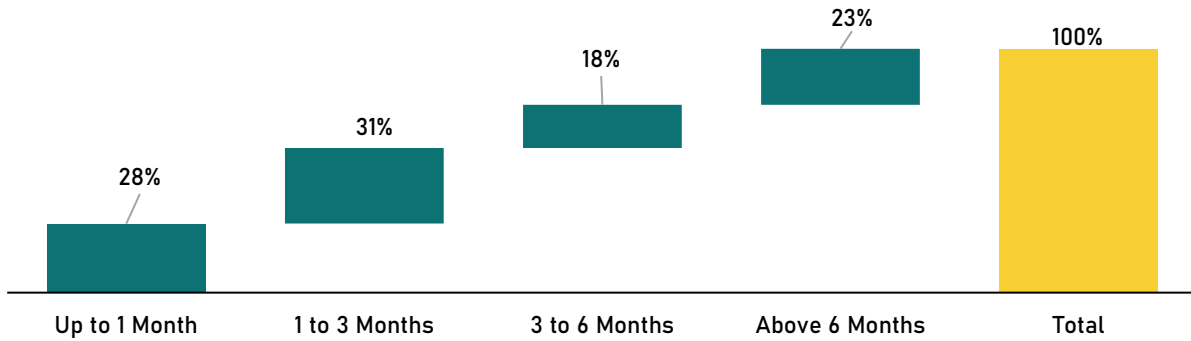


### Instrument Wise Exposure



According to the portfolio as of March 31st, 2023, 28% of the fund's holdings are scheduled to mature within one month. This exceeds the regulatory requirement set by the Securities and Exchange Commission (SEC), which mandates a minimum maturity of 20% within the same timeframe.

### Maturity Profile



## Future strategy

### IMF Projections for Sri Lanka<sup>4</sup>

	2019	2020	2021	2022	2023	2024	2025	2026
	Act	Act	Act	Est.	Proj.	Proj.	Proj.	Proj.
<b>GDP and inflation (in %)</b>								
Real GDP growth	-0.2	-3.5	3.3	-7.8	-3.0	1.5	2.6	3.0
Inflation (end-of-period)	4.8	4.2	12.1	57.2	15.2	6.7	5.6	5.2
Nominal GDP growth	3.6	-0.4	11.7	37.2	26	12.3	8.3	8.4
<b>Balance of payments</b>								
Current account balance (as a % of GDP)	-2.1	-1.4	-3.8	-1.9	-1.6	-1.4	-1.4	-1.4
Gross official reserves USD Millions	7,642	5,664	3,139	1,898	4,431	6,128	8,520	10,888
Imports coverage (In months)	5.0	3.2	1.9	1.0	2.2	3.0	3.9	4.8
<b>Budget Deficit (as a % of GDP)</b>								
Revenue and grants	11.9	8.7	8.3	7.3	11.0	13.3	14.9	15.0
Expenditure	19.5	20.7	19.9	18.9	19.0	19.7	19.9	19.9
Primary balance	-1.9	-5.9	-5.7	-3.8	-0.7	0.8	2.3	2.3
Central government balance	-7.5	-12.1	-11.6	-10.4	-8.0	-6.4	-5.0	-4.8

We have confidence in the positive trajectory of Sri Lanka's macroeconomic environment, as significant policy measures and structural reforms are being implemented. According to IMF projections, Sri Lanka's budget deficit is expected to decrease. As a result, the market borrowing requirement to finance the deficit will be lower compared to 2022. We believe the currency to appreciate slightly or remain stable in 2023, as the IMF expects inflows from both multilateral and bilateral lenders. Sri Lanka's inflation to decrease to 15.2% by the end of 2023, supported by a stable currency and improvements in the supply side disruptions.

On the international front based on the Bloomberg consensus view, global easing is anticipated to occur from July 2023 onwards. Consequently, we anticipate a decline in domestic interest rates due to improvements both domestically and globally.

To align your portfolios to the macro environment, we would look to go long on our investments to exploit the inverse yield curve. By extending the duration, we aim to take advantage of potential yield opportunities while emphasizing the importance of maintaining strong credit fundamentals to effectively manage risk.

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<sup>4</sup> [IMF Executive Board Approves US\\$3 Billion Under the New Extended Fund Facility \(EFF\) Arrangement for Sri Lanka](#)



# Profile of Softlogic Asset Management

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Softlogic Asset Management is the investment management division of the Softlogic Group. It operates as a fully incorporated company under the Companies Act No.07 of 2007. The company has been registered as an Investment Manager with the Securities and Exchange Commission of Sri Lanka since March 25th, 2021, and as a registered Unit Trust Fund Manager since February 5th, 2020.

Softlogic Holdings PLC is a diversified conglomerate listed on the Colombo Stock Exchange, with a strong presence in the retail, healthcare, and financial services sectors. Softlogic Capital PLC serves as the financial sector holding company of the Softlogic Group, which includes subsidiaries such as Softlogic Life Insurance PLC, Softlogic Finance PLC, Softlogic Stock Brokers Pvt Ltd, and Softlogic Asset Management Pvt Ltd.

# Key Management Personnel Profile

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## Board of Directors

**Mr. Sudarshan Ahangama**

Chairman

Mr. Sudarshan Ahangama oversees all finance functions across the MAS Group whilst simultaneously managing the Treasury, Legal, Audit & Assurance and The Shared Services Functions of the entire MAS. He is also a member of MAS Investments board, which oversees the non-apparel investments of the Group. Prior to joining the MAS Group, Sudarshan worked at John Keels Holdings (JKH) Group of companies from 1988 to 2004. He began his career in the Corporate Finance Team of the Group. With the growth of the Capital Markets in Sri Lanka he was appointed to the Board of John Keels Stockbrokers and was its Managing Director until 1999. In Addition to the above Sudarshan was the Chairman of Colombo Stockbrokers Association for many years.

