



# **CT CLSA GROWTH EQUITY FUND**

**ANNUAL REPORT AND  
AUDITED ACCOUNTS**

**FOR THE PERIOD ENDED  
31ST DECEMBER 2024**



# **Table of Content**

1. Declaration by Trustees and Management Company
2. Fund Manager's Review
3. Financial Statements – 31st December 2024
  - a) Independent auditor's report
  - b) Statement of Profit or Loss and Other Comprehensive Income
  - c) Statement of Financial position
  - d) Statement of changes in net assets attributable to unitholders
  - e) Statement of Cash flows
  - f) Note to the financial statements

## Declaration By Trustees and Management Company

*Declaration by Trustees and Managing Company as per SEC Circular No: 02/2009 on Guidelines for Trustees and Managing Companies of Unit Trusts Funds.*

Deutsche Bank AG, the Trustee and CT CLSA Asset Management (Pvt) Ltd the Managers of **CT CLSA Growth Equity Fund**, hereby declare that

1. The requirements of the Guidelines for Trustees and Managing Companies of Unit Trust Funds set by the Securities and Exchange Commission of Sri Lanka have been complied with during the year.
2. The transactions were and will be carried out at an arm's length basis and on terms which are best available for the fund, as well as act, at all times, in the best interest of the fund's unit holders.

Cecilia ✓

Director  
Management Company

DEUTSCHE BANK AG  
Colombo Branch

Authorised Signatory

Trustee of the Fund

Director  
Management Company

## **FUND MANAGER'S REVIEW**

## Fund Manager Review

### Economic Review

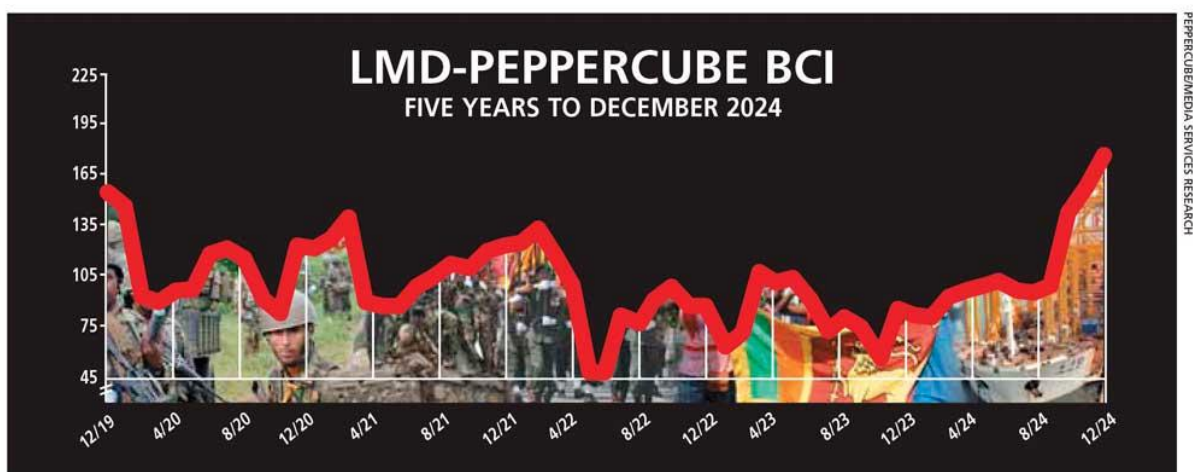
The year 2024 was marked by significant global events including some of the most pivotal elections in countries such as U.S. Russia & India. Most central banks initiated their policy rate cut cycles during the year responding to evolving economic activities. Following the U.S election bond yields saw an upward momentum, driven by concerns over rising federal debt and potential for higher inflation. Meanwhile, China's economy demonstrated steady growth achieving 5.0%<sup>1</sup> year on year (YoY) in 2024. On the commodity front, oil prices declined by approximately 3%<sup>2</sup> in 2024, marking a second consecutive year of decreases. This was driven by a stalled post-pandemic demand recovery, challenges within China's economy, and increased production from the U.S. and other non-OPEC producers, which added more crude to an already well-supplied global market.

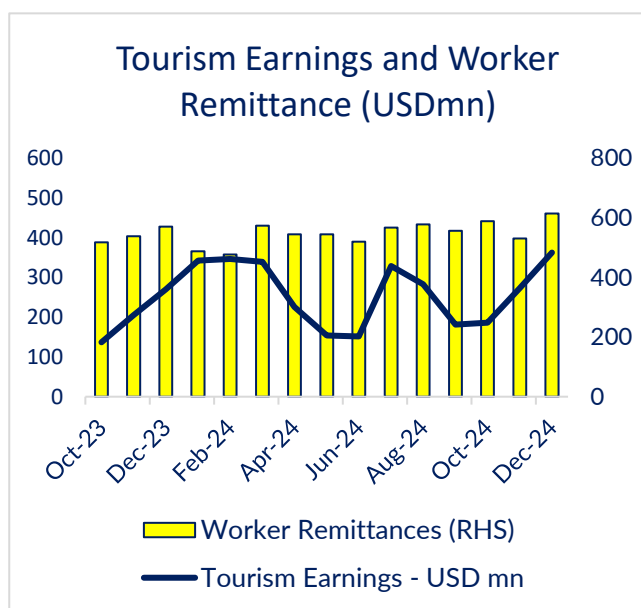
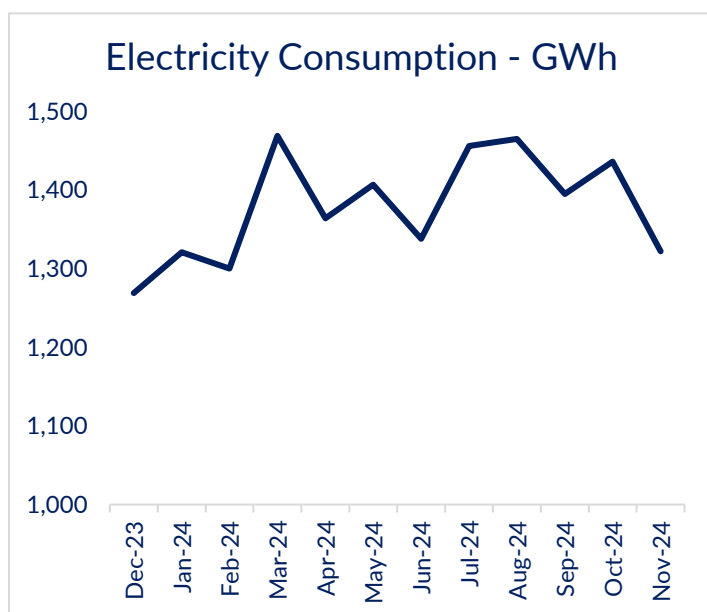
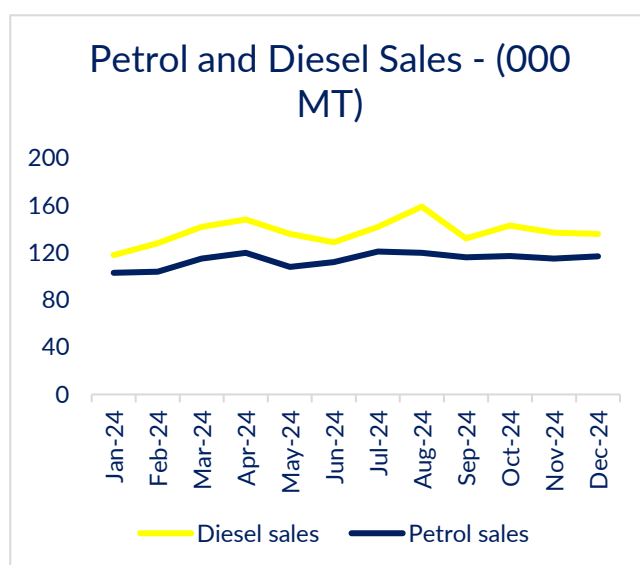
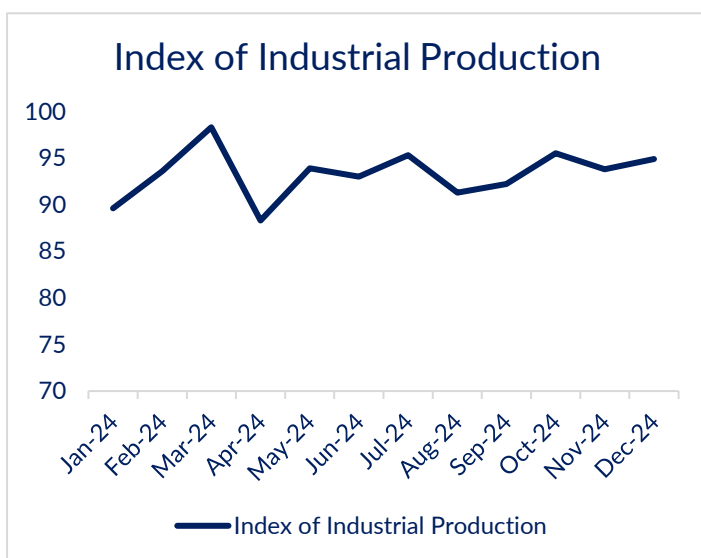
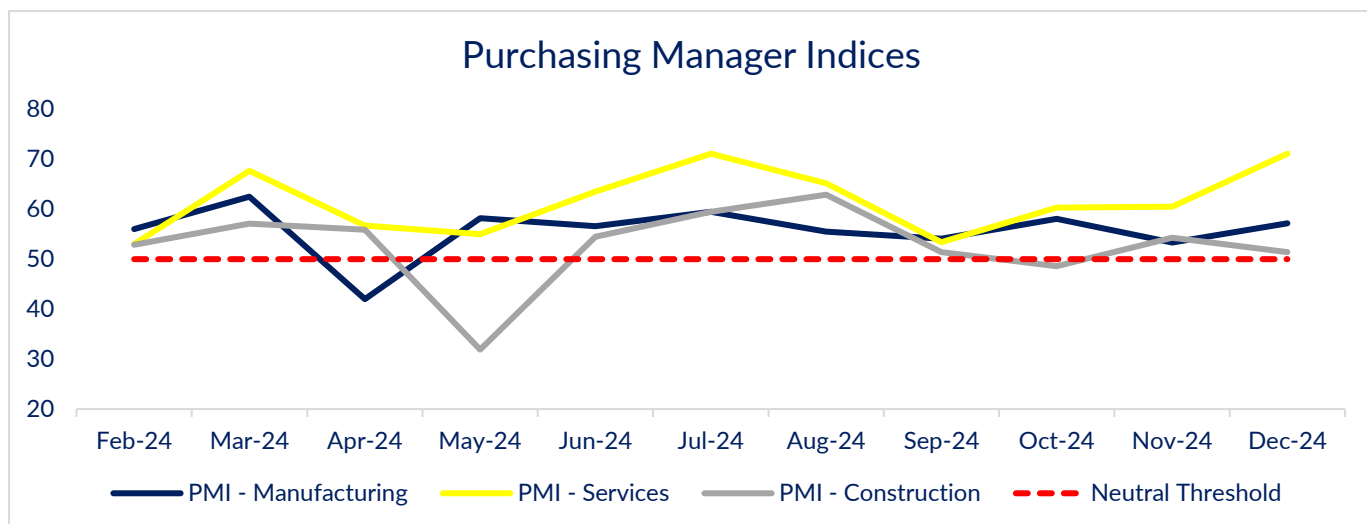
According to the IMF World economic outlook update 2025, global growth is projected to 3.3%<sup>3</sup> in 2025 primarily driven by an upward revision of U. S, which offset the downward revisions in other major economies. Meanwhile global inflation is expected to decline 4.2%<sup>3</sup> in 2025.

