

ASIA
SECURITIES



INTEGRITY | INSIGHT | INNOVATION

WEALTH MANAGEMENT

Asia Securities Unit Trust Funds

ANNUAL REPORT 2023/2024

TABLE OF CONTENTS

About Asia Securities Wealth Management (Pvt) Limited	02
Board of Directors	03
Investment Committee	04
Management Team	05
Investment Manager's Report - Asia Securities Money Market Fund	06
Asia Securities Money Market Fund - Financial Statements	09
Investment Manager's Report - Asia Securities Income Fund	37
Asia Securities Income Fund - Financial Statements	40
Investment Manager's Report - Asia Securities Gilt Fund	65
Asia Securities Gilt Fund - Financial Statements	68
Investment Manager's Report - Asia Securities Equity Opportunities Fund	92
Asia Securities Equity Opportunities Fund - Financial Statements	96
Corporate information	106
Declaration by Trustees & Management Company	107

ASIA SECURITIES WEALTH MANAGEMENT (PVT) LIMITED

Asia Securities Wealth Management (Pvt) Ltd. (ASWM) provide wealth management services for individuals, corporates, and institutions. The company was launched in October 2018, with a largest AUM for a new wealth manager in Sri Lanka.

The company is a fully owned subsidiary of Asia Securities Holdings (Pvt) Ltd and is licensed to operate as an Investment Manager and a Management Company to operate collective investments schemes by the Securities and Exchange Commission of Sri Lanka.

ASWM launched its first unit trust, the Asia Securities Money Market Fund, in December 2020 and subsequently Asia Securities Income Fund in December 2022, Asia Securities Gilt Fund in April 2023 and Asia Securities Equity Opportunities Fund in December 2023.

Asia Securities Holdings (Pvt) Ltd is a leading investment bank in Sri Lanka providing wealth management, M&A advisory, equity brokerage, and research services through its affiliated companies.

BOARD OF DIRECTORS



Dumith Hemantha Fernando
Chairman,
Asia Securities Wealth Management

Dumith Fernando is the Chairman of Asia Securities (Pvt) Ltd, a leading independent Investment Banking, Research, and Stock Broking firm in Sri Lanka. He has over two decades of experience in international Investment Banking, based in New York and Hong Kong with the U.S. bank J.P. Morgan Chase & Co. and the Swiss bank Credit Suisse AG. Until 2013, he was Managing Director and Group Chief Operating Officer for the Asia Pacific region at Credit Suisse – a business with over USD 2.5bn in revenue across 12 countries, and a member of the Global Leadership Council.

He was the former Chairman of the Colombo Stock Exchange, and a Director of Singer Sri Lanka PLC, and Union Assurance PLC. He is also a Senior Advisor to Tybourne Capital Management (in Hong Kong) a leading Asia-based investment management firm, and non-executive Chairman of several start-up companies.

He holds a BA (Honors) in Physics & Economics from Middlebury College in the U.S. and an MBA from Harvard Business School.



Harold Avancka Herat
Director / Chief Executive Officer,
Asia Securities Wealth Management

Avancka has been the Chief Executive Officer for Asia Securities Wealth Management (Pvt) Limited from September 2018 to June 2021 and thereafter Executive Director, group client coverage.

Avancka was also the CEO of National Asset Management (Pvt) Ltd (NAMAL) from 2011 to 2018.

He functioned as the Chief Investment Officer of Aegis Fund Management (fund manager for Sri Lanka Insurance Corporation) in 2004-2010 with an AUM of USD 600mn, where he was responsible for articulating overall investment strategy and execution of asset allocation for both equity and debt markets. Through his career he has worked at Caltex Ceylon, Jardine Fleming HNB Capital, Jardine Fleming HNB Securities, and Lanka Securities. He counts over 25 years of capital markets experience and started his career as an Analyst at Lanka Securities.

Avancka holds a master's degree in Business Finance from Brunel University London, UK and a Bachelor's Degree in Business Studies from Swansea University, UK.

