

CT CLSA INCOME FUND

ANNUAL REPORT AND AUDITED ACCOUNTS

**FOR THE PERIOD ENDED
31ST DECEMBER 2023**



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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 Income 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.



Director
Management Company



Director
Management Company

DEUTSCHE BANK AG

Sri Lanka Branch



Trustee of the Fund

FUND MANAGER'S REVIEW

FUND MANAGERS' REVIEW

Economic Review

The Sri Lankan economy grew by 1.6%¹ YoY in 3Q2023 followed by six consecutive quarters of GDP contraction. Growth was driven by expansion in all three major economic sectors specially in agricultural sector. Accordingly, The Agricultural, Industrial and Service activities expanded by 3%,¹ 0.3%,¹ 1.3%¹ respectively in the 3Q2023. The favourable changes in exchange rates, lower interest rates and moderation in inflation improved growth prospects. The World Bank expect the Sri Lankan economy to expand by 1.7%² in 2024. The robust inflows from tourism and workers' remittances would argue well for growth in 2024.

Interest Rate Environment

Sri Lankan economy faced its worst financial crisis post-independence history with inflation sky rocketing and foreign exchange reserves falling to record low levels. To stabilise the economy Central Bank increased its monetary policy rates by 1050³ basis points (Bps) up to May 2023. Macro fundamentals reacted positively to monetary tightening measures which were underway and inflation moderated at a faster than anticipated phase. Due to the price moderation the Central Bank slashed policy rates by 650³Bps effective from June 2023 and decided to maintained the Standing Deposit Facility Rate (SDFR) Standing Lending Facility Rate (SLFR) at 9.00⁴ % and 10.00⁴ % respectively as of the latest monetary policy review. We believe further monetary policy easing measures will be paused in the near term and let market interest rates adjust downward further in line with the monetary policy easing measures undertaken thus far. Accordingly, we believe market interest rates to converge with policy rates in the medium term aided by improved market liquidity and subdued demand side pressures to inflation.

Moreover, the yields on government securities have witnessed a notable decline supported by falling risk premia in response to the policy measures taken thus far and the receipt of IMF and other development partner funds.

The outstanding credit to the private sector by banking sector has expanded notably since June 2023 and is expected further expand in the period ahead.

¹ Department of Census and Statistics, National Accounts 3Q2023

² <https://thedocs.worldbank.org/en/doc/661f109500bf58fa36a4a46eeace6786-0050012024/related/GEP-Jan-2024-Regional-Highlights-SAR.pdf>

³ EQ working

⁴ Monetary Policy Review No. 08– November 2023

Inflation

Headline inflation measured by the Colombo Consumer Price Index (CCPI, 2021 = 100) closed at 4%⁵ in December 2023 compared to 59.20%⁶ in December 2022. Food Inflation increased 0.3%⁵ Year on year while non-food inflation declined 5.8%⁵ year on year in December 2023. Due to the increase in VAT effective on January 2024, (from 15% to 18%) coupled with many exemptions on VAT being removed a one-off upward momentum in inflation is expected in the near term which is expected to be temporary.

External Sector

In 2023, the external sector witnessed a considerable improvement. Significant increase in worker remittances and higher earnings from tourism help support the external trade. The gross official reserves of the country increased to US dollar 4.4⁷ billion by end December 2023 including the swap facility of US dollar 1.4⁷ billion from the Peoples Bank of China which is subject to conditionalities on usability. Foreign investment in government security market recorded net inflow of US \$ 210⁷ Mn during 2023. Meanwhile the exchange rate recorded an appreciation of 12.1%⁷ during the year and stood at LKR 323.92/US \$⁷ at the end of 2023.

⁵ CBSL -Press release Inflation in December 2023- CCPI

⁶ CBSL- Press release Inflation in December 2022- CCPI

⁷ CBSL – Press release External Sector Performance- December 2023

CTCLSA Income Fund (Inception: 26th July., 2021)

Fund Manager

Kuhan Vinayagasundaram

Fund Objective and Benchmark

The investment objective of the CTCLSA Income Fund is to provide an annual income by investing in a portfolio of fixed income securities with a moderate level of risk. The Fund will invest in corporate debt and government securities to provide a suitable return for unit holders considering the risk and return requirements of the fund.