The Sri Lankan economy posted a positive growth of 5.00%<sup>4</sup> year-on-year (YoY) in 2024 after two consecutive years of declining GDP in 2022 and 2023. This growth was driven by notable expansions across key sectors, with the Agricultural sector growing by +1.2%<sup>4</sup>, the Industrial sector by +11.0%<sup>4</sup>, and the Services sector by +2.4%<sup>4</sup>. Healthy inflows from tourism \$3.16Bn<sup>4</sup> coupled with remittances flow of \$ 6.5Bn<sup>4</sup> aided the growth momentum.

The political environment remained stable following the presidential and parliamentary elections in 2024, with the government securing a two-thirds majority in parliament. Moreover, Sri Lanka successfully concluded its External Debt Restructuring (EDR) process, and exited its restricted default status. Currently, the country holds a credit rating of CCC+ by Fitch. The rating upgrade signifies the positive developments in the macro front.

High Frequency data showing positivity indicating the economy is moving in the right direction.





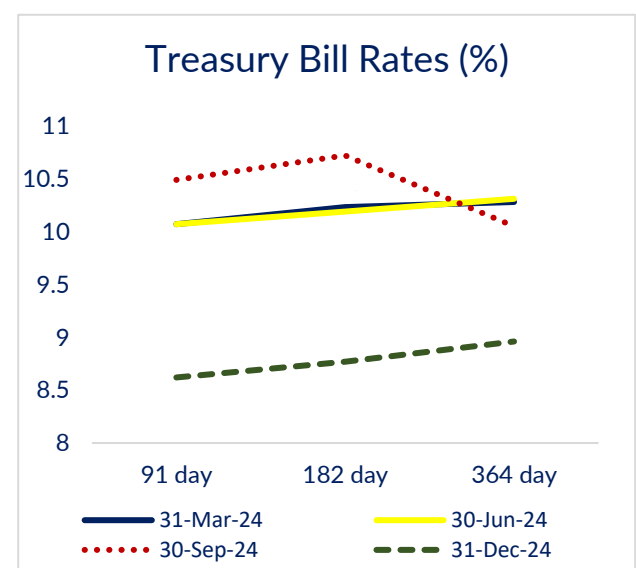
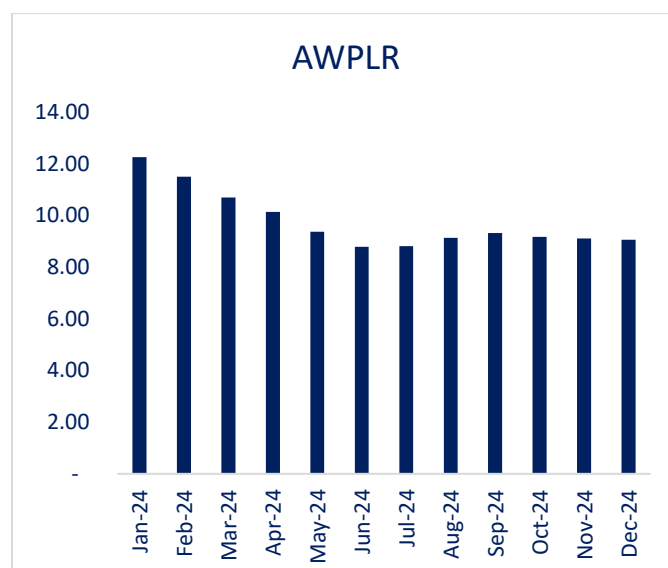
## Interest Rate Environment

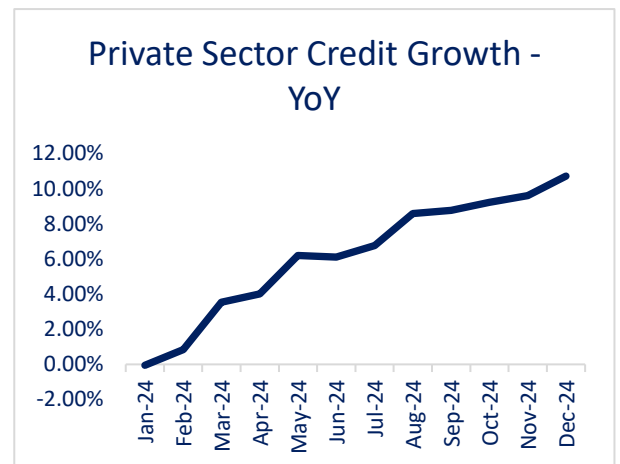
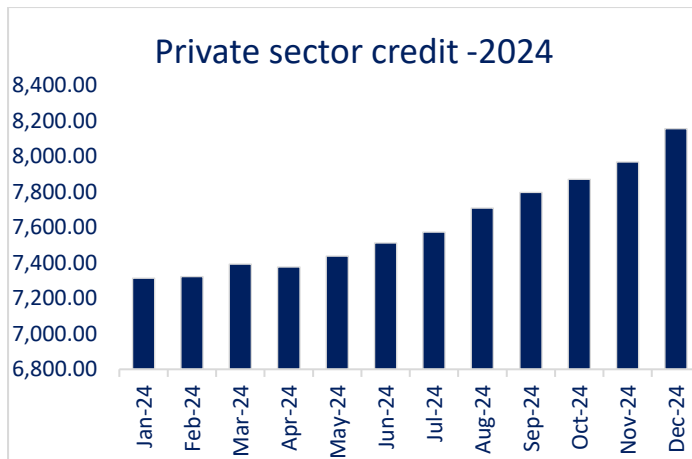
In 2024, the Central Bank maintained an accommodative monetary policy stance with the aim of bolstering economic growth. Resultantly, the Central Bank implemented a series of policy rate reductions totalling to 200 basis points throughout the year. These decisions were influenced by several key factors, including deeper-than-expected deflationary conditions in the short term, a continued moderation of underlying inflationary pressures, more favourable-than-expected external economic developments, and in order to further reduce market lending rates.

Additionally, the Central Bank introduced a single interest rate mechanism, setting the overnight policy rate at 8.0%,<sup>4</sup> effective from November 27, 2024. Reflecting these policy adjustments, market interest rates, including yields on government securities, notably declined. By the end of December 2024, the 91-day, 182-day, and 364-day Treasury bill rates stood at 8.62%<sup>4</sup>, 8.77%<sup>4</sup>, and 8.96%<sup>4</sup>, respectively.

Improved market liquidity was also observed, driven by revenue-based fiscal consolidation measures and stronger foreign currency inflows, particularly from tourism and worker remittances. The outstanding credit to the private sector has increased by 10.7%<sup>4</sup> year on year (YoY) recording Rs 8156 Bn<sup>4</sup> at the end of the year.