**Mr. Iftikar Ahamed**

Director

Mr. Iftikar Ahamed heads the Financial Services Sector of the Softlogic Group and is the Managing Director of Softlogic Capital PLC, which is the financial services holding company of the group that has interests in Insurance, Leasing, and Finance and Stockbroking. He is also the Managing Director of Softlogic Life Insurance PLC and Director of Softlogic Stockbrokers (Pvt) Ltd. He counts over 30 years of experience in a wide range of métiers within the financial services industry and has extensive Banking experience both in Sri Lanka and overseas, having held senior management positions as Deputy Chief Executive Officer at Nations Trust Bank PLC and Senior Associate Director at Deutsche Bank AG. He holds an MBA from the University of Wales, UK.

**Mrs. Niloo Jayatilake**

Director / CEO

Ms. Niloo Jayatilake joined Softlogic in 2015 to head the Group Investment Division. Counting over 20 years of experience in the investments and portfolio management field, she is responsible for the Group's investment portfolio. Prior to joining Softlogic Holdings PLC, she worked as Head of Portfolio Management/Director of Guardian Fund Management Ltd for 10 years, handling client funds and Ceylon Guardian Promoters' funds with assets under management of Rs. 25Bn. She is Fellow Member of the Chartered Institute of Management Accountants, UK and Associate Member of the Institute of Chartered Secretaries and Administrators, UK.

**Mr. Charith Gunathilaka**

Director

Mr. Charith Gunathilaka has been appointed as a director of Softlogic Asset Management (Pvt) Ltd with effect from 1<sup>st</sup> April 2021. He has joined Softlogic Holdings PLC as a senior manager in strategic planning in 2013. Prior to Softlogic, Charith served as a senior consultant at KPMG. He

is a Fellow Member of Institute of Chartered Accountants of Sri Lanka and also an Associate Member of the Chartered Institute of Management Accountants (CIMA, UK). He holds BSc in Finance from University of Sri Jayawardanapura and obtained his MBA from University of Colombo.

## Corporate Management

Mr. Sashika Wickramaratne  
Fund Manager

Mr. Sashika Wickramaratne counts over 13 years of industry experience in asset management and investment research. Before joining Softlogic Asset Management (Pvt) Ltd he worked at Capital Alliance Investments and Guardian Fund Management Ltd as a portfolio manager managing equity and fixed income private portfolios & Unit trust funds. Sashika is passed finalist of the Chartered Institute of Management Accountants (CIMA, UK). He also holds a BSc Degree specializing in business administration from The University of Sri Jayewardenepura.

Ms. Anupama Karannagoda  
Chief Compliance Officer

Ms. Anupama Karannagoda appointed as Compliance Officer of Softlogic Asset Management (Pvt) Ltd with effect from 01st June 2021. She has joined Softlogic Group as an Assistant Manager in 2013 and currently hold the position of Senior Manager. Prior to Softlogic, Anupama served as an Audit Supervisor at KPMG Sri Lanka. She is an Associate Member of Institute of Chartered Accountants (CASL) of Sri Lanka and Chartered Institute of Management Accountants (CIMA, UK). Anupama holds BSC in Accountancy from University of Sri Jayewardenepura.

Ms. Roshinie Kaushalya  
Fund accountant

Ms. Roshinie Kaushalya appointed as Accountant of Softlogic Asset Management (Pvt) Ltd with effect from 03<sup>rd</sup> January 2022. Prior to Softlogic, Roshinie served as an Audit Senior at KPMG Sri Lanka for 3 years. She is a member of the Institute of Chartered Accountants of Sri Lanka (ICASL), a passed finalist of Chartered Institute of Management Accountants (CIMA, UK) and Institute of Association of Accounting Technicians of Sri Lanka (AATSL). Roshinie holds B.Sc. Accounting (Special) degree from University of Sri Jayewardenepura.



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Chartered Accountants  
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65/2, Sir Chittampalam A Gardiner Mawatha  
Colombo 02  
Sri Lanka

## INDEPENDENT AUDITOR'S REPORT TO THE UNITHOLDERS OF SOFTLOGIC MONEY MARKET FUND

### Report on the Audit of the Financial Statements

#### Opinion

We have audited the financial statements of Softlogic Money Market Fund ("the Fund"), which comprise the statement of financial position as at 31<sup>st</sup> March 2023 and the statement of profit or loss and other comprehensive income, the statement of changes in unitholders' funds and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies as set out on pages 05 to 17.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Fund as at 31<sup>st</sup> March 2023, and of its financial performance and its cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

#### Basis for Opinion

We conducted our audit in accordance with Sri Lanka Auditing Standards (SLAuSs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Fund in accordance with the ethical requirements of the Code of Ethics issued by CA Sri Lanka ("Code of Ethics") that are relevant to our audit of the financial statements, and we have fulfilled our other ethical responsibilities in accordance with the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Other Information

Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements and the auditor's report thereon. The Annual Report is expected to be made available to us after the date of this auditor's report.

Our opinion on the financial statements does not cover the other information 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. When we read the Annual Report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

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

The Fund Management Company and the Trustee are 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 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, the Management 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 management 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.

BDO Partners, a Sri Lankan Partnership, is a member of BDO International Limited, a UK company limited by guarantee, and forms part of the international BDO network of independent member firms.

