



# COMTRUST GILT EDGED FUND

## ANNUAL REPORT 2022-23



**CONTENTS**

**SECTION**

Corporate Information

A

Report of the Fund Manager

B

Auditor's Report & Financial Statements

C

## **CORPORATE INFORMATION**

### **TRUSTEE & CUSTODIAN**

Hatton National Bank PLC

HNB Towers, 479, T B Jayah Mawatha,

Colombo 10.

### **FUND MANAGER & REGISTRAR**

CT CLSA Asset Management (Pvt) Ltd

04th Floor, Majestic City,

No. 10, Station Road, Colombo 04.

Tel : 0115759571 Fax : 0112506347

Web : [www.ctclsa.lk](http://www.ctclsa.lk)

### **AUDITORS**

Nihal Hettiarachchi & Company

“RNH House”, 622B, Kotte Road

Kotte

### **BANKERS**

Hatton National Bank PLC

HNB Towers, 479, T B Jayah Mawatha,

Colombo 10.

# FUND MANAGER REPORT

## Gilt Edged Fund

Dear Investor,

We take pleasure in presenting the Annual Report of Comtrust Gilt Edged Fund for the year ended 31<sup>st</sup> March 2023.

The Net Asset Value per unit of your Fund appreciated by 21.6% during the financial year ended 31<sup>st</sup> March 2023 (FY23) compared to 4.49% during the twelve months ended 31<sup>st</sup> March 2022. Consequently, the Net Asset Value per unit as of 31<sup>st</sup> March 2023 was LKR 13.34

### Economic Review

---

The Sri Lankan Economy plunged into recession in 2022 as misguided pro-growth and populist policies introduced by the, then government, led to fiscal pressures and forex shortages resulting in the island nation announcing an external debt default in April 2022. Consequently, the Sri Lankan economy recorded a contraction of -7.8%<sup>1</sup> in 2022 compared to the growth of 3.7%<sup>1</sup> recorded in the preceding year. All three sectors of the economy registered declines during the year ended 31<sup>st</sup> December 2022, Agriculture by -4.6%<sup>1</sup>; Industry by -16.0%<sup>1</sup> and Services by -2.0%<sup>1</sup>. The GDP estimates for 1Q2023 reflects a further de-growth of -11.5%<sup>1</sup> for the quarter amid continued weakness in the Industry and Services Sectors.

	2021		2022		1Q2023	
	% Growth	% of GDP	% Growth	% of GDP	% Growth	% of GDP
Agriculture	0.9	8.8	-4.6	8.7	0.8	8.0
Industry	5.7	30.0	-16.0	30.3	-23.4	28.7
Services	3.5	55.6	-2.0	56.1	-5.0	58.2
GDP	3.7		-7.8		-11.5	

Source: Statistics Department

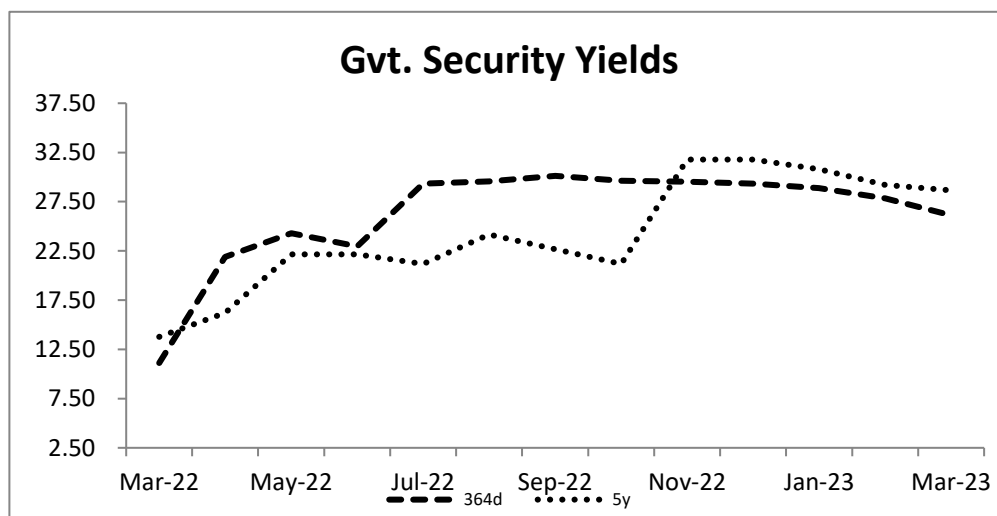
As per the World Economic Outlook (WEO) of the International Monetary Fund (IMF), global growth is projected to slow from an estimated 3.5%<sup>3</sup> for the year ended 2022 to 3.0%<sup>3</sup> in 2023 and 2024 with emerging and developing markets in Asia projected to drive global growth.

### **Interest Rate Environment**

	Mar-22	Apr-22	Jul-22	Mar-23	Jun-23	Jul-23	Aug-23
<b>SDFR (%)</b>	6.5	13.5	14.5	15.5	13.0	11.0	11.0
<b>SLFR (%)</b>	7.5	14.5	15.5	16.5	14.0	12.0	12.0
<b>SRR (%)</b>	4.0	4.0	4.0	4.0	4.0	4.0	2.0

*Source: CBSL*

The Central Bank of Sri Lanka sharply hiked policy rates in April 2022 to tame run-away inflation caused by supply side shortages and a steep depreciation of LKR in March 2022. Policy rates were further tightened in July 2022 and March 2023 ahead of the IMF board level approval of the extended fund facility. By this point, Inflation had started to show signs of deceleration helped by subdued demand caused by tight monetary and fiscal policies, easing global commodity prices and an improvement in supply chain dynamics. G-Sec yields adjusted higher initially as a reflection of higher policy rates but eventually as market factored in a risk-premia in relation to the possibility of a domestic debt restructure. Amid this interest rate backdrop, demand for private credit has witnessed continuous month on month declines since June 2022.