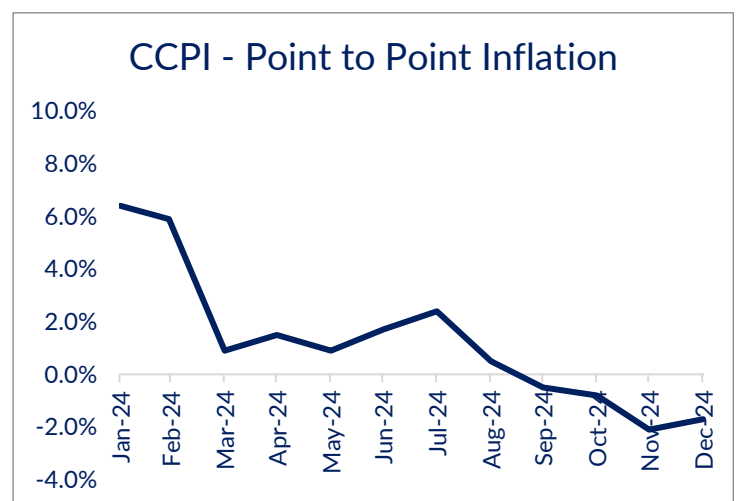
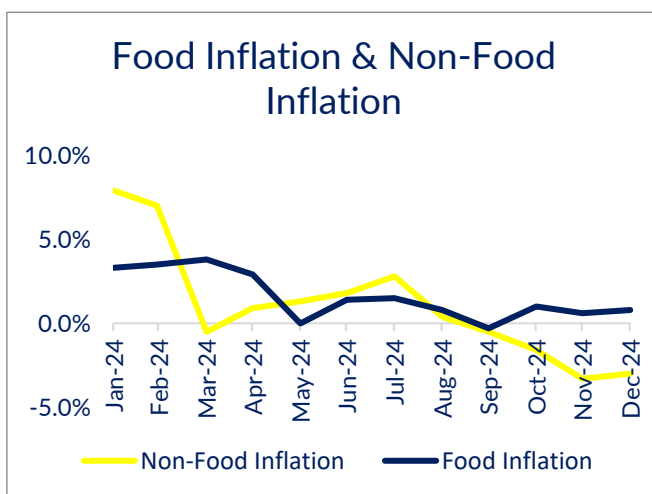
Government continued its fiscal consolidation trajectory with improved revenue mobilization and more effective expenses management strategies. The provisional budget deficit in 2024 is 6.8%<sup>5</sup> of GDP. In 2025 budget highlights that the government is expected to continue its revenue based fiscal consolidation.





## Inflation

Headline inflation measured by Colombo Consumer price index (CCPI, 2021 = 100) closed at -1.7%<sup>4</sup> in December 2024 recording deflation in the economy. Food Inflation increased to 0.8%<sup>4</sup> while Non-food inflation increased to 3.0%<sup>4</sup> in the same period. In the coming months headline inflation is expected to remain in negative territory primarily driven by the continued impact of substantial declines in energy prices and a reduction in volatile food prices. Additionally, a significant base effect from the price increases observed in early 2024, due to tax amendments, will further reinforce this downward trajectory. However, inflation is expected to shift into positive territory in the 2H of 2025, gradually converging towards the targeted 5.0%<sup>4</sup> level over the medium term.





## External Sector

The external sector of the Sri Lankan economy showed notable improvement in 2024, driven by strengthened reserves and inflows to the current account. The gross official reserve of the country increased to \$ 6.1Bn<sup>4</sup> in December 2024 compared to \$ 4.4Bn<sup>4</sup> in 2023 supported by forex purchases of Central Bank in 2024 which stood at historical high levels. Both Merchandise exports and imports saw positive growth. Merchandise exports increased by 7.2%<sup>4</sup> while imports increased by 12.1%<sup>4</sup> contributing to a trade deficit of \$6.0Bn<sup>4</sup> in 2024. Despite the widening of trade deficit, the country benefited from worker remittances and tourism earnings which contributed around \$10.3Bn<sup>4</sup>. On the currency front, the Sri Lankan rupee appreciated by 10.7%<sup>4</sup> during 2024 and ending the year at 292.58<sup>4</sup> against the US dollar. However, foreign investment in government security market recorded a net outflow of \$179Mn<sup>4</sup> in 2024.

### Exhibit 01: Summary of External Sector Performance<sup>4</sup>

Category	2023 USD Mn	2024 USD Mn	Change %
Merchandise Exports	11,910.7	12,772	7.2
Merchandise Imports	16,811.1	18,841.4	12.1
Trade Balance	-4,900.4	-6,069.4	
Service Account Balance	3,053.0	3,654.5	19.7
Overall Balance	2,825.6	2,890.4	

## **CTCLSA Growth Equity Fund (Inception: 27<sup>th</sup> February, 2012)**

### **Fund Manager**

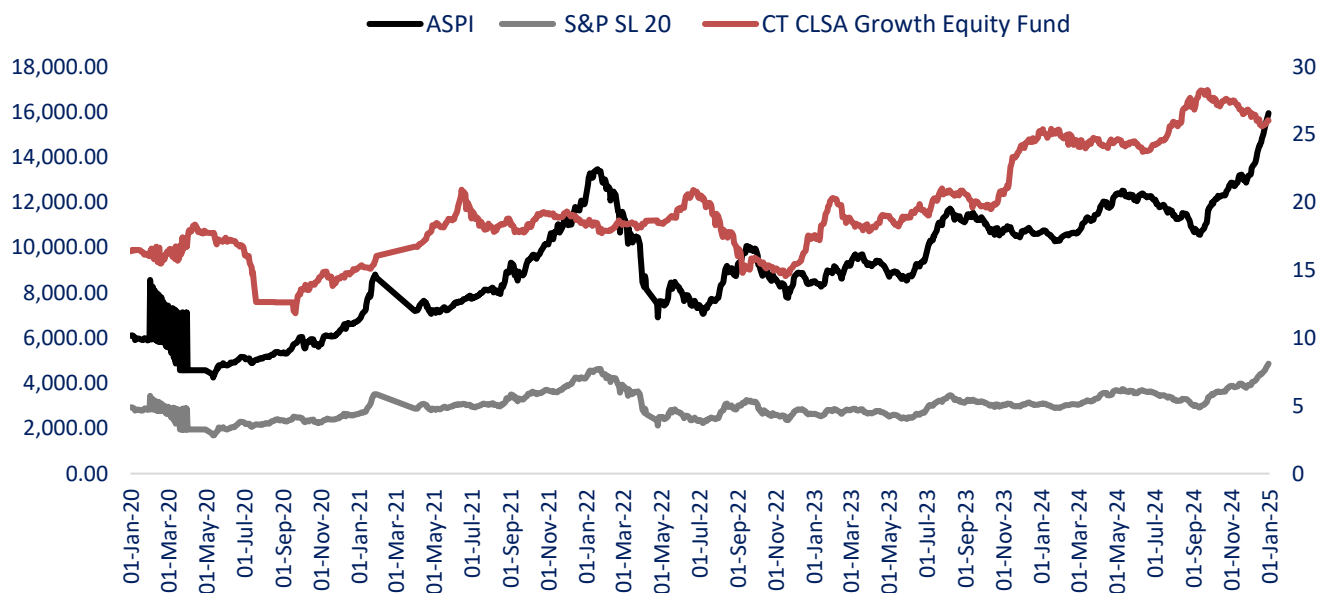
Kuhan Vinayagasundaram

### **Fund Objective and Benchmark**

The Fund is an open-ended growth fund which invests in a diversified portfolio of listed equity securities in Colombo Stock Exchange with the objective of achieving medium to long term capital appreciation.

### **Commentary**

#### **Fund return vs Benchmark return**



### **Fund Fees**

Management Fee 2.25% p.a (As a % of NAV)

Custodian & Trustee Fee 0.30% p.a (As a % of NAV)

**Exhibit 03: Fund Return vs. Benchmark Return**

PERIOD*	FUND	BENCHMARK		ASTRI
		ASPI	S&P SL 20	
<b>YTD – 2024</b>	<b>35.58%</b>	49.66%	58.46%	57.81%
<b>Since Inception Cum.</b>	<b>229.06%</b>	191.14%	64.51%	246.89%
<b>Since Inception CAGR</b>	<b>9.71%</b>	8.67%	3.95%	10.19%

*Note: All Share Price Index (ASPI), All Share Total Return Index (ASTRI) & S&P Sri Lanka 20 Index (S&P SL 20) are based on CSE data as of 31<sup>st</sup> December 2024*

*\* Performances are based on month end prices as of 31<sup>st</sup> December 2024. Performance data included in this document represents past performance and is no guarantee of the future results.*

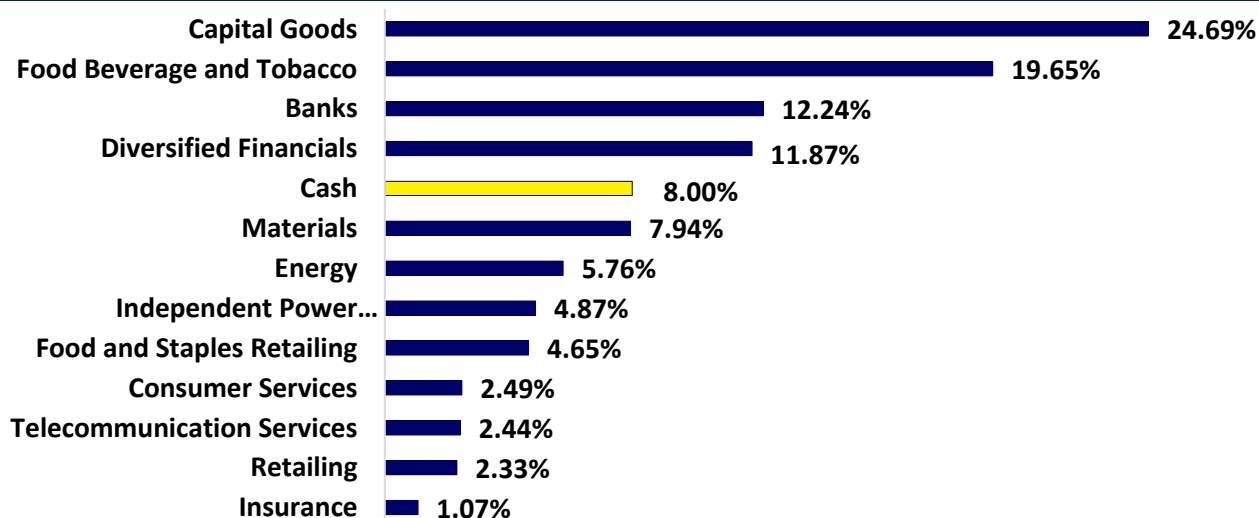
For the period ended 31<sup>st</sup> December 2024, the fund increased by 35.58% while ASPI & S&P SL 20 Indices increased by 49.66%<sup>6</sup> and 58.46%<sup>6</sup> respectively. Since inception the fund has provided a return of 229.06% outperforming the All-Share Price Index's performance of 191.14%<sup>6</sup> for the same period.