Commentary

During 2023, the CTCLSA Income Fund provided an annualized return of 26.13%¹⁵ to its investors. The fund focused primarily on government securities and other fixed income instruments with issuers of investment grade rating and above. Duration of the fund was 4.03¹⁵ years while 100%¹⁵ of the fund invested in A- and above rated instruments.

Exhibit 03: Fund Return vs. Benchmark Return¹⁵

Period	GAIF	NDBIB-CRISIL 364 Day T-Bill Index	GAIF-Annualised
2023	26.13%	33.52%	26.13%
Since Inception	44.67%	34.49%	18.36%

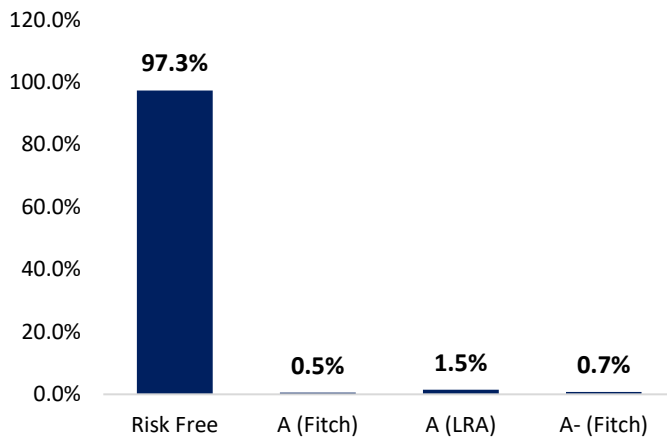
**Performances are based on month end prices as of 31st December 2023. Performance data included in this document represents past performance and is no guarantee of the future results.*

During the period under consideration the fund invested in longer durations instruments to enhance the yield amidst declining interest rates while holding treasury bonds with the aim of realizing capital gain when interest rate decline. Consequently, the CTCLSA Income Fund has generated an annualized return of 26.13%¹⁵ at the end of 2023.

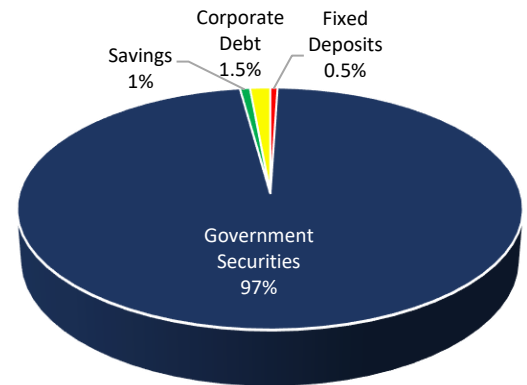
¹⁵ Income Fund – Fact Sheet – December 2023