*Source: CBSL*

	Jan-23	Feb-23	Mar-23	Apr-23	May-23	Jun-23
<b>Pvt. Sector Credit Growth (%)</b>	4.3	3.0	-5.1	-8.3	-9.5	-8.0

*Source: CBSL*

### **External Trade**

Trade deficit narrowed in 2022 as the export sector remained resilient despite inflationary pressures in key end markets and weakness in agricultural exports. Meanwhile, merchandise imports declined in 2022 reflecting subdued demand for consumer goods and investment goods amid a contraction in economic activity and credit. Tourism earnings showed signs of recovery in the seasonal peak months towards the end of the year albeit remaining much lower than pre-pandemic/Easter Sunday numbers. Meanwhile, worker remittances declined owing to the presence of a large differential between official and grey market exchange rate in 1H2022 which enticed increased grey market activity. The suspension of external debt payments further supported the country's balance of payment position.

### **Exchange Rate Environment**

The Sri Lankan rupee witnessed steep downward pressure and volatility when it was free floated in March 2022 after being held at Rs.200-203/US\$<sup>1</sup> for several months. Although the introduction of a daily trading band reduced volatility, LKR ended 2022 at Rs.362.4/US\$<sup>1</sup>. However, with the IMF program in place, LKR witnessed improved demand from March 2023 and the removal of the trading band, improved trade balance, higher tourism earnings/worker remittances and portfolio investments in the local G-Securities drove an appreciation of the currency to Rs.295.5/US\$ by end May 2023<sup>1</sup>. Meanwhile, the gross official reserves improved to an estimated US\$3.7bn<sup>1</sup> as of end June 2023 (Including a PBoC Swap that has conditionality on usability) aided by balance of payment surpluses on the external account and funding from international development partners.

### **Inflation**

The Headline inflation, as measured by the year-on-year change in the Colombo Consumer Price Index (CCPI, 2013=100) and the National Consumer Price Index (NCPI, 2013=100), continued to accelerate in 2022, reaching a peak of 69.8%<sup>2</sup> and 73.7%<sup>2</sup>, respectively in September 2022 contributed by increases in both food and non-food inflation. However, since September 2022, Inflation has trended down following a disinflation path as measures taken by the central bank of Sri Lanka to quell demand side pressures

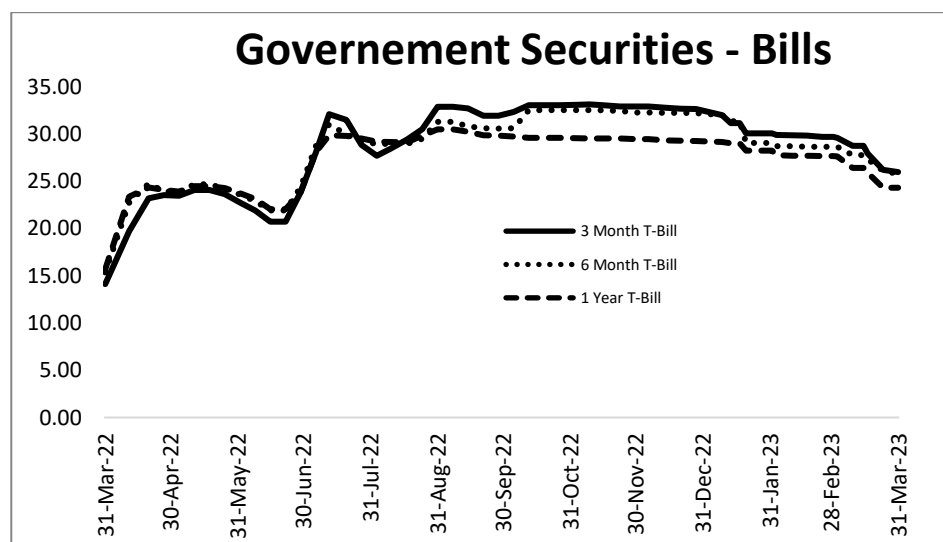
started to take effect. Headline inflation continued to decelerate in 2023 returning to single digit levels in June 2023 (6.3%<sup>2</sup> in June 2023; CCPI, 2021=100)

### **Fiscal Accounts**

Government revenue reached the Rs.2trn mark in 2022 growing 37.5%<sup>1</sup> from a low base in 2021 aided by the introduction of new tax measures such as the one-off surcharge tax, social security contribution levy and upward revisions to value added tax rates. Despite the increase in government revenue, it accounted for only 8.3%<sup>1</sup> of nominal GDP in 2022, and resulted in larger budget deficits amid a rise in expenditure. In an effort to lift revenue to GDP in line with targets prescribed by the IMF program, Government of Sri Lanka raised corporate and personal income tax rates with effect from 01 January 2023. Resultantly, central government revenue and grants has increased +38.1% YoY in Jan-May 2023 to stand at Rs.1,122bn<sup>1</sup> leading to a primary surplus of Rs.47.4bn<sup>1</sup> for the period.

### **Government Securities Market**

Government Security yields continued its upward trajectory during the year ended 31 March 2023 in line with the Central Bank of Sri Lanka's decision to tighten monetary policy to combat inflationary pressures. Additionally, weak fiscal coffers, inability to access global financial markets following the announcement of the external debt default combined with fear of domestic debt restructure contributed towards the elevated yield curve structure for rupee denominated bills/bonds.



Source: CBSL

Resultantly, Weighted Average Yield Rates (WAYR) of the 91, 182, and 364 days treasury bills rose to 25.99%, 25.79% and 24.31% at the primary auctions as of end March 2023 reflecting a significant YoY increase. Meanwhile, 5 years and 10 years bonds recorded a WAYRs of 28.11% and 30.86% at the primary auctions as of end March 2023.