Partners : Sujeewa Rajapakse FCA, ACCA, FCMA, MBA. Ashane J.W. Jayasekara FCA, FCMA (UK), MBA. H. Sasanka Rathnaweera FCA, ACMA. R. Vasanthakumar Bsc (Acc), ACA, F. Sarah Z. Afker ACA, ACMA (UK), CGMA, MCSI (UK). Dinusha C. Rajapakse ACA. Nirosha Vadivel Bsc (Acc), ACA, ACMA.



### **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SLAuSs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SLAuSs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management'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 disclosure 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 the 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**

As required by the Unit Trust Code of September 2011 issued by the Securities and Exchange Commission of Sri Lanka under the Act No.36 of 1987 and the Trust Deed, we have obtained all the information and explanations that were required for the audit and, as far as it appears from our examination, proper accounting records have been kept by the Fund.

*BDO Partners*

**CHARTERED ACCOUNTANTS**

Colombo

30<sup>th</sup> June 2023

NV/dm

SOFTLOGIC MONEY MARKET FUND  
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 31ST MARCH 2023

Page 1

	Note	2022/2023 Rs.	2021/2022 Rs.
Investment income	3	152,160,130	219,261,001
Operating expenses	4	(9,594,222)	(18,452,243)
<b>Profit before tax</b>		<b>142,565,908</b>	<b>200,808,758</b>
Income tax expense	5	-	-
<b>Profit for the year</b>		<b>142,565,908</b>	<b>200,808,758</b>
Other comprehensive income		-	-
<b>Total comprehensive income</b>		<b>142,565,908</b>	<b>200,808,758</b>
<b>Increase in net assets attributable to unitholders</b>		<b>142,565,908</b>	<b>200,808,758</b>

Figures in brackets indicate deductions.

The accounting policies and notes from pages 05 to 17 form an integral part of these financial statements.

Colombo  
30th June 2023



SOFTLOGIC MONEY MARKET FUND  
STATEMENT OF FINANCIAL POSITION  
AS AT 31ST MARCH 2023

	Note	As at 31.03.2023 Rs.	As at 31.03.2022 Rs.
<b>ASSETS</b>			
Cash and cash equivalents	6	37,207,498	161,470,767
Financial assets measured at amortized cost	7	686,175,303	2,804,034,487
Other receivables	8	1,905,338	5,251,887
<b>Total assets</b>		<b>725,288,139</b>	<b>2,970,757,141</b>
<b>UNITHOLDER'S FUNDS AND LIABILITIES</b>			
<b>Liabilities</b>			
Accrued expenses	9	691,226	1,944,433
Other payable	10	39,277	1,059,199
<b>Total liabilities</b>		<b>730,503</b>	<b>3,003,632</b>
<b>Unitholder's fund</b>			
Unit capital		330,170,711	2,715,932,492
Retained earnings		394,386,925	251,821,017
<b>Net assets attributable to unitholders</b>		<b>724,557,636</b>	<b>2,967,753,509</b>
<b>Total unitholder's fund and liabilities</b>		<b>725,288,139</b>	<b>2,970,757,141</b>

Figures in brackets indicate deductions.

The accounting policies and notes from pages 05 to 17 form an integral part of these financial statements.

The Fund Management Company and the Trustee are responsible for the preparation of these financial statements in accordance with Sri Lanka Accounting Standards.

Signed for and on behalf of the Fund Management Company and Trustee.



Ms. Niloo Jayatilake  
Director  
Softlogic Asset Management (Pvt) Ltd  
Fund Management Company



Mr. Iftikar Ahamed  
Director  
Softlogic Asset Management (Pvt) Ltd  
Fund Management Company



Hatton National Bank PLC  
Trustee

Colombo  
30th June 2023  
NV/dm



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

Description	Unit Capital Rs.	Retained Earnings Rs.	Total Rs.
Unitholders funds as at 01st April 2021	1,539,830,218	51,012,259	1,590,842,477
Increase due to creation of units	4,482,540,140	-	4,482,540,140
Decrease due to redemption of units	(3,306,437,866)	-	(3,306,437,866)
Increase in net assets attributable to unitholders	-	200,808,758	200,808,758
Unitholders funds as at 31st March 2022	<u>2,715,932,492</u>	<u>251,821,017</u>	<u>2,967,753,509</u>
Increase due to creation of units	435,802,392	-	435,802,392
Decrease due to redemption of units	(2,821,564,173)	-	(2,821,564,173)
Increase in net assets attributable to unitholders	-	142,565,908	142,565,908
Unitholders fund as at 31st March 2023	<u><u>330,170,711</u></u>	<u><u>394,386,925</u></u>	<u><u>724,557,636</u></u>

Figures in brackets indicate deductions.

The accounting policies and notes from pages 05 to 17 form an integral part of these financial statements.