Key Facts of the Fund²

FUND CREDIT QUALITY - % OF NAV

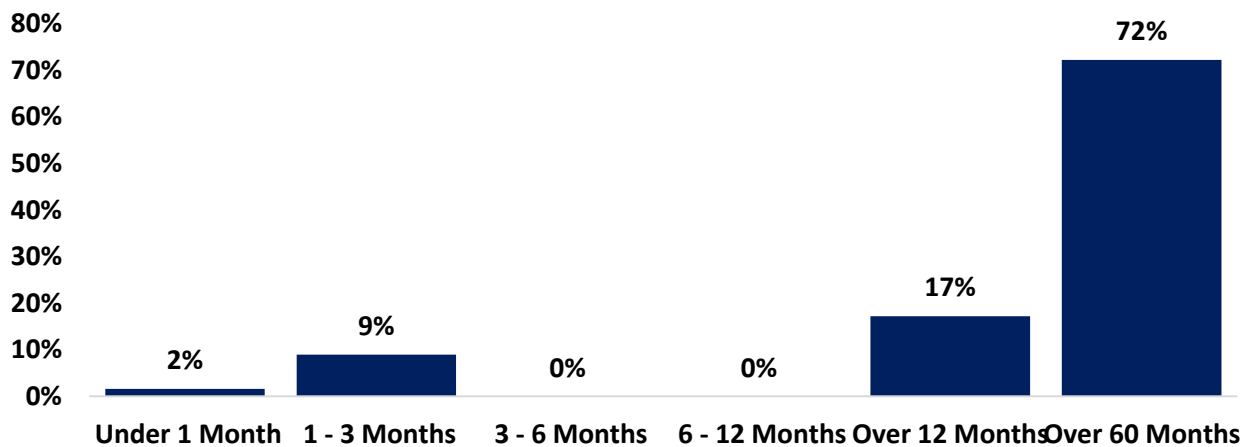


ASSET ALLOCATION



As at 31st December 2023, the total net asset value of the fund was Rs. 1127.33¹⁵ million with 58¹²-unit holders in the fund. The subscription and redemption price for the fund on 31st December 2023 was Rs. 14.4671¹⁵

MATURITY PROFILE - % OF NAV



² Fact Sheet – Income Fund

FINANCIAL STATEMENTS
31ST DECEMBER 2023

CT CLSA INCOME FUND

**FINANCIAL STATEMENTS
31 DECEMBER 2023**

CT CLSA INCOME FUND

**FINANCIAL STATEMENTS
31 DECEMBER 2023**

CT CLSA INCOME FUND

FINANCIAL STATEMENTS - 31 DECEMBER 2023

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Independent auditor's report

To the Unit Holders of CT CLSA Income Fund

Report on the audit of the financial statements

Our opinion

We have audited the financial statements of CT CLSA Income Fund (the Fund). The financial statements of the Fund comprise:

- the statement of financial position as at 31 December 2023;
- the statement of profit or loss and other comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; 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 31 December 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 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 Ethics 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.

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 Unit Holders but does not include the financial statements and our auditor's report thereon. The Annual Report to the Unit Holders 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.

Independent auditor's report

To the Unit Holders of CT CLSA Income Fund (Contd)

Report on the audit of the financial statements (Contd)

Other information (Contd)

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 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 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.

Independent auditor's report

To the Unit Holders of CT CLSA Income Fund (Contd)

Report on the audit of the financial statements (Contd)

Auditor's responsibilities for the audit of the financial statements

- 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 any 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.

Deloitte Partners

CHARTERED ACCOUNTANTS

COLOMBO

15 April 2024



CT CLSA INCOME FUND**Statement of profit or loss and other comprehensive income**

(all amounts in Sri Lankan Rupees)

	Notes	For the year ended 31 December	
		2023	2022
Income			
Interest income	4	79,839,672	24,962,747
Realised gain on financial assets at fair value through profit or loss		203,510	1,044,213
Unrealised gain on financial assets at fair value through profit or loss		40,422,704	Nil
Total income		120,265,886	26,006,960
Operating expenses			
Management fees		(1,592,580)	(701,481)
Trustee and custodian fees		(1,151,625)	(591,489)
Audit fees		(304,888)	(288,210)
Bank charges		(55,421)	(58,961)
Tax consultancy fee		(159,960)	(115,005)
Interest expense		(197)	Nil
Total operating expenses		(3,264,371)	(1,755,146)
Profit before tax		117,001,515	24,251,814
Income tax expense	5	Nil	Nil
Net profit after tax for the year		117,001,515	24,251,814
Increase in net assets attributable to unit holders		117,001,515	24,251,814

The notes on pages 8 to 20 form an integral part of these financial statements

Independent auditor's report - pages 1 to 3



CT CLSA INCOME FUND**Statement of financial position**

(all amounts in Sri Lankan Rupees)