Tenure of the T Bonds	Yield as at 30 Apr 2022	Yield as at 30 Sep 2022	Yield as at 31 Mar 2023
5 Years	14.70	21.18	28.11
10 Years	15.42	29.96	30.86

*Source: CBSL*

### Asset Allocation & Duration of the Portfolio

The fund maintained its strategy of investing in short term Repurchase Agreements throughout FY23 amid the possibility/lack of clarity of the domestic debt optimization plan, including long tenor government securities held by all market participants in the restructuring perimeter. Further, by investing in repurchase agreements, the fund managed to return a healthy return during the year whilst protecting the unit holders from the steep hike in government securities yields witnessed for much of FY23.

### Fund Performance

The fund generated an after-tax income of **LKR 39mn** for the Financial Year ended 31<sup>st</sup> March 2023.

Performance as at 31 <sup>st</sup> March, 2023				
Period	3 months	6 months	12 months	24 months
Performance	6.55%	13.34%	21.60%	27.06%



## **Expectations, Outlook and Strategy**

---

We foresee a sustained downward trajectory for interest rates in FY24 from the highs witnessed in FY23 as the Central Bank of Sri Lanka envisages to spur economic growth through easing monetary policy. Although, Government Security Yields have corrected from extra-ordinarily high levels, we believe there is further room for downward adjustment with further easing of policy interest rates in 4Q2023E. With the DDO perimeters and outcomes now made public and approved by the parliament, the fund will look to extend duration of its government securities portfolio in order capture the benefits of the prevailing high interest rate structure and the ongoing downward adjustment of the same.

## **Sources**

<sup>1</sup> The Central Bank of Sri Lanka ([www.cbsl.gov.lk](http://www.cbsl.gov.lk))

<sup>2</sup> The Department of Census and Statistics ([www.census.gov.lk](http://www.census.gov.lk))

<sup>3</sup> International Monetary Fund ([www.imf.org](http://www.imf.org))

## DECLARATION BY TRUSTEE AND MANAGING COMPANY

---

Declaration by Trustee and Management Company as per SEC Guidelines

Hatton National Bank PLC, the Trustee and CT CLSA Asset Management (Pvt) Ltd., the Managers of Comitrust Gilt Edged Fund do hereby declare that,

the requirements of the Guidelines for Trustees and Managing Companies of Unit Trust Funds set out by the Securities and Exchange Commission of Sri Lanka have been complied with during the financial year ended March 31, 2022.

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.



Hatton National Bank

Trustee

  
CT CLSA Asset Management (Pvt) Ltd.  
Management Company



**COMTRUST GILT EDGED FUND**

**FINANCIAL STATEMENTS  
31ST MARCH, 2023.**

## INDEPENDENT AUDITOR'S REPORT TO THE UNIT HOLDERS OF COMTRUST GILT EDGED FUND

### Report on the Audit of the Financial Statements

#### Opinion

We have audited the financial statements of Comtrust Gilt Edged Fund, ("the Fund"), which comprise the statement of financial position as at March 31, 2023, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant 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 March 2023, and of its financial performance and its cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

#### Basis for Opinion

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

#### Other Information

The fund manager is responsible for the other information. The other information comprises the report of the manager, but does not include the financial statements and our auditor's report thereon.

"RNH House", 622-B,  
Kotte Road,  
Kotte, Sri Lanka.

+94 114 975 999

+94 114 511 473

info@nh-co.lk

#### Galle Branch

3rd Floor,  
Galle District Chamber of  
Commerce and Industries,  
Galle.

+94 773 158 134

www.nh-co.lk

Partners  
RANJITH NETHANAYAKU FCA, ACCA, FIPA  
DINUKA NETHANAYAKU FCA, ACCA, FIPA, FRCR  
Tax Services  
Dinuka Nethanayaku 081 941 999999/081 941 999999

Chartered Accountants FCA, ACCA, FIPA  
Nethanayaku & Nethanayaku ACCA, FCA, FIPA



WE ARE AN INDEPENDENT MEMBER OF  
THE GLOBAL ADVISORY  
AND ACCOUNTING NETWORK

**Other Information (Continued)**

Our opinion on the financial statements does not cover the other information included in the Manager's report and we will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to communicate the matter to those charged with governance. We have nothing to report in this regard.

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

The fund manager and trustee are responsible for the preparation of financial statements that give a true and fair view in accordance with Sri Lanka Accounting Standards and for such internal control as the management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, fund manager is responsible for assessing the fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless fund manager either intends to liquidate the fund or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the fund's financial reporting process.

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

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

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



**Auditor's Responsibilities for the Audit of the Financial Statements (continued)**

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by fund manager and trustee.
- Conclude on the appropriateness of fund manager's and trustee'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**

These financial statements also comply with the requirements of the Rule 27(3) of the Unit Trust Code of September 2011 issued by the Securities and Exchange Commission of Sri Lanka under the Act No. 36 of 1987 and the trust deed.

COLOMBO,  
August 29, 2023

  
NIHAL HETTIARACHCHI & CO.,  
Chartered Accountants 

**STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 31ST MARCH**

	NOTES	2023 Rs.	2022 Rs.
<b>INVESTMENT INCOME</b>			
Interest income	(05)	40,473,751	14,429,755
Net unrealized gain / (loss) on financial assets - at fair value through profit and loss	(06)	100,551	(84,061)
Net investment income		40,574,302	14,345,694
<b>OPERATING EXPENDITURE</b>	(07)	(1,558,364)	(1,988,829)
Net Operating Profit Before Taxation		39,015,938	12,356,865
Income tax expense	(08)	-	-
Increase in net assets attributable to unit holders		39,015,938	12,356,865
Other comprehensive income / (expenses)		-	-
Total comprehensive income for the year		39,015,938	12,356,865



Figures in brackets indicate deductions.

The accounting policies and notes from 6 to 25 form an integral part of these financial statements.