Colombo  
30th June 2023





SOFTLOGIC MONEY MARKET FUND  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 31ST MARCH 2023

	2022/2023 Rs.	2021/2022 Rs.
<b>Cash flows from operating activities</b>		
Interest received	248,248,396	219,269,022
Management, trustee and custodian fees paid	(9,359,615)	(16,949,984)
Advances received	925,274	(3,753,904)
Investment in repurchase agreements	(121,883,134)	58,203,322
(Investment in)/sales proceeds from fixed deposits	956,045,406	161,282,911
(Investment in)/sales proceeds from commercial papers	1,168,131,235	(1,052,767,837)
(Investment in)/sales proceeds from trust certificates	403,026,379	(411,467,239)
Investment in treasury bills	(383,635,429)	-
<b>Net cash generated from/(used in) operating activities</b>	<u>2,261,498,512</u>	<u>(1,046,183,709)</u>
<b>Cash flows from financing activities</b>		
Cash received on creation of units	435,802,392	4,480,863,792
Cash paid on redemption of units	(2,821,564,173)	(3,306,437,866)
<b>Net cash generated from/(used in) financing activities</b>	<u>(2,385,761,781)</u>	<u>1,174,425,926</u>
<b>Net (decrease)/increase in cash and cash equivalents</b>	<u>(124,263,269)</u>	<u>128,242,217</u>
Cash and cash equivalents at the beginning of the year	161,470,767	33,228,550
Cash and cash equivalents at the end of the year	<u>37,207,498</u>	<u>161,470,767</u>
<b>Cash and cash equivalent at the end of the year comprise of:</b>		
Cash and cash equivalents	37,207,498	161,470,767
	<u>37,207,498</u>	<u>161,470,767</u>

Figures in brackets indicate deductions.

The accounting policies and notes from pages 05 to 17 form an integral part of these financial statements.

Colombo  
30th June 2023



**1. GENERAL INFORMATION**

**1.1 General**

Softlogic Money Market Fund (“the Fund”) is an open ended unit trust fund licensed by the Securities and Exchange Commission of Sri Lanka and established under trust deed signed on 05<sup>th</sup> February 2020. The Fund was launched on 08<sup>th</sup> July 2020.

The Fund is managed by Softlogic Asset Management (Pvt) Ltd while Hatton National Bank acts as the Trustee of the Fund. The registered office of the Fund Management Company is located at level 16, One Galle Face Tower, Colombo 02, Sri Lanka and the principal place of business is also located at the same address.

The Trustee’s principal place of business is located at Hatton National Bank PLC, HNB Towers, Level 15, No. 479, T.B. Jayah Mawatha, Colombo 10, Sri Lanka.

The investment objective of the Fund is to earn a regular optimal rate of interest income while preserving the investor’s capital and liquidity by investing in high quality money market instruments.

**1.2 Date of authorization**

The financial statement of the Fund for the year ended 31<sup>st</sup> March 2023 were authorized for issue by the Fund Management Company and the Trustee on 30<sup>th</sup> June 2023.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**2.1 Preparation of financial statements**

**2.1.1 Basis of preparation**

The financial statements are prepared on historical cost basis unless otherwise indicated. 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. The financial statements are presented in Sri Lankan rupees (Rs).

**2.1.2 Statement of compliance**

The financial statements which comprise the statement of financial position as at 31<sup>st</sup> March 2023, statement of profit or loss and other comprehensive income, statement of changes in unitholders’ fund and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information have been prepared and presented in accordance with Sri Lanka Accounting Standards (LKAS/SLFRs) and the requirements of the Unit Trust Deed and Unit Trust Code of the Securities and Exchange Commission of Sri Lanka.

**2.1.3 Going concern**

These financial statements have been prepared on the assumption that the Fund is a going concern, i.e. as continuing in operation for the foreseeable future. It is, therefore, assumed that the Fund has neither the intention nor the necessity of liquidation or curtailing materially the scale of its operation.

The Management of the Fund has continuously assessed the potential impact of the current economic crisis on the Fund’s operations and is confident that it will not impact on the going concern ability of the Fund.



**2.1.4 Materiality and aggregation**

Each material class of similar items is presented separately in the financial statements. Items of a dissimilar nature or function are presented separately unless they are immaterial.

**2.1.5 Foreign currency translation**

Transactions in foreign currencies are initially recorded by the Fund at the functional currency rate prevailing at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency spot rate as of the reporting date. All differences are taken to the statement of comprehensive income with the exception of all monetary items that form part of a net investment in foreign operations. These are recognized in other comprehensive income until the realization of the net investment, at which time they are reclassified to profit or loss. Tax charges and credits attributable to exchange differences on those monetary items are also recorded in other comprehensive income.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items is recognized in line with the gain or loss of the item that gave rise to the translation difference (translation difference on items whose gain or loss is recognized in other comprehensive income or profit or loss is also recognized in other comprehensive income or profit or loss respectively).

**2.1.6 Significant Accounting Judgments, Estimates and Assumptions**

The preparation of financial statements in conformity with SLFRSs/LKASs requires management to make judgments, estimates and assumptions that influence the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. In the selection and application of the Fund's accounting policies, which are described below, the Fund Management Company is required to make judgments and assumptions and use assumptions in measuring items reported in the financial statements. These estimates are based on management's knowledge of current facts and circumstances, and assumptions based on such knowledge and expectations of future events. Actual results may differ from such estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the year in which the estimates are revised if the revision affects only that year or the year of the revision and future years as well, if the revision affects both the current and the future years.

The management considers credit, liquidity and market risk and assesses the impact on valuation of investments when determining the fair value.

Management uses its judgment in determining the appropriate valuation technique for financial instruments that are not quoted in an active market. Valuation techniques commonly used by market practitioners are applied. Other financial instruments are valued using a discounted cash flow analysis based on the assumptions supported, where possible, by observable market prices or rates.



### Determination of Fair Value and Fair Value Hierarchy

The Fund uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique.

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2: Techniques which use 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)
- Level 3: Techniques which use inputs that are not based on observable market data

## 2.2 Statement of financial position

### 2.2.1 Financial instruments

#### i) Recognition and initial measurement

SLFRS 9 contains three principal classification categories for financial assets: measured at amortized cost, Fair Value through Other Comprehensive Income (FVOCI) and Fair Value through Profit or Loss (FVTPL). The classification of financial assets under SLFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics.