	Notes	As at 31 December	
		2023	2022
Assets			
Financial assets at fair value through profit or loss	8	996,078,988	Nil
Financial instruments at amortised cost	7	123,819,002	78,332,768
Cash and cash equivalents	6	8,074,612	52,784,330
Subscriptions receivable		198,343	56,000
Other receivables		91,743	Nil
Total assets		1,128,262,688	131,173,098
Liabilities			
Accrued expenses and other payables	9	924,661	477,810
Liabilities (excluding net assets attributable to unit holders)		924,661	477,810
Net assets attributable to unit holders		1,127,338,027	130,695,288
Unit holders' funds			
Net assets attributable to unit holders		1,127,338,027	130,695,288
		1,127,338,027	130,695,288

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. Signed for and on behalf of the Management Company and Trustee on 15 April 2024.


 Director
 Management Company
DEUTSCHE BANK AG
 Coleraine Branch

 Trustee
 Deutsche Bank AG


 Director
 Management Company

The notes on pages 8 to 20 form an integral part of these financial statements

Independent auditor's report - pages 1 to 3



CT CLSA INCOME FUND**Statement of changes in net assets attributable to unit holders**

(all amounts in Sri Lankan Rupees)

	For the year ended 31 December	
	2023	2022
Net assets attributable to unit holders at 1 January 2023	130,695,288	293,564,194
Increase in net assets attributable to unit holders	117,001,515	24,251,814
Proceeds from creation of units	1,103,409,552	5,675,347
Paid on redemption of units	(223,768,328)	(192,796,067)
Net increase due to unit holders' transactions	879,641,224	(187,120,720)
Net assets attributable to unit holders at 31 December 2023	1,127,336,027	130,695,288

The notes on pages 8 to 20 form an integral part of these financial statements

Independent auditor's report - pages 1 to 3



CT CLSA INCOME FUND**Statement of cash flows**

(all amounts in Sri Lankan Rupees)

	Notes	For the year ended 31 December	
		2023	2022
Cash flows from operating activities			
Interest received		79,751,439	24,982,747
Management fees and trustee fees paid		(2,348,901)	(1,350,656)
Other expenses paid		(468,618)	(208,114)
Net investment in treasury bills / bonds / repurchase agreement		(1,037,119,600)	16,061,429
Net investment in fixed deposits		36,033,081	164,005,163
Net cash flow (used in) / generated from operating activities		(924,152,599)	203,470,568
Cash flows from financing activities			
Proceeds from creation of units		1,103,211,209	5,619,347
Payments on redemption of units		(223,768,328)	(192,798,067)
Net cash generated from / (used in) financing activities		879,442,881	(187,176,720)
Net (decrease) / increase in cash and cash equivalents		(44,709,719)	16,293,849
Cash and cash equivalents at the beginning of the year		52,784,330	36,490,481
Cash and cash equivalents at the end of the year	6	8,074,612	52,784,330

The notes on pages 8 to 20 form an integral part of these financial statements

Independent auditor's report - pages 1 to 3



CT CLSA INCOME FUND

Notes to the financial statements

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

1 General information

CT CLSA Income Fund is an open ended unit trust fund approved by the Securities and Exchange Commission of Sri Lanka. The Fund was launched on 26 July 2021.

The Fund was previously managed by Guardian Acuity Asset Management 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 investment objective of the Fund is to provide an annual income by investing in a portfolio of fixed income securities with a moderate level of risk by investing in corporate debt and government securities.

2 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.

2.2 Date of authorization

The financial statements of the Fund for the period ended 31 December 2023 were authorized for issue by the Fund Management Company and the Trustee on 15 April 2024.

2.3 Statement of Compliance

The financial statements which comprise the statement of financial position as at 31 December 2023, statement of profit or loss and other comprehensive income, statement of in net assets attributable to unit holders 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 Unit Trust Deed, Collective Investment Scheme Code (CIS Code) and Circular No. 01/2009 of the Securities and Exchange Commission of Sri Lanka.