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

	NOTES	2023 Rs.	2022 Rs.
<b>ASSETS</b>			
Cash and cash equivalents	(09)	1,988,784	237,313
Financial assets - at fair value through profit and loss	(10)	-	24,617,723
Financial assets - at amortized cost	(11)	136,291,881	4,526,511
Income tax receivable	(12)	-	-
<b>Total Assets</b>		<b>138,280,665</b>	<b>29,381,547</b>
<b>LIABILITIES AND UNIT HOLDERS' FUNDS</b>			
<b>Liabilities</b>			
Accrued expenses and other payables	(13)	3,727,411	471,489
<b>Total liabilities</b>		<b>3,727,411</b>	<b>471,489</b>
<b>Unit holders' funds</b>			
Net assets attributable to unit holders		134,553,254	28,910,058
<b>Total unit holders' funds and liabilities</b>		<b>138,280,665</b>	<b>29,381,547</b>
Net asset per unit	(14.1)	13.34	10.98

I certify that the financial statements comply with the requirements of the Companies Act No. 7 of 2007.

  
 Chief Executive Officer

The Board of Directors is responsible for the preparation and presentation of these financial statements.  
 Signed for and on behalf of The Board by,

  
 Chairman

  
 Director

August 29, 2023



The accounting policies and notes from 6 to 25 form an integral part of these financial statements.





**STATEMENT OF CHANGES IN UNIT HOLDERS' FUNDS  
FOR THE YEAR ENDED 31 MARCH**

	Unit capital Rs.	Retained Earnings Rs.	Total Equity Rs.
Balance as at 31 March 2021	324,700,410	100,852,819	425,553,229
Increase due to unit creation during the year	310,006	-	310,006
Decrease due to unit redemption during the year	(409,310,042)	-	(409,310,042)
Increase in net assets attributable to unit holders	-	12,356,865	12,356,865
Balance as at 31 March 2022	<u>(84,299,626)</u>	<u>113,209,684</u>	<u>28,910,058</u>
Balance as at 01 April 2022	(84,299,626)	113,209,684	28,910,058
Increase due to unit creation during the year	349,782,162	-	349,782,162
Decrease due to unit redemption during the year	(283,154,904)	-	(283,154,904)
Increase in net assets attributable to unit holders	-	39,015,938	39,015,938
Unit holders' funds as at 31 March 2023	<u>(17,672,368)</u>	<u>152,225,622</u>	<u>134,553,254</u>

Figures in brackets indicate deductions.

The accounting policies and notes from 6 to 25 form an integral part of these financial statements.



**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED 31 MARCH**

	2023 Rs.	2022 Rs.
<b>Cash flows from operating activities</b>		
Interest received	38,829,759	14,867,482
Net investments in repurchase agreements	(129,879,904)	280,064,104
Net investments in T-Bills	24,476,800	113,432,000
Fees and expenses paid	1,697,558	(2,129,261)
<b>Net cash flow (used in) / generated from operating activities</b>	<b>(64,875,787)</b>	<b>406,234,325</b>
<b>Cash flows from financing activities</b>		
Amount received on unit creations	349,782,162	310,006
Amount paid on unit redemptions	(283,154,904)	(409,310,042)
<b>Net cash flow generated from / (used in) financing activities</b>	<b>66,627,258</b>	<b>(409,000,036)</b>
Net increase / (decrease) in cash and cash equivalents	1,751,471	(2,765,711)
Cash and cash equivalents at the beginning of the financial year	237,313	3,003,024
<b>Cash and cash equivalents at the end of the financial year</b>	<b>1,988,784</b>	<b>237,313</b>

Figures in brackets indicate deductions.



The accounting policies and notes from 6 to 25 form an integral part of these financial statements.



## NOTES TO THE FINANCIAL STATEMENTS

### (01) GENERAL INFORMATION

Comtrust Gilt Edged Fund is an open ended unit trust fund approved by the Securities and exchange Commission of Sri Lanka. The fund was launched on 01 March 2013.

CT C L S A Asset Management (Pvt) Ltd (Former name- Comtrust Asset Management (Pvt) Ltd) is the managing company of Comtrust Gilt Edged Fund while Deutsche Bank AG has been appointed as the Trustee, from 28 December 2011.

With effect from 31 January 2019, Deutsche Bank AG ceased to be the Trustee to the Fund and a new trust deed has been signed between Hatton National Bank PLC as the Trustee and CT C L S A Asset Management (Private) Limited to administrate the fund.

The registered office and place of business of the unit trust is located at 4-07, Majestic City, 10, Station Road, Colombo 4.

The principal place of operations of the Trustee, Hatton National Bank PLC, a bank duly incorporated in the said Republic of Sri Lanka at 479 T. B. Jayah Mawatha, Colombo 01.

#### 1.1. Principal activities

The Comtrust Gilt Edged Fund is an Open-Ended Money Market Fund investing in Government Securities, investment Grade Short Term Corporate Debt & Bank Deposits.

#### 1.2. Date of authorization for issue

The financial statements of the fund for the year ended 31 March 2022 was authorized for issue by the Fund Management company and the Trustee on 29<sup>th</sup> August, 2023.

### (02) BASIS OF PREPARATION

#### a) Statement of compliance

The financial statements are prepared in accordance with and comply with Sri Lanka Accounting Standards (SLFRSs and LKASs) issued by the Institute of Chartered Accountants of Sri Lanka and adopted as directed by the Securities and Exchange Commission of Sri Lanka.

The statement of financial position is presented on a liquidity basis. Assets and liabilities are presented in decreasing order of liquidity and do not distinguish between current and non-current. All balances are expected to be recovered or settled within twelve months, except for investments in financial assets and net assets attributable to unit holders. The amount expected to be recovered or settled within twelve months after the end of each reporting period cannot be reliably determined.

The financial statements are prepared on the basis of fair value measurement of assets and liabilities except where otherwise stated.



Notes to the financial statements continued on page 7.



## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

## (02) BASIS OF PREPARATION (CONTINUED)

## b) Basis of measurement

The financial statements have been prepared on the historical cost basis and applied consistently with no adjustments being made for inflationary factors affecting the financial statements.

## c) Statement of cash flows

The statement of cash flows has been prepared using the "Direct Method" of preparing cash flows in accordance with the Sri Lanka Accounting Standard LKAS 7 - "Statement of Cash Flows". Cash and cash equivalents comprise short term, highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value.