**Exhibit 04: Top 5 holding of the fund as at December 31, 2024**

TOP 5 HOLDINGS BASED ON NAV		
STOCK	TICKER	% OF NAV
ACCESS ENGINEERING PLC	AEL.N0000	6%
HAYLEYS PLC	HAYL.N0000	6%
PEOPLE'S LEASING & FINANCE PLC	PLC.N0000	6%
SUNSHINE HOLDINGS PLC	SUN.N0000	5%
SAMPATH BANK PLC	SAMP.N0000	5%

**Exhibit 05: Sector allocation of the fund as at December 31, 2024**

**SECTOR ALLOCATION (WITH CASH & CASH EQUIVALENTS)**



During the 1H2024 the fund focused on companies which would benefit from a decline in interest rates, consumer counters which could gain traction from the recovery of local consumption and fundamentally strong liquid counters to benefit in the long run. Accordingly, the fund increased its exposures to capital goods, banks and finance, consumer sector and tourism sector with the anticipation of market interest rates to decline further.

During the 4<sup>th</sup> Quarter of the year market caught up on its momentum due to the election uncertainty being addressed post elections while president's reassurance of being in the IMF programme and continuation of debt restricting process was much welcomed by the investor community. The fund booked some profits on the banking sector while increasing allocations of value counters.

With the improving economic activities and low interest rates, we expect earnings growth in 2025. Furthermore, following the successful completion of external debt restructuring process and credit ratings upgrade, we believe foreign investors would positively assess the Colombo bourse particularly, given the attractive valuations relative to regional peers. As interest rates continue to decline, we expect a shift of funds from fixed income securities to equity. Given that equity is a tax efficient asset class couples with attractive valuations we believe equity would be a preferred asset class among long term investors. Moreover, the increase in disposable income driven by tax relief measures in the budget and salary hikes for government sector employees would boost consumption resulting in better earnings outlook in 2025. Given the positive outlook we opt to maintain the asset allocation at 80% -90% of the fund in the near term

As at 31<sup>st</sup> December 2024, the total net asset value of the fund was Rs.94.17 million with 227-unit holders in the fund. The redemption price for the fund on 31<sup>st</sup> December 2024 was Rs. 32.9062

## Sources

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<sup>1</sup> National Bureau of Statistics of China

<sup>2</sup> IMF Primary Commodity Prices

<sup>3</sup> IMF World Economic Outlook - 2025

<sup>4</sup> Central Bank of Sri Lanka

<sup>5</sup> Ministry of Finance

<sup>6</sup> Colombo Stock Exchange

**FINANCIAL STATEMENTS**  
**31ST DECEMBER 2024**

# CT CLSA GROWTH EQUITY FUND

FINANCIAL STATEMENTS - 31ST DECEMBER, 2024



LOCAL IN TOUCH GLOBAL IN REACH



## Independent auditor's report

To the Unitholders of CT CLSA Growth Equity Fund

### Report on the audit of the financial statements

#### Our opinion

We have audited the financial statements of **CT CLSA Growth Equity Fund** (the fund). The financial statements of the Fund comprise the statement of financial position as at 31st December 2024, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then end and the notes to the financial statements, which include a summary of material accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Fund as at 31st December 2024, and of its financial performance and its cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

The financial statements for the year ended 31st December, 2023 were audited by Messrs., Deloitte Partners Chartered Accountants who expressed an unmodified opinion on those financial statements


#### Basis for opinion

We conducted our audit in accordance with Sri Lanka Accounting 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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Independence

We are independent of the Fund in accordance with the Code of Ethic for Professional Accountants Issued by the Institute of Chartered Accountants of Sri Lanka ("CA Sri Lanka Code of Ethics"). We have fulfilled our other ethical responsibilities in accordance with the CA Sri Lanka Code of Ethics.


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Tax Director :  
Dinusha Ilankoon BB.Mgt Accountancy(Sp).CTA  
Erandi Weerasuriya FCA, BSc (Mgt.Pub)Sp,  
Nadeeka Suranjana ACA, Bsc(Acc)Sp.

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## **Independent auditor's report**

To the Unitholders of CT CLSA Growth Equity Fund (Continued)

### **Report on the audit of the financial statements (Continued)**

#### **Other information**

The Managing Company, CT CLSA Asset Management Limited is responsible for the other information. The other information comprises the Annual Report to the Unitholders but does not include the financial statements and our auditor's report thereon. The Annual Report to the Unitholders 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 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 to the unitholders, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

#### **Responsibilities of management and those charged with governance for the financial statements**

The Managing Company, CT CLSA Asset Management Limited 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 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 Managing Company 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.

#### **Auditor's responsibilities for the audit of the financial statements**

Our objectives are to be 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.

## Independent auditor's report

To the Unitholders of CT CLSA Growth Equity Fund (Continued)

### Report on the audit of the financial statements (Continued)

#### Auditor's responsibilities for the audit of the financial statements (Continued)

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

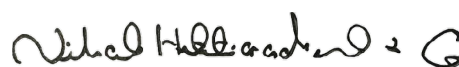
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting 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 a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Fund to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including and significant deficiencies in internal control that we identify during our audit.

#### Report on other legal and regulatory requirements

The financial statements have been prepared and presented in accordance with and comply with the requirements of the Unit Trust Deed and Collective Investment Scheme Code of Securities and Exchange Commission of Sri Lanka.

COLOMBO,  
March 24, 2025



NIHAL HETTIARACHCHI & CO.,  
Chartered Accountants

## STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31ST DECEMBER

	NOTES	2024 Rs.	2023 Rs.
<b>INCOME</b>			
Interest income	(04)	1,468,363	3,045,146
Dividend income		3,146,492	2,965,898
Realised gain on financial assets at fair value through profit and loss	(07.3)	7,266,785	15,101,613
Unrealised gain on financial assets at fair value through profit and loss	(07.4)	17,384,642	12,022,749
Total income		29,266,282	33,135,406
<b>OPERATING EXPENDITURE</b>			
Audit fees		175,000	710,639
Audit fees over provision - 2023		(257,376)	-
Brokerage expenses		2,971,325	5,086,143
Management fees		2,218,102	1,986,877
Other operating expenses		230,673	289,547
Tax consultancy fees		153,329	143,617
Tax consultancy fees under provision - 2023		11,742	-
Trustee and custodian fees		472,991	472,710
Total operating expenditure		5,975,786	8,689,533
<b>Profit before tax</b>		23,290,496	24,445,872
Income tax expenses	(05)	-	-
<b>Profit after tax</b>		23,290,496	24,445,872
Total comprehensive income		23,290,496	24,445,872
<b>Increase in net assets attributable to unitholders</b>		23,290,496	24,445,872

The significant accounting policies and notes from pages 6 to 28 form an integral part of these financial statements.

## STATEMENT OF FINANCIAL POSITION

### AS AT 31ST DECEMBER

	NOTES	2024 Rs.	2023 Rs.
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	(06)	5,923,810	7,040,144
Financial assets at fair value through profit and loss	(07)	76,862,198	48,033,638
Financial instruments at amortised cost	(08)	15,150,377	19,864,129
Other receivables	(09)	294,578	2,888,094
<b>Total assets</b>		<b>98,230,963</b>	<b>77,826,003</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Unitholders' fund and liabilities</b>			
<b>Current liabilities</b>			
Accrued expenses	(10)	3,879,787	873,974
<b>Total liabilities</b>		<b>3,879,787</b>	<b>873,974</b>
<b>Unitholders funds</b>			
Net assets attributable to unitholders		94,351,176	76,952,029
<b>Total unitholders' funds and liabilities</b>		<b>98,230,963</b>	<b>77,826,003</b>

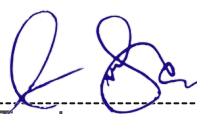
The Management company is responsible for the preparation and presentation of these financial statements and these financial statements were approved by the Board of Directors of the Management Company.



Director  
Management Company



Director  
Management Company



Trustee  
Deutsche Bank AG

March 24, 2025

The significant accounting policies and notes from pages 6 to 28 form an integral part of these financial statements.

**STATEMENT OF CHANGES IN UNITHOLDERS' FUNDS  
FOR THE YEAR ENDED 31ST DECEMBER**

	2024 Rs.	2023 Rs.
Net assets attributable to unitholders at 1st January	76,952,029	99,150,366
Increase in net assets attributable to unitholders	23,290,496	24,445,872
Proceeds from creation of units	33,315,000	7,780,152
Paid on redemption of units	(39,206,349)	(54,424,361)
Net decrease due to unitholders' transactions	(5,891,349)	(46,644,209)
Net assets attributable to unitholders at 31st December	94,351,176	76,952,029



The significant accounting policies and notes from pages 6 to 28 form an integral part of these financial statements.

## STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31ST DECEMBER

	2024 Rs.	2023 Rs.
<b>Cash flows from operating activities</b>		
Interest received	1,248,355	3,048,587
Dividend received	3,146,492	2,965,898
Management fees and trustee fees paid	(2,637,894)	(2,544,214)
Other expenses paid	(332,080)	(6,094,913)
Cash Proceeds from sale of equity securities	138,853,532	234,392,038
Purchase of equity investments	(139,654,824)	(180,191,141)
Net investment in treasury bonds / repurchase agreement	4,099,434	(9,837,419)
<b>Net cash generated from operating activities</b>	<b>4,723,015</b>	<b>41,738,836</b>
<b>Cash flows from financing activities</b>		
Proceeds from creation of units	33,367,000	7,756,022
Payments on redemption of units	(39,206,349)	(54,424,361)
<b>Net cash absorbed in financing activities</b>	<b>(5,839,349)</b>	<b>(46,668,339)</b>
<b>Cash and cash equivalents at the beginning of the year</b>	<b>7,040,144</b>	<b>11,969,648</b>
Net decrease	(1,116,334)	(4,929,503)
<b>Cash and cash equivalents at the end of the year (Note 06)</b>	<b>5,923,810</b>	<b>7,040,144</b>



The significant accounting policies and notes from pages 6 to 28 form an integral part of these financial statements.

## NOTES TO THE FINANCIAL STATEMENTS

(In the notes all amounts are shown in Sri Lankan Rupees unless otherwise stated)

### (01) GENERAL INFORMATION

CT CLSA Growth Equity Fund is an open-ended Collective Investment Scheme (CIS) approved by the Securities and Exchange Commission of Sri Lanka. The Fund was launched on 27 February 2012.

The Fund was previously managed by Guardian Acuity Asset Management (Private) Limited up to 12 January 2023. With effect from 13 January 2023, the Fund was transferred to CT CLSA Asset Management (Private) Limited [formerly Comtrust Asset Management] which is incorporated and domiciled in Sri Lanka. The registered office of the management company is located at No. 4-07, Majestic City, Colombo 04. The Trustee of the Fund is Deutsche Bank AG having its place of business at No. 86, Galle Road, Colombo 03.

The main investment objective of the Fund is to achieve long term capital appreciation through prudently investing in a portfolio of listed shares and to provide investors an opportunity to participate in the long-term performance of the Sri Lankan equity market thus giving investors access to investments with medium to long term capital growth potential. The Fund will invest in a diversified portfolio of companies to maximise the performance of the Fund.

### (02) SUMMARY OF MATERIAL ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

#### 2.1 Basis of preparation

The financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets at fair value through profit or loss. The financial statements are presented in Sri Lankan rupees. The statement of financial position is presented on a liquidity basis.

The preparation of financial statements in conformity with Sri Lanka Accounting Standards requires the use of certain critical accounting estimates. It also requires the Board of Directors to exercise its judgement in the process of applying the Fund's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in Note 2.6.

The financial statements of the Fund for the year ended 31<sup>st</sup> December 2024 were authorized for issue by the Fund Management Company and the Trustee on 24<sup>th</sup> March 2025.

#### 2.2 Statement of Compliance

The financial statements which comprise the statement of financial position as at 31 December 2024, statement of profit or loss and other comprehensive income, statement of in net assets attributable to unitholders 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 and the requirements of the Collective Investment Scheme (CIS) Deed and Collective Investment Scheme (CIS) Code of the Securities and Exchange Commission of Sri Lanka.

Notes to the financial statements continued on page 7.



## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### (02) SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

#### 2.3 Functional and presentation currency

The Fund's investors are from Sri Lanka, with the subscriptions and redemptions of the units of the Fund denominated in Sri Lankan Rupees. The primary activity of the Fund is to provide investors an opportunity to participate in listed securities and invest for capital appreciation taking a higher risk level in the medium to long term. The performance of the Fund is measured and reported to the investors in Sri Lankan Rupees. The Fund considers the Sri Lankan Rupee as the currency that most faithfully represents the economic effects of the underlying transactions, events and conditions. The financial statements are presented in Sri Lankan Rupees, which is the Fund's functional and presentation currency.

#### 2.4 Going Concern

These financial statements are 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 of curtailing materially the scale of its operation.

Management of the fund has assessed the potential impact of the current economic condition on the Fund's operations, and is confident that it will not impact the going concern ability of the fund. In a period of rising inflation and interest rates, maturing investments will be typically re-invested at new and higher rates. This will result in a general increase in the fund's running returns.

#### 2.5 Financial Instruments

##### (a) Classification

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

- those to be measured subsequently at fair value through profit or loss and
- those to be measured at amortized cost

The classification depends on the Fund's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss. For investments in equity instruments that are not held for trading, this will depend on whether the Fund has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (FVOCI).

The Fund reclassifies debt investments when and only when its business model for managing those assets changes.

The Fund's policy requires the Investment Manager and the Board of Directors to evaluate the information about these financial assets and liabilities on a fair value basis together with other related financial information.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### (02) SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

#### 2.5 Financial Instruments (Continued)

##### (b) Recognition, derecognition and measurement

Regular purchases and sales of investments are recognised on the trade date – the date on which the Fund commits to purchase or sell the investment. At initial recognition, the Fund measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Financial liabilities are classified as measured at amortized cost .

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Fund has transferred substantially all the risks and rewards of ownership or in which the Fund neither transfers nor retains sustainably all of the risks and rewards of the ownership and it does not retain the control of the financial assets.

The fund derecognizes a financial liability when its contractual obligation is discharged, canceled, or expired. The fund also derecognised a financial liability when its terms are modified and the cash flows of the modified liability are subsequently different, in which case a new financial liability based on the modified term is recognised at fair value. On derecognition of financial liability the difference between the carrying amount and consideration paid is recognised as profit or loss.

Subsequent to initial recognition, all financial assets at fair value through profit or loss are measured at fair value. Gains and losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in the statement of comprehensive income within other net changes in fair value of financial assets at fair value through profit or loss in the period in which they arise. Financial Liabilities are subsequently measured at amortized cost using the effective interest method. Financial Liabilities measured at amortized cost include accrued expenses and other payables.

Dividend income from financial assets at fair value through profit or loss is recognised in the statement of profit or loss within dividend income when the Fund's right to receive payments is established, it is probable that the economic benefits associated with the dividend will flow to the Fund, and the amount of the dividend can be measured reliably. Interest on debt securities at fair value through profit or loss is recognized in the statement of profit or loss.

A debt instrument is measured at amortised cost if it is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and its contractual terms give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Debt instruments at amortised cost in the statement of financial position comprise of investments in treasury bond and repurchase agreements. 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.

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)****(02) SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)****2.5 Financial Instruments (Continued)****(c) Fair value estimation**

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value of financial assets and liabilities traded in active markets are based on quoted market prices at the close of trading on the reporting date.

The fair value of financial assets and liabilities that are not traded in an active market is determined using valuation techniques. The Fund uses a variety of methods and makes assumptions that are based on market conditions existing at each reporting date. Valuation techniques used include the use of comparable recent ordinary transactions between market participants, reference to other instruments that are substantially the same, discounted cash flow analysis, option pricing models and other valuation techniques commonly used by market participants making the maximum use of market inputs and relying as little as possible on entity-specific inputs.

**(d) Transfers between levels of the fair value hierarchy**

Transfers between levels of the fair value hierarchy are deemed to have occurred at the beginning of the reporting period.

**(e) Subsequent measurement and gains and losses**

Financial assets at  
amortised cost

These assets are subsequently measured at amortized cost using the effective interest method. The amortised is reduced by impairment losses, if any. Interest income, losses and impairment are recognized in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

Instruments at FVTPL

These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss.

Notes to the financial statements continued on page 10.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### (02) SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

#### 2.6 Impairment

The Fund assesses on a forward-looking basis, the expected credit losses associated with its debt instruments carried at amortised cost. 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 ratings from Fitch Rating and ICRA both to determine whether the debt instrument has significantly increased in credit risk and to estimate ECLs.

Consistent with the policies of the Fund, rated below BBB- are considered non-investment grade investments and Fund considers such investments as significant deterioration of credit risk incurred. Such investments are considered for life time ECL calculation.

Further, movements within the ratings of the investment grade stipulate significant deterioration of credit risk. Significant deterioration is measured through a two notches downgrade of the external credit rating of the counterparty since the origination of the instrument.

For debt instruments at amortised cost issued by Sovereign, the Fund applies the low risk.

#### 2.7 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or the counterparty.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### (02) SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

#### 2.8 Other receivables

Other receivables are recognised initially at fair value and are subsequently measured at amortised cost. The other receivables balance is held for collection.

At each reporting date, the Fund shall measure the loss allowance on other receivables at an amount equal to the lifetime expected credit losses if the credit risk has increased significantly since initial recognition. If, at the reporting date, the credit risk has not increased significantly since initial recognition, the Fund shall measure the loss allowance at an amount equal to 12-month expected credit losses. Significant financial difficulties of the counterparty, probability that the counterparty will enter bankruptcy or financial reorganisation, and default in payments are all considered indicators that amounts may be credit impaired.

If the credit risk increases to the point that it is considered to be credit impaired, interest income will be calculated based on the gross carrying amount adjusted for the loss allowance. A significant increase in credit risk is defined by management as any contractual payment which is more than 30 days past due. Any contractual payment which is more than 90 days past due is considered credit impaired.

#### 2.9 Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks and other short-term investments in an active market with original maturities of three months or less and bank overdrafts. Bank overdrafts are shown in current liabilities in the statement of financial position.

As at 31 December 2024, cash and cash equivalents in the statement of financial position and statement of cash flows comprise of cash at bank.

#### 2.10 Accrued expenses

Accrued expenses are recognised initially at fair value and subsequently stated at amortised cost using the effective interest method.