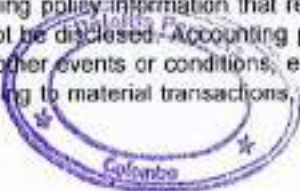
(a) Standards and amendments to existing standards effective 1 January 2023

The und has applied the following standards and amendments for the first time for its annual reporting period commencing 1 January 2023:

- Amendments to LKAS 1 Presentation of Financial Statements and SLFRS Practice Statement 2 Making Materiality Judgements—Disclosure of Accounting Policies

The Fund has adopted the amendments to LKAS 1 for the first time in the current year. The amendments change the requirements in LKAS 1 with regard to disclosure of accounting policies. The amendments replace all instances of the term 'significant accounting policies' with 'material accounting policy information'. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

The supporting paragraphs in LKAS 1 are also amended to clarify that accounting policy information that relates to immaterial transactions, other events or conditions is immaterial and need not be disclosed. Accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material.



CT CLSA INCOME FUND

Notes to the financial statements (Contd)

2 Summary of material accounting policies (Contd)

(a) Standards and amendments to existing standards effective 1 January 2023 (Contd)

The IASB has also developed guidance and examples to explain and demonstrate the application of the 'four-step materiality process' described in SLFRS Practice Statement 2.

- Amendments to LKAS 8 Accounting Policies, Changes in Accounting Estimates and Errors - Definition of Accounting Estimates

The Fund has adopted the amendments to LKAS 8 for the first time in the current year. The amendments replace the definition of a change in accounting estimates with a definition of accounting estimates. Under the new definition, accounting estimates are "monetary amounts in financial statements that are subject to measurement uncertainty". The definition of a change in accounting estimates was removed.

The amendments listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

(b) New standards, amendments and interpretations effective after 1 January 2023 and have not been early adopted

There were no new standards and amendments applicable for the Funds.

2.4 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.

2.5 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.

2.6 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 amortised cost

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

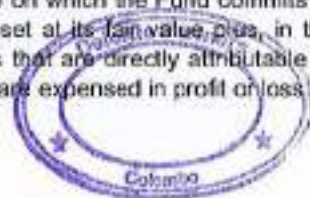
For assets measured at fair value, gains and losses will either be recorded in profit or loss. For investments in equity instruments that are not held for trading, this will depend on whether the Fund has made an irrevocable election at the time of initial recognition to account for the equity investment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

(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.



CT CLSA INCOME FUND

Notes to the financial statements (Contd)

2 Summary of material accounting policies (Contd)

(b) Recognition, derecognition and measurement (Contd)

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.

Subsequent to initial recognition, all financial assets and financial liabilities 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 or financial liabilities 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 and liabilities at fair value through profit or loss in the period in which they arise.

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 recognised 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 bill / bond 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.

(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.
Debt 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.

2.7 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).



CT CLSA INCOME FUND

Notes to the financial statements (Contd)

2 Summary of material accounting policies (Contd)

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 the two notches downgrade of the external credit rating of the counterparty since the origination of the instrument.

2.8 Offsetting of 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.

2.9 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.

2.10 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 2023, cash and cash equivalents in the statement of financial position and statement of cash flows comprise of cash at bank.

2.11 Accrued expenses

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

2.12 Increase / (decrease) in net assets attributable to holders of redeemable shares from operations

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

2.13 Income tax

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 01 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. Accordingly, the Fund has considered all income as being a pass through to its unit holders. Effective 01 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.



CT CLSA INCOME FUND

Notes to the financial statements (Contd)

2 Summary of material accounting policies (Contd)

2.14 Expenses

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

Management fee	- 0.30% p.a of net asset value of the Fund
Trustee fee	- 0.15% p.a of net asset value of the Fund
Custodian fee	- Rs. 17,250 per month

2.15 Unit holders' Funds

Unit holders' 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 unit holders 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.

2.16 Collateral

The Fund does not hold any collateral as at 31 December 2023.

3 Financial risk management

The Fund's activities expose it to a variety of financial risks: market risk (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 maximize 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 and treasury bills 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.