All financial assets are initially recognized on the date, the Fund becomes a party to the contractual provisions of the instrument. This includes purchases of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place. A financial asset is initially measured at fair value plus or minus, for an item not at FVTPL and transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

#### 2.2.1.1 Classification

On initial recognition, a financial asset is classified as measured at: amortized cost; FVOCI; or FVTPL. Financial assets are not reclassified subsequent to their initial recognition unless the Fund changes its business model for managing financial assets in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortized cost if it meets both of the following conditions:

- it is held within a business model whose objective is to hold assets to collect contractual cash; and
- its contractual terms give rise on specified dates to cash flows that are solely the payments of principal and interest on the principal amount outstanding.

A debt investment is measured at FVOCI if it meets both of the following conditions:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely the payments of principal and interest on the principal amount outstanding.

All financial assets not classified as measured at amortized cost or FVOCI as described above are measured at FVTPL. This includes derivative financial assets, if any.



2.2.1.2 Subsequent measurement and gain and losses

Financial assets at amortized cost	These assets are subsequently measured at amortized cost using the effective interest method. The amortized cost is reduced by impairment losses, if any. Interest income, foreign exchange gains and losses and impairment are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.
Financial assets at FVOCI	These assets are subsequently measured at fair value. Interest income is calculated using the effective interest method, foreign currency exchange gains and losses and impairment are recognized in profit or loss and the changes in fair value of FVOCI debt instruments are recognized in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.
Financial assets at FVTPL	These assets are subsequently measured at fair value. Net gains or losses, including any interest or dividend income, are recognized in profit or loss.

2.2.1.3 Impairment

The Fund recognizes loss allowances for expected credit losses (ECLs) on financial assets measured at amortized cost. The Fund measures loss allowances at an amount equal to lifetime ECL, except for bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition which is measured as 12-month ECLs.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument. 12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months). The maximum period considered when estimating ECLs is the maximum contractual period over which the Fund is exposed to credit risk.

**Credit-impaired financial assets**

At each reporting date, the Fund assesses whether financial assets carried at amortized cost are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data.

- significant financial difficulty of the borrower or issuer
- a breach of contract such as a default or being more than 90 days past due
- the restructuring of a loan or advance by the Fund on terms that the Fund would not consider otherwise
- the probability that the borrower will enter bankruptcy or other financial reorganization

As of the statement of financial position date the Fund has not recognized impairment provision in the financial statements.

**Presentation of allowance for ECL in the statement of financial position**

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the financial assets.



**Write-offs**

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery.

**2.2.1.4 Financial liabilities - Classification, subsequent measurement, gains, and losses**

Financial liabilities are classified as measured at amortized cost. Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Any gain or loss on derecognition is also recognized in profit or loss. Financial liabilities measured at amortized cost include accrued expenses and other payables.

**2.2.1.5 Derecognition**

**Financial assets**

The Fund derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Fund neither transfers nor retains substantially all of the risks and rewards of ownership nor does it retain control of the financial asset.

The Fund enters into transactions whereby it transfers assets recognized in its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognized.

**Financial liabilities**

The Fund derecognizes a financial liability when its contractual obligations are discharged or cancelled or expire. The Fund also derecognizes a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized in profit or loss.

**2.2.1.6 Offsetting of financial instruments**

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position if, and only if:

- there is a currently enforceable legal right to offset the recognized amounts, and
- there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

**2.2.2 Cash and cash equivalents**

Cash and cash equivalents are defined as cash in hand, demand deposits and short-term highly liquid investments, readily convertible to known amounts of cash and are subject to an insignificant risk of changes in values.



**2.2.3 Payables and provisions**

Payables are initially recognized at fair value, which is the fair value of the consideration to be paid in the future for goods and service received, whether or not billed to the Fund, and subsequently measured at amortized cost.

Provisions are recognized when the Fund has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made.

**2.3 Statement of profit or loss and other comprehensive income**

**2.3.1 Recognition of income**

Income is recognized to the extent that it is probable that the economic benefits will flow to the Fund and the revenue can be reliably measured. The following specific criteria must also be met before interest income is recognized.

**Interest Income**

For all financial instruments measured at amortized cost, interest income is recorded using the effective interest rate (EIR), which is the rate that exactly discounts the estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset.

**2.3.2 Expenses**

All the expenses including the management fees, trustee fee and custody fee are recognized in the statement of profit or loss on an accrual basis.

The managements, fees of the Fund as per the trust deed are as follows;

Management fee	- 0.45% of Net Asset Value of the Fund
Trustee fee	- 0.15% of Net Asset Value of the Fund
Custody fee	- Flat fee of Rs. 15,000 per month

**2.4 Unitholders' funds and net assets attributable to unitholders**

The unitholders' fund has been calculated as the difference between the carrying amounts of the assets and the carrying amounts of the liabilities, other than those due to unitholders, as at the statement of financial position date.

Units can be issued and redeemed based on the Fund's net asset value per unit, calculated by dividing the net assets of the Fund calculated in accordance with the valuation guidelines issued by the Unit trust Association of Sri Lanka and directive issued by the Securities and Exchange Commission of Sri Lanka, by the number of units in issue.

**2.4.1 Distribution**

In accordance with the Trust Deed, the Fund distributes income, to unitholders by cash or reinvestment in units. The distributions are recorded in the statement of changes in unitholders' Funds.