#### 2.11 Dividend income

Dividend income is recognised when the right to receive payment is established, it is probable that the economic benefits associated with the dividend will flow to the Fund, and the amount of the dividend can be measured reliably.

#### 2.12 Transaction costs

Transaction costs are costs incurred to acquire financial assets or liabilities at fair value through profit or loss. They include fees and commissions paid to agents, advisers, brokers and dealers. Transaction costs, when incurred, are immediately recognised in profit or loss as an expense.

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)****(02) SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)****2.13 Increase / (decrease) in net assets attributable to unitholders of the Fund**

Income not distributed is included in net assets attributable to unitholders. Movements in net assets attributable to unitholders are recognised in the statement of profit or loss and other comprehensive income.

**2.14 Income tax**

Until 31st March 2018 the Fund was liable to pay income tax at the rate of 10% in accordance with the Inland Revenue Act No.10 of 2006. Thereafter, current tax assets and liabilities for the year are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date.

Subsequent to the enactment of the new Inland Revenue Act No. 24 of 2017, effective 01st April 2018, an Eligible Collective Investment Scheme (CIS) would not be liable for income tax on any income which is a pass through to its unitholders. Accordingly, post 31st March 2018, the Fund has considered all income as being a pass through to its unitholders. Effective 01st January 2020, withholding tax was abolished in respect of dividend and interest received by resident persons. Accordingly, total gross interest has been recognised as investment income.

**2.15 Expenses**

The management, trustee fees and custodian fee of the Fund as per the trust deed is as follows;

Management fee	- 2.25% p.a of net asset value of the Fund
Trustee fee	- 0.25% p.a of net asset value of the Fund
Custodian fee	- Rs. 15,000 per month

**2.16 Unitholders' Funds**

Unitholders' Funds 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 reporting 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 as described in the Trust Deed and directives issued by the Securities and Exchange Commission of Sri Lanka, by the number of units in issue. Income not distributed is included in net assets attributable to unit holders.

**2.17 Collateral**

The Fund does not hold any collateral as at 31 December 2024 (2023: Nil).

**2.18 Standards and amendments to existing standards effective 1st January 2024**

There are no standards, amendments to standards, or interpretations that impact the period starting from 1st January 2024 that have a material impact on the financial statements of the fund. New standards, amendments to standards, or interpretations effective after 1st January 2024 have not been early adopted.

Notes to the financial statements continued on page 13.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### (03) FINANCIAL RISK MANAGEMENT

The Fund's activities expose it to a variety of financial risks: market risk (including price risk and interest rate risk), credit risk and liquidity risk.

The Fund's overall risk management programme focuses on ensuring compliance with the Fund's Trust Deed and seeks to maximise the returns derived for the level of risk to which the Fund is exposed. Financial risk management is carried out by the Management Company.

Financial instruments of the Fund comprise investments in trading securities, repurchase agreements, commercial papers and fixed deposits 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.

In accordance with SLFRS 9 Financial Instruments: Recognition and Measurement, the Fund's financial investments in debt securities are classified as 'financial assets at amortised cost'. Amounts attributable to Unit Holders are classified as 'Unit Holders Funds' and are carried at the redemption amount being net asset value. Payables are designated as 'Accrued expenses' at amortised cost.

Risk arising from holding financial instruments is inherent in the Fund's activities, and is managed through a process of ongoing identification, measurement and monitoring. The Manager is responsible for identifying and controlling the risk arising from the financial instruments held in the Fund and has policies for managing each of the risks identified below.

The Manager also monitors information about the total fair value of financial instruments exposed to risk, as well as compliance with established investment mandate and regulatory 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 Management Company on a regular basis as deemed appropriate, including the Fund Manager, Risk and Investment Personnel and ultimately the Trustees of the Fund.

The Fund uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate and other price risks and ratings analysis for credit risk.

Concentration of risk arises when a number of financial instruments or contracts are entered in to with the same counterparty, or where a number of counterparties are engaged in similar business activities. The Securities and Exchange Commission of Sri Lanka as Regulator has stipulated the level of concentration permitted per counter party. The Fund itself applies and adheres to stringent internal limits.

Further, the Manager has appointed an investment committee which meets monthly to review, evaluate and reassess the investment policies and risk.



**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)****(03) FINANCIAL RISK MANAGEMENT (CONTINUED)****3.1 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. 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 is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices.

The Fund also manages its exposure to price risk by analysing the investment portfolio by industrial sector and benchmarking the sector weighting to that of the All Share Price Index (ASPI). The Fund's policy is to concentrate the investment portfolio in sectors where management believe the Fund can maximise the returns derived for the level of risk to which the Fund is exposed. Note 7.2 provides a summary of the significant sector concentrations within the equity portfolio, net of securities sold short.

**(a) Price risk**

Price risk is the risk that the fair value of the Fund's investment in trading securities in fluctuates as a result of changes in the price of the Fund's investments in trading securities. Price risk exposure arises from the Fund's investment portfolios.

This risk is managed by ensuring that all investment activities are undertaken in accordance with established investment restrictions and investments strategies. As such, Unit holders can manage this risk through their choices of which investment portfolios to participate in.

Within the underlying investment portfolio, diversification is achieved at a number of levels. The diversified portfolio is invested across a range of market sectors.

Paragraph below sets out how this component of price risk is managed and measured. Investments are classified in the statement of financial position at fair value through profit or loss. All securities investments present a risk of loss of capital, the maximum risk resulting from financial instruments is determined by the fair value of the financial instruments.

The table below shows the impact on the statement of profit or loss and other comprehensive income and statement of financial position due to a reasonably possible change in the price of the Fund's investment in financial assets held at fair value through profit or loss in Note 07, with all other variables held constant:

	2024    2023 Increase / (decrease) of (loss) / profit before tax and amounts attributable to Unit Holders	
Change in price of the Fund's investments in financial assets held at fair value through		
+ 10%	7,686,220	4,803,364
- 10%	(7,686,220)	(4,803,364)

Notes to the financial statements continued on page 15.



**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)****(03) FINANCIAL RISK MANAGEMENT (CONTINUED)****3.1 Market risk (Continued)****(b) Interest rate risk**

Interest rate risk arises from the effects of fluctuations in the prevailing levels of markets interest rates on the fair value of financial assets.

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 instruments it is reasonably expected that the fluctuation in interest rate will not materially impact the net assets value of the Fund. The table below summarizes the Fund's exposure to interest rate risks.

	Floating interest rate	Fixed interest rate	Non- interest bearing	Total
<b>31st December 2024</b>				
<i>Financial assets</i>				
Financial instruments at amortised cost	-	15,150,377	-	15,150,377
Cash and cash equivalents	-	5,923,810	-	5,923,810
Other receivables	-	294,578	-	294,578
<b>Total exposure</b>	<b>-</b>	<b>21,368,765</b>	<b>-</b>	<b>21,368,765</b>
	Floating interest rate	Fixed interest rate	Non- interest bearing	Total
<b>31st December 2023</b>				
<i>Financial assets</i>				
Financial instruments at amortised cost	-	19,864,129	-	19,864,129
Cash and cash equivalents	-	7,040,144	-	7,040,144
Other receivables	-	2,888,094	-	2,888,094
<b>Total exposure</b>	<b>-</b>	<b>29,792,366</b>	<b>-</b>	<b>29,792,366</b>

Notes to the financial statements continued on page 16.

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)****(03) FINANCIAL RISK MANAGEMENT (CONTINUED)****3.2 Credit risk**

The Fund is exposed to credit risk, which is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

The main concentration of credit risk, to which the Fund is exposed, arises from the Fund's investment in government repurchases agreements and cash and cash equivalents. The exposure to credit risk for repurchase agreements is very low as the Fund has considered the collateral that the primary dealers provided which are government bills and bonds rated as risk free.

The Fund is also subject to credit risk on its bank balance and receivables. The carrying value of these assets under SLFRS 9 impairment represents the Fund's maximum exposure to credit risk on financial instruments and are not deemed to be significant. Hence, no separate credit risk disclosure is provided for these instruments.

All transactions in listed securities are settled/paid for upon delivery using approved brokers. The risk of default is considered minimal, as delivery of securities sold is only made once the broker has received payment. Payment is made on a purchase once the securities have been received by the broker. The trade will fail if either party fails to meet its obligation.

The maximum exposure to credit risk before any credit enhancements at 31 December is the carrying amount of the financial assets as set out below:

	2024 (Rs.)	2023 (Rs.)
Financial instruments at amortised cost	15,150,377	19,864,129
Cash and cash equivalents	5,923,810	7,040,144
Other assets	294,578	2,888,094
<b>Total</b>	<b>21,368,765</b>	<b>29,792,367</b>

**3.3 Liquidity risk**

Liquidity risk is the risk that the Fund may not be able to generate sufficient cash resources to settle its obligations in full as they fall due or can only do so on terms that are materially disadvantageous.

The Fund is exposed to daily cash redemptions of units. Due to the nature of a Collective Investment Scheme (CIS), it is unlikely that a significant number of unit holders would exit at the same time. However, to control liquidity risk, it primarily holds investments that are traded in an active market and can be readily disposed.

The time frame for return of cash to investors is six business days in which time equities may be liquidated to realise cash for redemption payouts. In addition, the Securities 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.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### (03) FINANCIAL RISK MANAGEMENT (CONTINUED)

#### 3.3 Liquidity risk (Continued)

Furthermore, the Collective Investment Scheme (CIS) code requires a minimum of 3% of the deposited property to be maintained in cash or near cash (near cash means investments such as bank/call deposits, repurchase agreements with maturities of less than 3 months, commercial paper endorsed or guaranteed by a Licensed Commercial Bank or Licensed Specialised Bank with maturities of less than 3 months and government securities including government bonds with maturities of less than one year which can be readily convertible into cash).