## d) Functional and presentation currency

The financial statements are presented in Sri Lankan Rupees, which is the unit trust's functional currency.

## e) Comparative information

The comparative information is re-classified wherever necessary to conform with the current year's classification in order to provide a better presentation. The details of such re-classifications have been provided in the notes to the financial statements.

## f) Use of estimates and judgments

The preparation of financial statements in conformity with the Sri Lanka Accounting Standards requiring management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected.

Information about significant areas of estimation, uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements are described in the relevant Notes as follows

- Recognition and measurement of financial instruments (Note 4.1.1)
- Identification, measurement and assessment of impairment (Note 4.1.2)

## g) Going concern

The management has made an assessment of the unit trust's ability to continue as a going concern and is satisfied that it has the resources to continue in business for the foreseeable future. Furthermore, management is not aware of any material uncertainties that may cast significant doubt upon the unit trust's ability to continue as a going concern. Therefore, the financial statements continue to be prepared on the going concern basis.

Notes to the financial statements continued on page 8



## NOTES TO THE FINANCIAL STATEMENTS(CONTINUED)

### (03) MATERIALITY AND AGGREGATION

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

### (04) SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently throughout the period of financial statements, unless otherwise indicated.

#### a) Financial instruments - Initial recognition and subsequent measurement

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity

#### 4.1 Financial assets

##### 4.1.1 Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortized cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

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

In order for a financial asset to be classified and measured at amortized cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

The unit trust's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows while financial assets classified and measured at fair value through OCI are held within a business model with the objective of both holding to collect contractual cash flows and selling.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognized on the trade date, i.e., the date that the Unit trust commits to purchase or sell the asset.



Notes to the financial statements continued on page 9.

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)****(04) SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****4.1 Financial assets (Continued)****4.1.2 Subsequent measurement**

For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortised cost (debt instruments)
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at fair value through profit or loss

**Financial assets at amortized cost (debt instruments)**

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and subject to impairment. Gains and losses are recognized in profit or loss when the asset is derecognized, modified or impaired.

The unit trust's financial assets at amortised cost includes fixed deposits, commercial papers and repurchase agreements.

**Financial assets at fair value through profit or loss**

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognized in the statement of profit or loss.

This category includes derivative instruments and listed equity investments which the Unit trust had not irrevocably elected to classify at fair value through OCI. Dividends on listed equity investments are recognized as other income in the statement of profit or loss when the right of payment has been established.



Notes to the financial statements continued on page 10.



## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

## (04) SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

## 4.1 Financial assets (Continued)

## Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognized (i.e., removed from the unit trust's statement of financial position) when:

- The rights to receive cash flows from the asset have expired  
Or
- The Unit trust has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to third party under a 'pass-through' arrangement; and either (a) the unit trust has transferred substantially all the risks and rewards of the asset, or (b) the unit trust has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset

## 4.1.3. Impairment

The unit trust recognizes an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from:

ECLs are recognized in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12 month ECL). For those credit exposures from which there has been 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 unit trust uses the ratings from either Fitch Ratings Lanka Limited or ICRA Lanka Limited as applicable to determine the significant deterioration in credit risk and to estimate the ECLs.

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



Notes to the financial statements continued on page 11

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

## (04) SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

## 4.1 Financial assets (Continued)

## 4.1.3. Impairment (Continued)

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 Amortized cost, the unit trust applies the low credit risk simplification. At every reporting date, the unit trust evaluates whether the debt instrument is considered to have low credit risk using all reasonable and supportable information that is available without undue cost or effort. In making the evaluation, the unit trust reassesses the external credit rating of the debt instrument. In addition, the unit trust considered that there has been a significant increase in credit risk when contractual payments are more than 30 days past due.

It is the unit trust's policy to measure ECLs on such instruments on a 12-month basis. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECL. The Group uses the ratings from the Fitch Rating Lanka Limited or ICRA Lanka both to determine whether the debt instruments has been significantly increased in credit risk and to estimate ECLs.

## b) Dividend payable

Dividend payable is recognized at the time the dividend recommended and declared by the board of Directors.

## c) Provision

A provision is recognized if, as a result of a past event, the unit trust has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation.

## d) Commitment and contingencies

All discernible risks are accounted for in determining the amount of all known liabilities.

Contingent liabilities are possible obligation whose existence will be confirmed only by uncertain future events or present obligation where the transfer of economic benefits is not probable or cannot be reliably measured. Contingent liabilities are not recognised in the statement of financial position but are disclosed unless they are remote.





## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

## (04) SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

## 4.1 Financial assets (Continued)

## 4.1.3 Impairment (Continued)

## e) Interest

Interest income and expenses are recognized in profit or loss using the effective interest method. The effective interest rate is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial asset or liability (or, where appropriate, a shorter period) to the carrying amount of the financial asset or liability. When calculating the effective interest rate, the unit trust estimates future cash flows considering all contractual terms of the financial instrument, but not future credit losses.

Interest income and expenses presented in the statement of comprehensive income include interest on financial asset and financial liabilities measured at amortised cost calculated on and effective interest basis and fair value changes in qualifying derivatives.

Fair value changes on all other financial assets and liabilities carried at fair value through profit or loss, are presented in net trading income in the statement of comprehensive income.

## f) Expenses

All expenses, including management fees and trustee fees, are recognized in profit or loss on accruals basis.

## g) Income tax expenses

According to the provision of the Inland Revenue Act No.24 of 2017 (with effect from 01 April 2018), if the unit trust conducts an eligible investment business, it will be treated as "pass-through vehicle" and the tax on income earned by the unit trust will be payable by the unit holders. Therefore, the adjusted profit calculated for the period from 01 April 2019 to 31 March 2020 will not be considered as a part of assessable income of the unit trust for the Y/A 2021/2022.

## h) Offsetting

Current tax assets and liabilities and deferred tax assets and liabilities are offset only to the extent that they relate to income taxes imposed by the same taxation authority, there is a legal right and intentions to settle on a net basis and it is allowed under the tax law of the relevant jurisdiction.



## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

## (04) SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

## 4.1 Financial assets (Continued)

## 4.1.3. Impairment (Continued)

## i) Distributions

In accordance with the trust deed, the Fund distributes income adjusted for amounts determined by the CT C L S A Asset Management (Private) Limited, to unit holders by cash or reinvestment. The distributions are recognized in statement of changes in unit holder's funds.

## j) Increase / decrease in net assets attributable to unit holders

Income not distributed is included in net assets attributable to unit holders

## k) Applications and redemptions

Applications received for units in the Fund are recorded at creation price. Redemption from the Fund are recorded at redemption price of units redeemed.

## l) Offsetting income and expenses

Income and expenses are not offset unless required or permitted by the Sri Lanka Accounting Standards.

## m) Offsetting assets and liabilities

Assets and liabilities are offset and the net amount reported in the statement of financial position only where there is:

- A current enforceable legal right to offset the asset and liability; and
- An intention to settle on a net basis, or to realize the asset and settle the liability simultaneously.

## n) Events occurring after the reporting period

Events occurring after the reporting period are those events, favorable and unfavorable, that occur between the reporting date and the date the financial statements are authorized for issue.

All material and important events that occurred after the reporting date have been considered and appropriate disclosures are made in the financial statements.

In compliance with CIS Code 2022, Comtrust Gilt Edged Fund has changed its name to CT CLSA Gilt Edge Fund after the reporting period.



## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

	2023 Rs.	2022 Rs.
<b>(05) INVESTMENT INCOME</b>		
Interest on repurchase agreements	40,192,025	10,547,964
Interest on treasury bills	281,726	3,881,791
	<u>40,473,751</u>	<u>14,429,755</u>
<b>(06) NET UNREALIZED GAIN / (LOSS) ON FINANCIAL ASSETS - AT FAIRVALUE THROUGH PROFIT AND LOSS</b>		
Unrealized capital gain on treasury bills	100,551	(84,061)
	<u>100,551</u>	<u>(84,061)</u>
<b>(07) OPERATING EXPENSES</b>		
Management fees	513,342	838,362
Trustee fees	393,875	603,620
Custodian fees	273,859	259,203
Audit fees	296,999	284,999
Advertising fee	28,268	-
Bank charges	19,921	2,645
Printing and stationary	12,100	-
Legal fee	20,000	-
	<u>1,558,364</u>	<u>1,988,829</u>

**(08) TAXATION**

According to the provisions of the Inland Revenue Act No. 44 of 2022 (with effect from 19 December 2022), if the unit trust conducts an eligible investment business, it will be treated as "pass-through vehicle" and the tax on income earned by the unit trust will be payable by the unit holders. Therefore, the adjusted profit calculated for the period from 01 April 2022 to 31 March 2023 will not be considered as a part of assessable income of the unit trust for the Y/A 2022/2023.

**(09) CASH AND CASH EQUIVALENTS**

	31.03.2023 Rs.	NAV as a percentage	31.03.2022 Rs.	NAV as a percentage
Cash at bank - current account at HNB	1,988,784	1.45%	237,313	0.81%
	<u>1,988,784</u>		<u>237,313</u>	



Notes to the financial statements continued on page 15

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

Treasury bills

2023 Rs.	2022 Rs.
-	24,617,723
-	24,617,723

	31.03.2023		31.03.2022	
	Cost Rs.	Market Value Rs.	Cost Rs.	Market Value Rs.
Investments in treasury bills (Note 10.1)	-	-	24,476,800	24,617,723
	-	-	24,476,800	24,617,723
(10.1) Investments in treasury bills				
Purchased cost		-		24,476,800
Interest Receivable on treasury bills		-		241,474
Unrealized gain/(loss) on treasury bills		-		(100,551)
Market Value as at 31.03.2023		-		24,617,723

## (11) FINANCIAL ASSETS - AT AMORTIZED COST

	31.03.2023 Rs.	NAV as a percentage	31.03.2022 Rs.	NAV as a percentage
Investment in repurchase agreements (Note 11.1)	134,400,000	97.71%	4,520,096	15.64%
Interest receivable on repurchase agreement	1,891,881	1.38%	6,415	0.02%
	<u>136,291,881</u>	99.08%	<u>4,526,511</u>	15.66%

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



Notes to the financial statements continued on page 15.



## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

## (11) FINANCIAL ASSETS- AT AMORTIZED COST (CONTINUED)

## (11.1) Investments in repurchase agreements

31 March 2023	Name of Institution	Interest Rate	Investment Date	Maturity Date	Cost (Rs.)	Amortized Cost (Rs.)
	First Capital Treasuries	28.00%	11/8/2022	5/8/2023	4,500,000	4,997,096
	First Capital Treasuries	25.00%	2/10/2023	5/12/2023	8,000,000	8,273,973
	Capital Alliance PLC	25.00%	3/1/2023	5/31/2023	25,000,000	25,530,822
	Capital Alliance PLC	25.00%	3/7/2023	6/7/2023	31,000,000	31,530,822
	Capital Alliance PLC	23.00%	3/27/2023	9/25/2023	7,000,000	7,022,055
	Capital Alliance PLC	23.00%	3/31/2023	9/29/2023	32,100,000	32,120,227
	Capital Alliance PLC	23.00%	3/31/2023	6/30/2023	26,800,000	26,816,887
					<u>134,400,000</u>	<u>136,291,881</u>

## (12) INCOME TAX RECEIVABLE

Balance as at 01 April 2022  
 Impairment allowance for notional tax recoverable  
 Balance as at 31 March 2023

2023 Rs.	2022 Rs.
-	-
-	-
-	-
141,493	33,972
110,836	24,460
69,534	63,913
405,536	349,144
3,000,012	-
<u>3,727,411</u>	<u>471,489</u>

## (13) ACCRUED EXPENSES AND OTHER PAYABLES

Management fees  
 Trustee fees  
 Custodian fees  
 Audit fees and tax consultation fee  
 Money payable on unit redemption



Notes to the financial statements continued on page 17

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

## (14) CAPITAL MANAGEMENT

The trust's capital is represented by redeemable units with no par value and is reflected in the statement of financial position as amount attributable to unit holders. In accordance with the accounting policies and the risk management policy in note 16, the Trust endeavours to invest contributions received in appropriate investments, while maintaining sufficient liquidity to meet any withdrawal requests. The terms and conditions attached to units in the trust can be found in the trust deed.