	2022/2023	2021/2022
	Rs.	Rs.
<b>3. INVESTMENT INCOME</b>		
Interest on fixed deposits	10,188,018	105,017,421
Interest on money market savings accounts	5,103,559	5,148,108
Interest on treasury bills	13,869,761	6,022,916
Interest on commercial papers	62,624,283	88,239,851
Interest on trust certificates	26,438,425	9,682,604
Interest on repurchase agreement	33,936,084	-
Placement fee income	-	5,150,101
	<u>152,160,130</u>	<u>219,261,001</u>
<b>4. OPERATING EXPENSES</b>		
Management fee	5,524,912	13,012,814
Custodian fee	206,594	194,399
Trustee fee	2,065,387	4,684,613
Auditor's remuneration	348,647	201,600
Bank charges	134,632	118,819
Registrar fee	240,002	239,998
Professional fee	1,074,048	-
	<u>9,594,222</u>	<u>18,452,243</u>
<b>5. INCOME TAX EXPENSE</b>		
Tax expense for the year	Note 5.1	-
		<u>-</u>

- 5.1 Following the enactment of the new Inland Revenue Act No. 24 of 2017 effective from 01st April 2018, the Fund is deemed to be conducting an eligible investment business and is treated as a tax pass through income. Hence, no provision for income tax was made in the financial statements for the year ended 31st March 2023.

	As at 31.03.2023	As at 31.03.2022
	Rs.	Rs.
<b>6. CASH AND CASH EQUIVALENTS</b>		
Hatton National Bank PLC	37,207,498	395,150
National Development Bank PLC	-	161,075,617
	<u>37,207,498</u>	<u>161,470,767</u>





		As at 31.03.2023 Rs.	As at 31.03.2022 Rs.
<b>7.</b>	<b>FINANCIAL ASSETS MEASURED AT AMORTISED COST</b>		
	Fixed deposit	-	993,290,216
	Commercial papers	166,581,775	1,397,374,245
	Repurchase agreement	123,898,385	1,902,787
	Trust certificates	-	411,467,239
	Treasury bills	395,695,143	-
		<u>686,175,303</u>	<u>2,804,034,487</u>

		As at 31.03.2023		As at 31.03.2022	
		Carrying value Rs.	Holding as a % of net asset value	Carrying value Rs.	Holding as a % of net asset value
<b>7.1</b>	<b>Fixed deposit</b>				
	Abans Finance PLC	-	0%	13,582,925	0.46%
	Commercial Credit & Finance PLC	-	0%	199,057,156	7%
	Commercial Leasing PLC	-	0%	239,107,686	8%
	LOLC Development Finance PLC	-	0%	200,370,428	7%
	Merchant Bank of Sri Lanka PLC	-	0%	75,667,445	3%
	Richard Peiris Finance Limited	-	0%	203,068,411	7%
	Siyapatha Finance PLC	-	0%	62,436,165	2%
		<u>-</u>	<u>0%</u>	<u>993,290,216</u>	<u>34%</u>
<b>7.2</b>	<b>Commercial papers</b>				
	Abans Finance PLC	-	0%	83,051,050	3%
	First Capital Holdings PLC	-	0%	550,105,761	19%
	Janashakthi PLC	-	0%	153,917,467	5%
	LOLC Holdings PLC	-	0%	455,882,157	15%
	Nawaloka Hospital PLC	166,581,774	23%	154,417,810	5%
		<u>166,581,774</u>	<u>23%</u>	<u>1,397,374,245</u>	<u>47%</u>
<b>7.3</b>	<b>Repurchase agreement</b>				
	Commercial Bank of Ceylon	-	0%	1,902,787	0.06%
	Capital Alliance Ltd	16,046,027	2%	-	0%
	First Capital Treasuries Ltd	107,852,358	15%	-	0%
		<u>123,898,385</u>	<u>17%</u>	<u>1,902,787</u>	<u>0%</u>
<b>7.4</b>	<b>Trust certificates</b>				
	Abans Finance PLC	-	0%	100,608,568	3%
	Asia Asset Finance PLC	-	0%	81,174,007	3%
	Commercial Credit & Finance PLC	-	0%	127,239,733	4%
	Commercial Leasing Co Ltd	-	0%	102,444,931	3%
		<u>-</u>	<u>0%</u>	<u>411,467,239</u>	<u>13%</u>

7.2.1 The Fund has invested Rs. 150 Mn in Nawaloka Hospital PLC on 22nd December 2021 at an interest rate of 10.75% for a 1-year period. The investment is restructured and reinvested at 29.53% on 22nd December 2022 for another 1 year period. The investment accounts for 23% of the Net Asset Value of the Fund as at 31st March 2023.

Terms of the restructured investment were as follows;

Investment Value - Rs.	166,198,559
Interest rate	29.53%
Maturity date -	23rd December 2023



	As at 31.03.2023 Rs.	As at 31.03.2022 Rs.
<b>8. OTHER RECEIVABLES</b>		
Interest on money market savings account	91,223	4,759
Placement fee receivable	1,813,937	3,548,854
Sundry receivable	178	1,698,274
	<u>1,905,338</u>	<u>5,251,887</u>
<b>9. ACCRUED EXPENSES</b>		
Management fee	274,160	1,254,367
Registrar fee	20,383	20,383
Trustee fee	107,550	451,572
Auditor's remuneration	271,112	201,600
Custodian fee	18,021	16,511
	<u>691,226</u>	<u>1,944,433</u>
<b>10. OTHER PAYABLES</b>		
Placement fee received in advance	2,549	545,199
Pending creations	9,812	514,000
Payable on Unit cancelled	26,916	-
	<u>39,277</u>	<u>1,059,199</u>

**11. UNIT PRICE**

The creation price was at Rs. 130.8032 per unit and the redemption price was at Rs. 130.8032 per unit as at 31st March 2023.