INVESTMENT COMMITTEE

Permanent Members

Steven Enderby
Independent Member

Dumith Fernando
Chairman,
Asia Securities Wealth Management

Avancka Herat
Executive Director,
Asia Securities Wealth Management

Kishan Vairavanathan
Chief Executive Officer,
Asia Securities Wealth Management
(resigned w.e.f. 31.05.2024)

Pushpika Jeevaratne
VP Compliance,
Asia Securities Wealth Management

Steven Enderby **Independent Member**

Accounts for over 25 yrs of Investments and private equity experience in UK, Asia, India and Bangladesh and Mr Enderby was the former CEO/MD, Hemas Group.

MANAGEMENT TEAM

Pushpika Jeevaratne

Vice President Compliance

Pushpika is the VP Compliance at Asia Securities Wealth Management and accounts for over 16 years of capital markets experience. Pushpika was the former Head of Compliance & Risk at National Asset Management Limited (NAMAL).

She is a passed finalist of CIMA and holds BSc in Electronic & Telecommunications Engineering-University of Moratuwa, Sri Lanka.

Nadarajah Gowthaman

Portfolio Manager

Gowthaman joined Asia Securities Wealth Management (Pvt) Ltd as the Vice President/Portfolio Manager. Prior to this role, he was associated with Ceylon Asset Management, one of Sri Lanka's leading asset management firms, where he covered fixed income and equity funds. Before that, he worked as an Investment Manager at ETF Board and as a Forex & FIS Dealer at Indian Bank, amassing over a decade of experience in both domestic and foreign markets.

Nidesh Perera

Portfolio Manager

Nidesh assumed the role of Assistant Vice President at Asia Securities Wealth Management (Pvt) Ltd and subsequently ascended to the position of Vice President portfolio management. Preceding this, he held a position at Asset Trust Management Ltd, a prominent asset management firm in Sri Lanka, overseeing fixed-income and equity funds. Earlier in his career, Nidesh acquired extensive experience in domestic markets through roles in the Treasury Operation sector at Nat Wealth Securities Ltd and DFCC Bank PLC, amassing over a decade of expertise in the field.

The background of the page features a dark, high-tech aesthetic. On the right side, there are several overlapping windows displaying financial data. The top window shows a line graph with a green trend line and red vertical bars. Below it, another window displays a candlestick chart with red and green bars. In the bottom left corner, the back of a person's head and shoulders is visible, looking towards the data screens. The overall color palette is dominated by dark blues, blacks, and the vibrant reds and greens of the financial charts.

ASIA SECURITIES MONEY MARKET FUND

ASIA SECURITIES MONEY MARKET FUND REVIEW

Fund Objective

The Fund is an open-ended unit trust fund that focuses on investing in short-term government securities and fixed income securities with an investment-grade rating of BBB- or above. These securities have a maturity period of 365 days or less. The investment objective is to generate a high interest income for its investors while preserving capital and providing liquidity.

Commentary

During the 12-month period ending in 2023/24, the Asia Security Money Market Fund delivered an annualized return of 19.45% to its investors. The fund primarily focuses on treasury bills and other money market instruments issued by entities with investment-grade ratings or higher. At the beginning of the year, we shifted our investment strategy from corporate papers to government securities (G-secs) due to the attractive yields they offered.

Throughout 2023/24, interest rates followed a downward trajectory, driven by the Central Bank's relaxed monetary stance. Policy rates were collectively reduced by 700 basis points during this period, supported by significant moderation in inflation, well-anchored inflation expectations, subpar economic activity amidst subdued domestic demand conditions, and easing external sector pressures. In June 2023, the Sri Lankan government successfully completed the domestic debt optimization program, which led to an immediate decline in yields on government securities (G-secs) and an adjustment in risk premia.