Movements in the number of units and net assets attributable to unit holders during the year were as follows:

	31.03.2023 Units	31.03.2022 Units	31.03.2023 Rs.	31.03.2022 Rs.
Opening balance	2,633,723	40,531,931	28,910,058	425,553,229
Units issued during the year	31,182,997	29,010	349,782,162	310,006
Units redeemed / cancelled during the period	(23,728,657)	(37,927,218)	(283,154,904)	(409,310,042)
Increase in net assets attributable to unit holders	-	-	39,015,938	12,356,865
Distribution to unit holders	-	-	-	-
Closing balance	10,088,063	2,633,723	134,553,254	28,910,058

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.

## 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 an equity. 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.

## (14.1) Net assets per unit

Net assets (Rs.)

Total no. of units

Net assets per unit (Rs.)

2023 Rs.	2022 Rs.
134,553,254	28,910,058
10,088,063	2,633,723
13.34	10.98

## (14.2) Distributions to unit holders

Distributions for the year



Notes to the financial statements continued on page 18.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

## (15) ANALYSIS OF FINANCIAL INSTRUMENT BY MEASUREMENT BASIS

## Summary of Financial Assets and Liabilities

As at 31 March 2023	Measured at Fair Value	Carried at Cost	Amortized Cost	Total
<b>Assets</b>				
Cash and cash equivalents	-	1,988,784	-	1,988,784
Financial assets - at amortized cost	-	-	136,291,881	136,291,881
Financial assets - at fair value through profit and loss	-	-	-	-
<b>Total</b>	<u>-</u>	<u>1,988,784</u>	<u>136,291,881</u>	<u>138,280,665</u>
<b>Liabilities</b>				
Accruals and other payables	-	727,399	-	727,399
<b>Total</b>	<u>-</u>	<u>727,399</u>	<u>-</u>	<u>727,399</u>

As at 31 March 2022	Measured at Fair Value	Carried at Cost	Amortized Cost	Total
<b>Assets</b>				
Cash and cash equivalents	-	237,313	-	237,313
Financial assets - at amortized cost	-	-	4,526,511	4,526,511
Financial assets - at fair value through profit and loss	24,617,723	-	-	24,617,723
<b>Total</b>	<u>24,617,723</u>	<u>237,313</u>	<u>4,526,511</u>	<u>29,381,547</u>
<b>Liabilities</b>				
Accruals and other payables	-	471,489	-	471,489
<b>Total</b>	<u>-</u>	<u>471,489</u>	<u>-</u>	<u>471,489</u>

Notes to the financial statements continued on page 19.



## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### (16) FINANCIAL RISK MANAGEMENT

#### Overview

The unit trust has exposure to the following risks via financial instruments.

- Market Risk
- Liquidity Risk
- Credit Risk
- Operational Risk

This note presents information about the unit trust's exposure to each of the above risks and the objectives, policies and processes for measuring and managing risk.

#### (16.1) Risk management framework

The Board of Directors of the managing company has the overall responsibility for the establishment and oversight of the unit trust's risk management framework. The Managing Company has established an Investment Committee (IC) which is tasked with reviewing wide-ranging risk categories that includes market, liquidity, credit and operational risk. The committee members have been assigned the responsibility to manage these risks prudently.

Unit trust's risk management policies are established to identify and analyse the risk confronted by the unit trust, to set appropriate risk limits and controls and to monitor risk and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions, products and services offered.

#### (a) Market Risk

Market risk is the risk which reflect changes in market prices, changing interest rates affecting the unit trust's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

Management of market risk includes the following elements.

- Overall authority for managing market risk is vested with the Board of Directors.
- The operational authority for managing market risk is vested with the Investment Committee (IC).
- Interest rate risk is managed within the approved limits by the Investment Committee.





## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

## (16) FINANCIAL RISK MANAGEMENT (CONTINUED)

## (b) Liquidity Risk

Liquidity risk is the risk that the unit trust will not have adequate financial resources to meet unit trusts' obligations as when they fall due. This risk arises from mismatches in the timing of cash flows.

Management of liquidity risk includes the following elements:

Taking steps to ensure, as far as possible, that it will always have adequate financial resources to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the unit trust's reputation.

## Maturity analysis of the financial assets and financial liabilities

As at 31 March 2023	Carrying amount Rs.	Up to 3 months Rs.	3 months to 1 year Rs.	One to 5 years Rs.	Total Rs.
<b>Assets</b>					
Cash at bank	1,988,784	-	-	-	1,988,784
Financial assets recognised through profit or loss	-	-	-	-	-
- measured at fair value					
Financial assets at amortised cost	-	92,152,503	44,139,378	-	136,291,881
<b>Total financial assets</b>	<b>1,988,784</b>	<b>92,152,503</b>	<b>44,139,378</b>	<b>-</b>	<b>138,280,665</b>



Notes to the financial statements continued on page 21

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

## (16) FINANCIAL RISK MANAGEMENT (CONTINUED)

## (b) Liquidity Risk (Continued)

As at 31 March 2022	Carrying amount	Up to 3 months	3 months to 1 year	One to 5 years	Total
	Rs.	Rs.	Rs.	Rs.	Rs.
<b>Assets</b>					
Cash at bank	237,313	-	-	-	237,313
Financial assets recognised through profit or loss	-	24,617,723	-	-	24,617,723
- measured at fair value					
Financial assets at amortised cost	-	4,526,511	-	-	4,526,511
<b>Total financial assets</b>	<b>237,313</b>	<b>29,144,234</b>	<b>-</b>	<b>-</b>	<b>29,381,547</b>