**12. DISTRIBUTION FOR THE YEAR**

There were no distributions for the year ended 31st March 2023.

**13. CONTINGENT LIABILITIES**

There were no significant contingencies existing at the end of the reporting date that require adjustments to or disclosures in the financial statements.

**14. EVENTS OCCURRING AFTER THE REPORTING PERIOD**

No significant events have taken place since the date of the statement of financial position that require adjustments or disclosures in these financial statements.

**15. CAPITAL COMMITMENTS**

There were no capital commitments at the end of the reporting date.



16. RELATED PARTY DISCLOSURES

The following have been identified as related parties to Softlogic Money Market Fund in accordance with LKAS 24 for the reasons given below:

The Fund Management Company, Softlogic Asset Management (Pvt) Ltd is a subsidiary of Softlogic Capital PLC. The Fund's ultimate parent company and controlling party is Softlogic Holding PLC, which is incorporated and domiciled in Sri Lanka.

Mr. Iftikar Ahamed, Ms. Niloo Jayatilake, Mr. Charith Gunathilaka and Mr. Sudarshan Ahangama are Directors of the Softlogic Asset Management (Pvt) Ltd.

16.1 Details of the Fund management fee, trustee fee and custodian fee paid/payable are as follows:

Name of the related party	Nature of interest	Nature of transactions	2022/2023		2021/2022	
			Transaction value Rs.	Outstanding value Rs.	Transaction value Rs.	Outstanding value Rs.
Softlogic Asset Management (Pvt)	Fund Management Co	Management fee	5,524,912	274,160	13,012,814	1,254,367
Hatton National Bank	Trustee	Trustee fee	2,065,387	107,550	4,684,613	451,572
		Custodian fee	206,594	18,021	194,399	16,511

16.2 The Fund maintains a current account with the Trustee, Hatton National Bank PLC through which all settlement transactions of the Fund were made.

Unitholder	Relationship	2022/2023		2021/2022	
		No of Units	Unit Value	No of Units	Unit Value
Softlogic Asset Management (Pvt) Ltd	Management company	4,124	539,472	146,675	16,618,396
Asiri AOI Cancer Centre Private Limited	Affiliate company	971	127,061	-	-
Mr. Asoka Pathirage	Chairman of the ultimate parent company	20,207	2,643,085	20,207	2,289,420
Mr. Tuan Mihlar Iftikar Ahamed	Director	-	-	4,400	498,512
Mr. Muthu Hennadige Priyantha Wijesekara	Director	-	-	105,825	11,990,081
Miss. Veranthi Kalpani Kumari Uduwawala	Former Senior manager	14,666	1,918,351	14,666	1,661,645
Mr. Daham Hettiarachchi	Fund manager	-	-	482	54,597

17. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

(a) Financial Instruments

The Fund's principal financial assets comprise investments in fixed income securities and cash at bank. The main purpose of these financial instruments is to generate a return on the investment made by the unitholders. The Fund has other financial instruments also such as receivables and payables which arise directly from its operations.

(b) Financial risk management objectives, policies and processes

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.





17. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTD...)

(b) Financial risk management objectives, policies and processes (contd...)

(i) Credit risk

Credit risk is the risk that the counterparty to the financial instrument will fail to discharge an obligation and cause the Fund to incur a financial loss of interest and/or principal.

The Fund's exposure to credit risk from its financial assets arises from default of the counterparty, with the current exposure equal to the fair value of financial instruments given in Note 9. It is the Fund's policy to enter into financial instruments with reputable counterparties. This is categorized objectively by the criteria that the Fund will invest only in companies carrying an investment grade rating (BBB - and above) from Fitch Ratings Lanka or ICRA Lanka. However, the investment grade rating of the primary dealers in relation to Treasury bill repurchase agreements have not been considered as the Fund has considered the collateral that the primary dealers provided which are government bills and bonds rated as AAA.

The investment gradings of the issuers are as follows:

Issuer	Rating	Rating Agency
Abans Finance PLC	BBB+	Fitch Ratings Lanka Ltd
Asia Asset Finance PLC	A -	Lanka Rating Agency
Commercial Bank of Ceylon	AA -	Fitch Ratings Lanka Ltd
Commercial Credit & Finance PLC	A	Lanka Rating Agency
Commercial Leasing Co.Ltd	AA -	Fitch Ratings Lanka Ltd
First Capital Holdings PLC	A	Lanka Rating Agency
First Capital Treasuries Ltd.	A	Lanka Rating Agency
Janashakthi PLC	BBB	RAM Ratings Lanka Ltd
LOLC Development Finance PLC	A	Lanka Rating Agency
LOLC Holdings PLC	A	Lanka Rating Agency
Merchant Bank of Sri Lanka PLC	BBB	Lanka Rating Agency
Nawaloka Hospital PLC		
Richard Peiris Finance Limited	AA -	Fitch Ratings Lanka Ltd
Siyapatha Finance PLC	A	Fitch Ratings Lanka Ltd

(ii) 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 the sensitivity analysis. However, due to the short-term nature of the instruments it is reasonably expected that the fluctuation in interest rate will not materially impact the net assets value of the Fund.