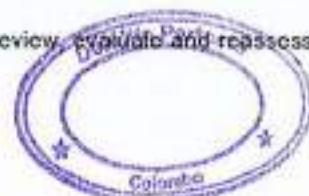
Risk arising from holding financial instruments is inherent in the Fund's activities, and is managed through a process of ongoing identification, measurement and monitoring. The Manager is responsible for identifying and controlling the risk arising from the financial instruments held in the Fund and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



CT CLSA INCOME FUND

Notes to the financial statements (Contd)

3 Financial risk management (Contd)

3.1 Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices.

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 summarises the Fund's exposure to interest rate risks.

31 December 2023	Floating	Fixed interest rate	Non- interest bearing	Total
<i>Financial assets</i>				
Financial assets at FVTPL	Nil	996,078,988	Nil	996,078,988
Financial instruments at amortised cost	Nil	123,819,002	Nil	123,819,002
Cash and cash equivalents	Nil	8,074,612	Nil	8,074,612
Total exposure	Nil	1,127,972,602	Nil	1,127,972,602

31 December 2022	Floating	Fixed interest rate	Non- interest bearing	Total
<i>Financial assets</i>				
Financial assets at FVTPL	Nil	Nil	Nil	-
Financial instruments at amortised cost	Nil	78,332,768	Nil	78,332,768
Cash and cash equivalents	Nil	52,784,330	Nil	52,784,330
Total exposure	Nil	131,117,097	Nil	131,117,097

3.2 Credit risk

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

The main concentration of credit risk, to which the Fund is exposed, arises from the Fund's investment in debt securities, cash and cash equivalents and other receivables.

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 AAA.

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.

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 :

	2023	2022
Financial assets at FVTPL	996,078,988	Nil
Financial instruments at amortised cost	123,819,002	78,332,768
Cash and cash equivalents	8,074,612	52,784,330
Total	1,127,972,602	131,117,097



CT CLSA INCOME FUND

Notes to the financial statements (Contd)

3 Financial risk management (Contd)

Debt securities

The credit risk exposure on these instruments is not deemed to be significant. It is the Fund's policy to enter into financial instruments with reputable counterparties with high credit quality.

The analysis below summarises the credit quality of the Fund's debt portfolio at 31 December 2023

Counterparty	Credit Rating	Rating Agency
Deutsche Bank AG	A-	Fitch
DFCC Bank PLC	A-	Fitch
Halton National Bank PLC	A	Fitch
Nations Trust Bank	A-	Fitch
Sampath Bank	A	Fitch
NDB Bank	A-	Fitch
People's Bank	A	Fitch

The Fund is also subject to credit risk on its bank balance and receivables. The credit risk exposure on these instruments is not deemed to be significant.

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, 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.

Furthermore the unit trust 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.

	Less than 7 days	7 days to 1 month	1 to 12 Months	More than 12 months
<i>31 December 2023</i>				
Accrued expenses and other payables	150	455,590	468,921	Nil
<i>31 December 2022</i>				
Accrued expenses and other payables	Nil	29,089	73,716	375,005



CT CLSA INCOME FUND

Notes to the financial statements (Contd)

3 Financial risk management (Contd)

3.4 Capital risk management

The Fund considers its net assets attributable to unit holders as capital, notwithstanding net assets attributable to unit holders are classified as a liability. 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.

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 unit holders.

Following being the disclosures of Unit Holders' funds;

The movement in the Unit Holder's funds as at 31 December 2023

In terms of value

Unit Holders' funds as at 1 January 2023	130,695,288
Creations during the year	1,103,409,552
Redemptions during the year	(223,768,328)
Increase in net assets attributable to Unit Holders	117,001,515
Unit Holders' funds as at 31 December 2023	<u>1,127,338,027</u>

In terms of no. of units

Opening no of units as at 1 January 2023	11,394,544
Unit creations during the year	85,107,919
Unit redemptions during the year	(18,578,055)
Closing no of units as at 31 December 2023	<u>77,924,408</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.