The table below analyses the Fund's non-derivative financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position date to the contractual maturity date. The amounts stated below are the contractual undiscounted cash flows.

	Less than 7 days	7 days to 1 month	1 to 12 Months	More than 12 months
<i>31st December 2024</i>				
Accrued expenses and other payables	3,316,480	234,978	328,329	-
<i>31st December 2023</i>				
Accrued expenses and other payables	1,785	181,779	690,410	-

#### 3.4 Capital risk management

The Fund considers its net assets attributable to unit holders as capital. The amount of net assets attributable to unit holders can change significantly on a daily basis as the Fund is subject to daily applications and redemptions at the discretion of unit holders. The Fund's objective when managing capital is to safeguard the Fund's ability to continue as a going concern in order to provide returns for shareholders, provide benefits for other stakeholders and maintain a strong capital base to support the development of the investment activities of the Fund.

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 Collective Investment Scheme (CIS) 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 unit holders.

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)****(03) FINANCIAL RISK MANAGEMENT (CONTINUED)****3.4 Capital risk management (Continued)**

Following being the disclosures of Unitholders' funds;

The movement in the Unitholder's funds as at 31st December 2024

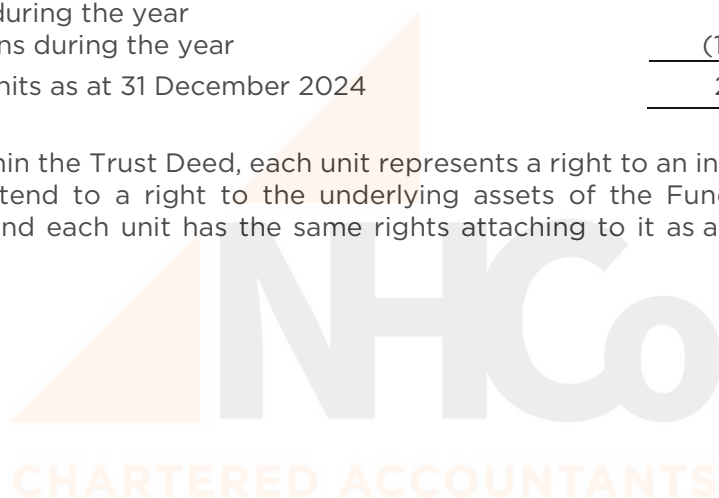
**In term of value (Rs.)**

Unitholders' funds as at 01 January 2024	76,952,029
Creations during the year	33,315,000
Redemptions during the year	(39,206,349)
Increase in net assets attributable to Unitholders	23,290,496
Unitholders' Funds as at 31 December 2024	<u>94,351,176</u>

**In term of no. of units**

Opening no. of units as at 01 January 2024	3,148,001
Unit creations during the year	1,169,858
Unit redemptions during the year	(1,482,259)
Closing no of units as at 31 December 2024	<u>2,835,600</u>

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



**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)****(04) INTEREST INCOME**

	2024 Rs.	2023 Rs.
Commercial papers	118,425	-
Repurchase agreements	701,951	493,362
Savings deposits	208,162	270,944
Treasury bills	374,885	1,994,912
Treasury bonds	64,940	285,928
	<u>1,468,363</u>	<u>3,045,146</u>

Subsequent to the enactment of the Inland Revenue Act No. 24 of 2017, effective 1 April 2018, notional tax is not applicable for treasury bond and repurchase agreements. In relation to interest income from savings accounts, income has been recognized net of withholding tax as the Fund considers its income to be a pass through to its unitholders. Effective 1 January 2020, withholding tax was abolished in respect of dividend, interest, discount charge, natural resource payment, rent, royalty, premium or retirement payment received and / or on service performed by resident persons. The withholding taxes was re-imposed with effect from 1 January 2023 at the rate of 5%.

**(05) INCOME TAX EXPENSE**

	2024 Rs.	2023 Rs.
Current tax expense	-	-
	<u>-</u>	<u>-</u>

With effect from 1 April 2018, no income tax is recognised in the financial statements as the fund has considered all income as being passed through to its Unit Holders.

- (5.1) Tax loss brought forward**  
 Adjustments based on prior period income tax returns  
 Tax losses incurred during the year  
 Tax losses carried forward

	2024 Rs.	2023 Rs.
	34,878,359	34,878,359
	-	-
	-	-
	<u>34,878,359</u>	<u>34,878,359</u>

**(5.2) Income tax receivable**

- Income tax receivable  
 Impairment provision for carried forward notional tax credit  
 (Note 5.3)

	2024 Rs.	2023 Rs.
	1,295,897	1,295,897
	(1,295,897)	(1,295,897)
	<u>-</u>	<u>-</u>

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)****(05) INCOME TAX EXPENSE (CONTINUED)**

**(5.3)** As of 31 December 2024, Income Tax recoverable comprises of Notional Tax credit amounting to Rs. 1,214,257 and WHT credit of Rs 81,640. Notional Tax credit carried forward balance will be carried forward as per section 138 (2) of the inland Revenue Act No. 10 of 2006 to be set off against future income tax liability if any within three consecutive years of assessment commencing from the year of assessment 2018 / 2019. However, subsequent to the enactment of the new Inland Revenue Act No. 24 of 2017, effective 1 April 2018, an Eligible Unit Trust would not be liable for income tax on any income which is a pass through to its unit holders. Therefore, the Manager is unable to assess with reasonable certainty that there will be a future income tax liability to offset this income tax receivable balance. Accordingly, an impairment provision is made against the income tax receivable balance amounting to Rs.1,295,897 (2023 - Rs.1,295,897).

**(06) CASH AND CASH EQUIVALENTS****Favourable balances****Current accounts**

Deutsche Bank

- A/c. No. 0043133300

DFCC Bank PLC

- A/c. No. 102003721164

Cash and cash equivalents for the purpose of statement of cash flows

2024 Rs.	2023 Rs.
5,835,057	2,010,833
88,753	5,029,311
<u>5,923,810</u>	<u>7,040,144</u>

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

## (07) FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS

		2024		2023	
		Cost Rs.	Carrying value Rs.	Cost Rs.	Carrying value Rs.
Equity securities	(Note 7.1)	59,477,556	76,862,198	35,900,666	48,033,638
<b>Total financial assets at fair value through profit and loss</b>		<b>59,477,556</b>	<b>76,862,198</b>	<b>35,900,666</b>	<b>48,033,638</b>

		2024 Rs.	2023 Rs.
Other net changes in fair value on financial assets at fair value through profit and loss:			
Realised		7,881,103	14,991,389
Unrealised		17,384,642	12,132,972
<b>Total net changes in fair value on financial assets at fair value through profit and loss</b>		<b>25,265,745</b>	<b>27,124,361</b>
<b>(7.1) Investment in equity shares</b>			
Cost as at 31st December		59,477,556	35,900,666
Unrealised gain on financial assets at fair value through profit and loss		17,384,642	12,132,972
<b>Market value as at 31st December</b>		<b>76,862,198</b>	<b>48,033,638</b>

## (7.2) Equity investment by category

Company	2024			2023		
	Number of shares	Fair value Rs.	% of net assets	Number of shares	Fair value Rs.	% of net assets
<b>Banks</b>						
Sampath Bank PLC	40,980	4,845,885	5%	67,180	4,736,190	6%
Commercial Bank of Ceylon PLC	10,831	1,567,787	2%	-	-	-
Hatton National Bank PLC	9,353	2,990,622	3%	-	-	-
DFCC Bank PLC	-	-	-	28,500	2,268,600	3%
		<b>9,404,294</b>	<b>10%</b>		<b>7,004,790</b>	<b>9%</b>
<b>Capital goods</b>						
John Keells Holdings PLC	52,500	1,186,500	1%	28,475	5,438,725	7%
Access Engineering PLC	170,435	5,880,008	6%	107,357	2,179,347	0%
Hayleys PLC	43,265	5,678,531	6%	32,300	2,306,220	3%
Royal Ceramics Lanka PLC	70,000	3,045,000	3%	-	-	-
ACL Cables PLC	26,876	3,184,806	3%	13,500	928,800	1%
		<b>18,974,845</b>	<b>20%</b>		<b>10,853,092</b>	<b>11%</b>

Notes to the financial statements continued on page 22.

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)****(07) FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS (CONTINUED)**

Company	2024			2023		
	Number of shares	Fair value Rs.	% of net assets	Number of shares	Fair value Rs.	% of net assets
<b>Consumer durables and apparel</b>						
Teejay Lanka PLC	-	-	-	31,213	1,133,032	1%
		-	-		1,133,032	1%
<b>Consumer services</b>						
Serendib Hotels PLC	87,800	1,914,040	2%	220,000	2,750,000	4%
Properties PLC	-	-	-	20,000	1,160,000	1%
		1,914,040	2%		3,910,000	5%
<b>Diversified financials</b>						
People's Leasing and Finance PLC	309,402	5,259,834	6%	354,000	3,787,800	5%
LOLC Holdings PLC	5,600	3,865,400	4%	-	-	-
Capital Alliance PLC	-	-	-	19,009	1,009,378	1%
		9,125,234	10%		4,797,178	6%
<b>Food &amp; Staples Retailing</b>						
Cargills (Ceylon) PLC	8,503	3,571,260	4%	8,503	2,878,266	4%
		3,571,260	4%		2,878,266	4%
<b>Food Beverage and Tobacco</b>						
Distilleries Company of Sri Lanka	86,742	3,382,938	4%	-	-	-
Ceylon Tobacco Company PLC	3,000	4,191,750	4%	-	-	-
Sunshine Holdings PLC	50,706	5,070,600	5%	78,225	3,989,475	5%
Ceylon Cold Stores PLC	-	-	-	-	-	-
Melstacorp PLC	20,000	2,460,000	3%	42,000	3,540,600	5%
		15,105,288	16%		7,530,075	10%
<b>Insurance</b>						
Janashakthi Insurance PLC	15,000	825,000	1%	-	-	-
People's Insurance PLC	-	-	-	153,113	3,460,354	4%
		825,000	1%		3,460,354	4%

Notes to the financial statements continued on page 23.