Increase/ (decrease) in basis points	Interest rate impact on			
	2022/2023		2021/2022	
	Profit before tax for the year	Amounts attributable to unitholders	Profit before tax for the year	Amounts attributable to unitholders
+ 1	72,335,780	72,335,780	296,548,025	296,548,025
-1	(72,335,780)	(72,335,780)	(296,548,025)	(296,548,025)

(iii) Liquidity risk

Liquidity risk is the risk that the Fund will encounter difficulty in raising funds to meet its obligation to pay unitholders.

The Fund invests in financial instruments, which under normal market conditions are readily convertible to cash to control liquidity risk. In addition, the Fund invests within established limits to ensure that there is no concentration of risk. The Fund Management Company ensures that a minimum liquidity level of 3% of the total NAV of the Fund is available in cash or near cash form at any given time as required by the Unit Trust Deed, reducing the liquidity risk to its investors.

In addition, the Security and Exchange Commission and the Fund require additional business days' notice to the Fund from large investors redeeming over 3% of the Fund and the Fund is also permitted to borrow up to 15% of the deposited property for redemption payouts. No such borrowings have arisen during the year.

17. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTD...)

(b) Financial risk management objectives, policies and processes (contd...)

(iii) Liquidity risk (contd...)

The table below analyses the Fund's non-derivative financial assets and liabilities into relevant maturity groupings based on the remaining period at the end of the reporting period. The contractual amounts disclosed in this analysis are gross undiscounted cashflows and therefore may not agree with the carrying amounts in the statement of financial position.

As at 31st March 2023	Less than	1-6 months	6-12 months	Total
	1 month (LKR)	(LKR)	(LKR)	(LKR)
Financial assets	205,123,873	353,582,492	166,581,774	725,288,139
	205,123,873	-	-	725,288,139
Financial liabilities	730,503	-	-	730,503
	730,503	-	-	730,503

31st March 2022	Less than	1-6 months	6-12 months	Total
	1 month (LKR)	(LKR)	(LKR)	(LKR)
Financial assets	2,970,757,141	-	-	2,970,757,141
	2,970,757,141	-	-	2,970,757,141
Financial liabilities	3,003,632	-	-	3,003,632
	3,003,632	-	-	3,003,632

(iv) Capital risk management

The Fund considers its net assets attributable to unitholders as capital, notwithstanding that net assets attributable to unitholders are classified as a liability. The amount of net assets attributable to unitholders can change significantly on a daily basis as the Fund is subject to daily applications and redemptions at the discretion of unitholders.

Daily applications and redemptions are reviewed relative to the liquidity of the Fund's underlying assets on a daily basis by the Management Company. Under the terms of the Unit Trust Code, the Management Company has the discretion to reject an application for units and to defer redemption of units if the exercise of such discretion is in the best interests of unitholders.

The following is the disclosures of unitholders' Funds.

The movement in the unitholders' funds is as follows.

	(Rs.)	As at	As at
		31.03.2023	31.03.2022
		Rs.	Rs.
<b>I. In terms of value</b>			
Balance at the beginning of the year		2,967,753,509	1,590,842,477
Net increase due to creation of units		435,802,392	4,482,540,140
Net decrease due to redemption of units		(2,821,564,173)	(3,306,437,866)
Increase in net assets attributable to unitholders		142,565,908	200,808,758
Balance at the end of the year		724,557,636	2,967,753,509
<b>II. In terms of No of units (No. of units)</b>			
Balance at the beginning of the year		26,194,287	15,047,213
Unit creations during the year		3,578,320	41,096,986
Unit redemptions during the year		(24,232,234)	(29,949,912)
Balance at the end of the year		5,540,373	26,194,287

As stipulated within the Trust Deed, each unit represents a right to an individual unit in the Fund and does not extend a right to the underlying assets of the Fund. There are no separate classes of units and each unit has the same right attaching to it as all other units of the Fund.

18. RECONCILIATION BETWEEN THE NET ASSET VALUE AS PER THE FINANCIAL STATEMENTS AND THE PUBLISHED NET ASSET VALUE

	As at 31.03.2023 Rs.	As at 31.03.2022 Rs.
Net asset value as per financial statements	724,557,636	2,967,753,509
Adjustment to auditor's remuneration	140,898	77,537
Published net asset value	<u>724,698,534</u>	<u>2,967,831,046</u>
Number of units outstanding	5,540,373	26,194,287
Adjusted net asset value per unit	130.80	113.30

19. RECENT ECONOMIC DOWNTURN AND IMPACT ON THE FINANCIAL STATEMENTS

Income for the Fund comprises mark to market movements of the Fund's equity portfolio and interest income derived from the Fund's portfolio of fixed income investments.

Political and economic instability has negatively affected market sentiment during the last three quarters of the financial year. Furthermore, the tightening of the monetary policy, followed by rate hikes made the equity market less attractive to investors. To minimize the impact to the Fund, the Fund Management Company focused on generating the best possible returns on the fixed income allocations of the funds while ensuring that the funds are invested in resilient stocks.

20. COMPARATIVE INFORMATION

The accounting policies have been consistently applied by the Fund and are consistent with those of the previous year. The previous year's figures and phrases have been re-arranged wherever necessary to conform to the current year's presentation/classification.

20.1 Significant reclassification

Statement of Financial Position	As disclosed in 2022/2023 Rs.	As reclassified in 2022/2023 Rs.	Reclassification Rs.
Cash and cash equivalents	25,000	37,207,498	37,182,498
Financial assets measured at amortized cost	723,357,801	686,175,303	(37,182,498)

- (a) HNB Money Market Savings Account amounting to Rs. 37,182,498 which was previously presented under the financial assets measured at amortized cost in the Statement of Financial Position has been classified under cash and cash equivalents for better presentation.