4 Interest income

	2023	2022
Interest income on		
Fixed deposits	2,771,360	14,854,831
Treasury bill reverse repurchase agreements	13,249,523	2,068,157
Treasury bills	2,800,635	Nil
Treasury bonds	59,431,092	Nil
Savings deposits	1,367,058	8,039,759
	<u>79,639,672</u>	<u>24,962,747</u>

- 4.1 Subsequent to the enactment of the Inland Revenue Act No. 24 of 2017, effective 1 April 2018, notional tax is not applicable for treasury bill / 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 unit holders. 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 for on service performed by resident persons. The withholding taxes was re-imposed with effect from 1 January 2023 at the rate of 5%.

5 Taxation

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.



CT CLSA INCOME FUND

Notes to the financial statements (Contd)

6 Cash and cash equivalents

For the purposes of the statement of cash flows, cash and cash equivalents comprise the following balance:

	2023	2022
Cash at bank	8,074,612	52,784,330
Total	8,074,612	52,784,330

7 Financial assets at amortised cost

	2023	2022
Debt instruments at amortised cost		
Fixed Deposits (Note 7.1)	22,278,316	58,311,398
Treasury Bills Repurchase Agreement (Note 7.2)	101,540,686	20,021,370
	123,819,002	78,332,768

7.1 Fixed Deposits

	2023		2022	
	Carrying Value	Holding as a % of Net Asset Value	Carrying Value	Holding as a % of Net Asset Value
National Savings Bank	Nil	Nil	23,122,121	18%
LOLC	16,413,497	1.9%	Nil	Nil
People's Bank	5,864,819	0.1%	Nil	Nil
People's Leasing & Finance PLC	Nil	Nil	12,068,952	9%
Sampath Bank PLC	Nil	Nil	23,120,325	18%
	22,278,316	2%	22,316,561	170%

7.2 Treasury Bills Repurchase Agreement

	2023		2022	
	Carrying Value	Holding as a % of Net Asset Value	Carrying Value	Holding as a % of Net Asset Value
Acuity Securities Limited - LKA16223E198	Nil	Nil	20,021,370	2%
Capital Alliance PLC - LKB01032G014	50,854,247	4%	Nil	0%
Capital Alliance PLC - LKA09124B096	10,109,727	1%		
First Capital Treasuries PLC - LKA09124C011	40,776,712	4%	Nil	0%
	101,540,686	9%	20,021,370	2%

8 Financial assets at fair value through profit or loss

8.1 Treasury Bills

	2023		2022	
	Carrying Value	Holding as a % of Net Asset Value	Carrying Value	Holding as a % of Net Asset Value
WealthTrust Securities Limited - LKA09124C01	9,740,517	1%	Nil	Nil
	9,740,517	1%	Nil	Nil



CT CLSA INCOME FUND

Notes to the financial statements (Contd)

8 Financial assets at fair value through profit or loss (Contd)

8.2 Treasury Bonds

	2023		2022	
	Carrying Value	Holding as a % of Net Asset Value	Carrying Value	Holding as a % of Net Asset Value
First Capital Treasuries - LKB01530E152	273,611,262	24%	Nil	Nil
Wealth Trust Securities - LKB01530E152	45,601,877	4%	Nil	Nil
First Capital Treasuries - LKB01032G014	264,927,960	24%	Nil	
Wealth Trust Securities - LKB01528E016	42,928,317	4%	Nil	
Capital Alliance Limited - LKB01528E016	85,856,633	8%	Nil	
Wealth Trust Securities - LKB01533A154	48,426,784	4%	Nil	
Wealth Trust Securities - LKB01530E152	91,203,754	8%	Nil	
Wealth Trust Securities - LKB01533A154	92,853,568	8%	Nil	
Wealth Trust Securities - LKB01528E016	42,928,317	4%	Nil	
	986,338,471	87%	Nil	Nil

9 Accrued expenses and other payables

	2023	2022
Management fee payable	283,623	35,027
Trustee fee and custodian fee payable	185,297	38,689
Audit fee	312,821	260,000
Provision for tax consultancy fee	142,770	115,005
Other payables	150	29,089
	924,661	477,810

10 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 – An investment in a fund is classified in Level 1 of the hierarchy when that investment is quoted in an active market and measured at the unadjusted quoted price at the reporting date.