**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)****(07) FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS (CONTINUED)**

Company	2024			2023		
	Number of shares	Fair value Rs.	% of net assets	Number of shares	Fair value Rs.	% of net assets
<b>Materials</b>						
Tokyo Cement						
Company (Lanka) PLC	49,339	3,453,730	4%	84,094	3,868,324	5%
Dipped Products PLC	48,660	2,651,970	3%	-	-	-
		6,105,700	6%		3,868,324	5%
<b>Telecommunication Services</b>						
Dialog Axiata PLC	160,000	1,872,000	2%	-	-	-
		1,872,000	2%		-	-
<b>Consumer Durables &amp; Apparel</b>						
Hayleys Fabric PLC	80,557	4,430,635	5%	-	-	-
		4,430,635	5%		-	-
<b>Independent Power Producers &amp; Energy Traders</b>						
Windforce PLC	151,575	3,743,903	4%	-	-	-
		3,743,903	4%		-	-
<b>Retailing</b>						
Singer Sri Lanka PLC	-	-	-	216,544	2,598,527	3%
LB Finance PLC	20,000	1,790,000	2%	-	-	-
		1,790,000	2%		2,598,527	3%
		76,862,198	81%		48,033,638	62%

**(7.3) Net realised gain on financial assets at fair value through profit and loss**

	2024 Rs.	2023 Rs.
<b>Equity securities</b>		
Proceeds on sale of equity shares	136,092,009	237,153,560
Cost of equity shares sold	(128,210,906)	(222,162,171)
	7,881,103	14,991,389
<b>Debt securities</b>	(614,318)	110,224
	7,266,785	15,101,613

**(7.4) Net change in unrealised gain on financial assets at fair value**

Equity securities	17,384,642	11,686,369
Debt securities	-	336,379
	17,384,642	12,022,749

Notes to the financial statements continued on page 24.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### (08) FINANCIAL ASSETS AT AMORTISED COST

		2024 Rs.	2023 Rs.
<b>Debt instruments at amortised cost</b>			
Treasury bill / bond repurchase agreements	(Note - 8.1)	15,150,377	15,303,941
Treasury bonds	(Note - 8.2)	-	4,560,188
		<u>15,150,377</u>	<u>19,864,129</u>

#### (8.1) Treasury bill / bond repurchase agreements

	2024		2023	
	Carrying value Rs.	Holding as a % of net asset value	Carrying value Rs.	Holding as a % of net asset value
Acuity Securities Limited - LKA36424B238	-	-	5,048,496	7%
First Capital Treasuries PLC - LKB01032G019	-	-	5,158,356	7%
First Capital Treasuries PLC - LKB01032G014	-	-	5,097,089	7%
First Capital Treasuries PLC - LKB00628A153	5,121,918	5%	-	-
First Capital Treasuries PLC - LKB01231C151	5,022,774	5%	-	-
First Capital Treasuries PLC - LKB01231C151	5,005,685	5%	-	-
	<u>15,150,377</u>	<u>16%</u>	<u>15,303,941</u>	<u>20%</u>

#### (8.2) Treasury bonds

	2024		2023	
	Carrying value Rs.	Holding as a % of net asset value	Carrying value Rs.	Holding as a % of net asset value
First Capital Treasuries - LKB01530E152	-	-	4,560,188	6%
	<u>-</u>	<u>-</u>	<u>4,560,188</u>	<u>6%</u>

### (09) OTHER RECEIVABLES

	2024 Rs.	2023 Rs.
Amount receivable on creation of units	71,130	123,130
Sales proceeds receivable	-	2,761,523
Interest receivable	29	3,441
Other receivable	223,419	-
	<u>294,578</u>	<u>2,888,094</u>

Notes to the financial statements continued on page 25.

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)****(10) ACCRUED EXPENSES**

	2024 Rs.	2023 Rs.
Auditors remuneration	175,000	556,125
Fund manager payable	194,420	144,249
Other payables	2,778	1,785
Purchases awaiting settlement	3,313,702	-
Tax consultancy fees	153,329	134,285
Trustee fee and custodian fee payable	40,558	37,530
	<u>3,879,787</u>	<u>873,974</u>

**(11) FAIR VALUE OF FINANCIAL INSTRUMENTS****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 - Inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

Level 2 - Inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and

Level 3 - Inputs are unobservable inputs for the asset or liability

The following table shows an analysis of financial instruments recorded at fair value by level of the fair value hierarchy:

	Level 1	Level 2	Level 3
<b>Financial assets held at fair value through profit or loss</b>			
<i><b>Quoted equity securities</b></i>			
As at 31st December 2024	76,862,198	Nil	Nil
As at 31st December 2023	48,033,638	Nil	Nil

**Financial assets and financial liabilities not carried at fair value**

For financial assets and financial liabilities that have a short term maturity (original maturities less than a year), it is assumed that the carrying amounts approximate their fair values.

Accordingly, the following is a list of financial instruments whose carrying amount is a reasonable approximation of fair value.

**Assets**

Cash and cash equivalents  
Financial instruments at amortised cost  
Other receivables

**Liabilities**

Accrued expenses and other payables

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)****(12) CONTINGENT LIABILITIES**

There were no material contingent liabilities as at the reporting date which require adjustments to, or disclosure in, the financial statements.

**(13) CAPITAL COMMITMENTS**

There were no material capital expenditure commitments as at the reporting date which require adjustments to, or disclosure in, the financial statements.

**(14) UNITS IN ISSUE AND UNIT PRICE**

Units in issue and deemed to be in issue as at 31 December 2024 is 2,835,600 (31 December 2023: 3,148,001) and the creation unit price as at this date is Rs.33.5133 (31 December 2023: Rs.24.6156) and the redemption unit price as at this date is Rs.32.9062 (31 December 2023: Rs.24.2738) .

**(15) RELATED PARTY DISCLOSURE**

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions.

**(15.1) Management company and trustee**

The Management Company is CT CLSA Asset Management (Private) Limited.

The Trustee and Custodian of the Fund is Deutsche Bank AG.

Notes to the financial statements continued on page 27.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### (15) RELATED PARTY DISCLOSURE (CONTINUED)

#### (15.2) Key management personnel

Key management personnel includes persons who were directors of CT CLSA Asset Management (Private) Limited at any time during the financial year.

##### Directors

Ms. Cecilia Page  
Mr. Joseph Page  
Mr. Zakir Mohameddally  
Ms. Bimane Meepagala  
Ms. Coralie Pietersz  
Mr. Simon Hempel

Other persons with responsibility for planning, directing and controlling the activities of the Fund, directly or indirectly during the financial year.

Mr. Kuhan Vinayagasundarama - Chief Investment Officer  
Ms. Hansini Aravinda - Senior Financial Analyst

#### (15.3) Key management personnel compensation

Key management personnel are paid by CT CLSA Asset Management (Private) Limited. Payments made from the Fund to CT CLSA Asset Management (Private) Limited do not include any amounts directly attributable to the compensation of key management personnel.

#### (15.4) Other transactions within the Fund

Apart from those details disclosed in Note 15.5 and 15.6 key management personnel have not entered in to any other transactions involving the Fund during the financial year.

#### (15.5) Related party unit holding and other transactions

As at 31st December 2024	Relationship	No. of units	Value of units held	Total interest held	Distribution paid or payable by the Fund
Unitholder			Rs.	%	
Ms. Hansini Aravinda	Key Management Personnel	890	29,292	0.031%	No
As at 31st December 2023	Relationship	No. of units	Value of units held	Total interest held	Distribution paid or payable by the Fund
Unitholder			Rs.	%	
-	-	-	-	-	-

Notes to the financial statements continued on page 28.

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)****(15) RELATED PARTY DISCLOSURE (CONTINUED)****(15.6) Transactions with and amounts due to related parties**

The fees charged by the Management Company, Trustee and other related parties for services provided during the year and the balances outstanding from such dues as at year end are as disclosed below:

	Charge for the year 31st December		Payable as at 31st December	
	2024 Rs.	2023 Rs.	2024 Rs.	2023 Rs.
<b>CT CLSA Asset Management (Private) Limited</b>				
Management fees	2,218,102	1,986,877	175,000	144,249
<b>Deutsche Bank AG</b>				
Trustee fees and custodian fees	472,991	472,710	194,420	37,530

**(16) RECONCILIATION BETWEEN THE NET ASSET VALUE AS PER FINANCIAL STATEMENTS AND THE PUBLISHED NET ASSET VALUE**

	2024 Rs.	2023 Rs.
Net asset value as per financial statements	94,351,176	76,952,029
Audit fee adjustment	(181,576)	-
Published net asset value	<u>94,169,599</u>	<u>76,952,029</u>
Number of units outstanding	2,835,600	3,148,001
Net asset value per unit	<b>33.2098</b>	<b>24.4447</b>

**(17) EVENTS OCCURRING AFTER THE REPORTING DATE**

There have been no material events occurring after the reporting date that require adjustments to, or disclosure in, the financial statements.

## NIHAL HETTIARACHCHI & COMPANY

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