## (c) Credit Risk

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

Management of credit risk includes the following

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



Notes to the financial statements continued on page 22

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

## (16) FINANCIAL RISK MANAGEMENT (CONTINUED)

## (c) Credit Risk (Continued)

Credit quality by class of financial assets

As at 31 March 2023	12 Month Expected Credit Losses	Life Time Expected Credit Losses not credit impaired	Life Time Expected Credit Losses credit impaired	Total
	Rs.	Rs.	Rs.	Rs.
<b>Assets</b>				
Cash at bank and in hand	1,988,784	-	-	1,988,784
Financial assets - at fair value through profit and loss	-	-	-	-
Financial assets - at amortised cost	136,291,881	-	-	136,291,881
<b>Total financial assets</b>	<b>138,280,665</b>	<b>-</b>	<b>-</b>	<b>138,280,665</b>
<b>As at 31 March 2022</b>				
	12 Month Expected Credit Losses	Life Time Expected Credit Losses not Credit Impaired	Life Time Expected Credit Losses Credit Impaired	Total
	Rs.	Rs.	Rs.	Rs.
<b>Assets</b>				
Cash at bank and in hand	237,313	-	-	237,313
Financial assets - at fair value through profit and loss	24,617,723	-	-	24,617,723
Financial assets - at amortised cost	4,526,511	-	-	4,526,511
<b>Total financial assets</b>	<b>29,381,547</b>	<b>-</b>	<b>-</b>	<b>29,381,547</b>



Notes to the financial statements continued on page 23.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

## (16) FINANCIAL RISK MANAGEMENT (CONTINUED)

## (d) Operational Risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the company's involvement with financial instruments, including processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behavior.

The unit trust's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the business reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity.

The primary responsibility for the development and implementation of controls to address operational risk is assigned to senior management within each business unit. This responsibility is supported by the development of overall unit trust's standards for the management of operational risk in the following areas:

- Requirements for appropriate segregation of duties, including the independent authorisation of transactions.
- Requirements for the reconciliation and monitoring of the transaction.
- Compliance with regulatory and other legal requirements.
- Documentation of controls and procedures.
- Development of business contingency plans.
- Training and professional development.
- Ethical and business standards.
- Risk mitigation, including insurance where this is effective.

Compliance with unit trust's internal controls and procedures is supported by a programme of periodic reviews undertaken by Investment Committee. The results of reviews are discussed with the management of the business unit with summaries submitted to the Fund administrator of the fund manager.



Notes to the financial statements continued on page 24



## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

## (17) RELATED PARTY TRANSACTIONS

## a) Responsible entity

The responsible entity of Comtrust Gilt Edged Fund is CT CLSA Asset Management (Pvt) Ltd.

## b) Key management personnel

## (i) Directors

Key management personnel include persons who were directors of CT CLSA Asset Management (Pvt) Ltd at any time during the financial year.

- Ms Cecilia Page
- Mr Zakir Mohamedally
- Mr Joseph Page
- Mr Patrick Martin Lawlor

## (ii) Other key management personnel

- Ms. Hansini Aravinda Financial analyst
- Mr Kushan Vinayagasundaram Fund Manager

## c) Key management personnel unit holdings

The key management personnel of CT CLSA Asset Management (Pvt) Limited held units in the fund as follows:

31 March 2023	No of units held at opening	No of units held at closing	Fair value of investment	Interest Held	Distribution paid or payable by the fund
Unit holders					
Mr. Jeevan Sukumaran	131	-	-	0.0000%	-

## d) Key management personnel compensation

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

## e) Other transactions within the Fund

Apart from those details that are disclosed in this note, no key management personnel have entered into a material contract with the Fund during the financial year and there were no material contracts involving key management personnel's interest existing at year end.



## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

## (17) RELATED PARTY TRANSACTIONS (CONTINUED)

## f) Related party unit holding

The management company and other related party held units in the fund as follows:

31 March 2023	No of opening units	No of closing units	Fair value of investment	% of Holdings	Distribution paid or payable by the fund
			Rs.		Rs.
Unit holders					
CT CLSA Asset Management (Pvt) Ltd	-	1,216,492	16,226,179	12.06%	-
CT CLSA Holdings Limited	-	2,128,051	28,385,008	21.09%	-
CT CLSA Capital (Pvt) Ltd	-	4,050,132	54,022,686	40.15%	-
CT Holdings PLC	2,621,116	-	-	0.00%	-

## g) Transactions with and amounts due to related parties

The fee was charged by the management company and trustee for services provided during the year and the balances outstanding from such dues as at year end are disclosed below:

	Charge for the year		Balance outstanding	
	2022/2023	2021/2022	31.03.2023	31.03.2022
	Rs.	Rs.	Rs.	Rs.
Management fees	(513,342)	(838,362)	141,493	33,972
Trustee fees	(393,875)	(603,620)	110,836	24,460
Custodian fee	(273,859)	(259,203)	69,534	63,913
	<u>(1,181,076)</u>	<u>(1,701,185)</u>	<u>321,863</u>	<u>122,345</u>

## (18) COMMITMENTS AND CONTINGENCIES

There were no material commitments or contingent liabilities outstanding at the end of the reporting date.

## (19) EVENTS AFTER REPORTING DATE

There were material events occurring after the reporting date 31st March, 2023 that require adjustment to or disclosure in the financial statements.

In compliance with CIS Code 2022, Comtrust Gilt Edged Fund has changed its name to CT CLSA Gilt Edge Fund after the reporting period.

**DETAIL NOTES TO THE FINANCIAL STATEMENTS  
31ST MARCH****NET ASSET VALUE RECONCILIATION**

	Rs.
Net asset value published as at 31 <sup>st</sup> March 2023	134,560,063
Audit fee payable	6,809
<b>Total</b>	<u>134,553,254</u>
Audited net asset value published as at 31 March 2023 (Note 14.1)	<u><u>134,553,254</u></u>