Level 2 – An investment in a fund is classified in Level 2 of the hierarchy when that investment is measured using inputs that are directly observable at the reporting date.

Level 3 – An investment in a fund is classified in Level 3 of the hierarchy when the investment is measured using unobservable inputs at the reporting date.

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

Financial Assets Held at Fair Value Through Profit or Loss

	Level 1	Level 2	Level 3
<i>Treasury Bills (Note 8.1)</i>			
As at 31 December 2023	9,740,517	Nil	Nil
As at 31 December 2022	Nil	Nil	Nil
<i>Treasury Bonds (Note 8.2)</i>			
As at 31 December 2023	986,338,471	Nil	Nil
As at 31 December 2022	Nil	Nil	Nil



CT CLSA INCOME FUND

Notes to the financial statements (Contd)

10 Fair value of financial instruments (Contd)

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 of which carrying amount is a reasonable approximation of fair value.

Assets	Liabilities
Cash and Cash Equivalents	Accrued Expenses and Other Payables
Financial Assets - Debt Instruments at Amortised Cost	
Other Receivables	

11 Contingent Liabilities

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

12 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.

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 2023 is 77,924,408 (2022 - 11,394,544) and the creation and redemption Unit price as at this date is Rs.14.4671 (2022 - Rs.11.4655).

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 is Deutsche Bank AG.

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 of CT CLSA Asset Management (Private) Limited

Ms. Cecilia Page
Mr. Joseph Page
Mr. Patrick Lawlor
Mr. Zakir Mohameddally



CT CLSA INCOME FUND

Notes to the financial statements (Contd)

15 Related party disclosure (Contd)

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

Mr. Kuhan Vinayagasundaram - Fund Manager
Ms. Hansini Aravinda - 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 for 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

The following are the related party holdings of CT CLSA Income Market Fund.

As at 31 December 2023	Relationship	No. of Units	Value of units held	Total interest held	Distribution paid or payable by the Fund
Unit holder			Rs.	%	Rs.
CT CLSA Asset Management (Private) Limited	Fund Managing Company	354,572	5,129,620	0.46%	Nil
Key Management Personnel		87	1,255	0.00%	Nil
As at 31 December 2022	Relationship	No. of Units	Value of units held	Total interest held	Distribution paid or payable by the Fund
Unit holder			Rs.	%	Rs.
Ceylon Guardian Investment Trust PLC	Joint Venture Partner in the Management Company	4,198,774	48,159,938	36.85%	Nil
Ceylon Investment PLC	Affiliate of the Management Company	3,733,355	42,821,587	32.76%	Nil
Rubber Investment Trust Ltd	Affiliate of the Management Company	2,730,451	31,318,277	23.96%	Nil
Key Management Personnel		10,000	114,700	0.09%	Nil



CT CLSA INCOME FUND

Notes to the financial statements (Contd)

15 Related party disclosure (Contd)

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 period end are as disclosed below:

	Charge for the year 31 December 2023	Payable as at 31 December 2023	Charge for the year 31 December 2022	Payable as at 31 December 2022
Management Fees - CT CLSA Asset Management (Private) Limited	1,582,580	283,623	Nil	Nil
Management Fees - Guardian Acuity Asset Management Limited	Nil	Nil	701,481	35,027
Trustee Fees and Custodian Fees Payable - Deutsche Bank AG	1,151,525	185,297	591,489	38,689
The Bank balance held at Deutsche Bank AG as at 31 December		875,868		3,558,102

16 Reconciliation between the net asset value as per financial statements and the published net asset value

	2023	2022
Net asset value as per Financial statements	1,127,338,027	130,695,268
Audit fee adjustment	Nil	Nil
Interest income overprovision adjustment	Nil	Nil
Published net asset value	<u>1,127,338,027</u>	<u>130,695,268</u>
Number of units outstanding	77,924,408	11,394,543
Net asset value per unit	<u>14.4671</u>	<u>11.4700</u>