Fund Return

Period	ASMMF Annualized Return
2023-24	19.45%
2022-23	13.19%
2021-22	07.78%

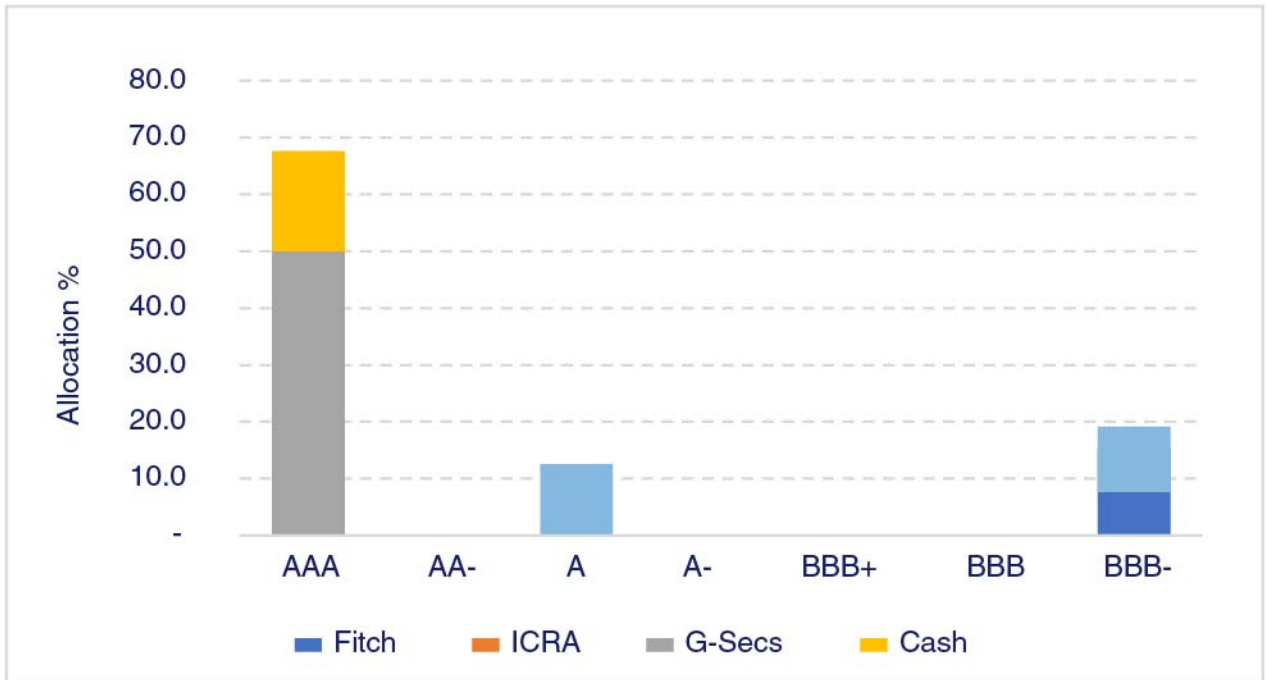
We primarily focused on G-secs until January 2024, taking advantage of their higher yields. From February 2024 onwards, we began selectively investing in corporate papers while maintaining sufficient levels of liquidity.

As we enter the election cycle, policy direction, the conclusion of the external debt restructuring, inflation expectations, and fiscal performance will be crucial in determining the direction of interest rates. We will adjust our portfolio selection based on thorough analysis, striving to generate a high interest income while preserving capital and providing liquidity.

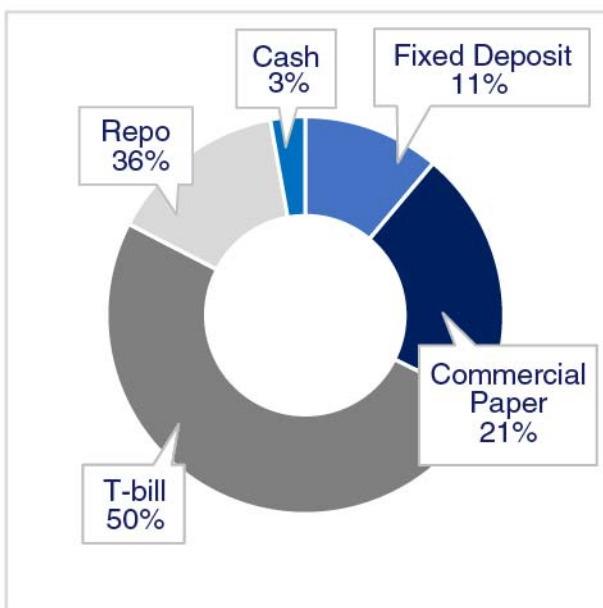
ASIA SECURITIES MONEY MARKET FUND REVIEW

Key Facts of the Fund

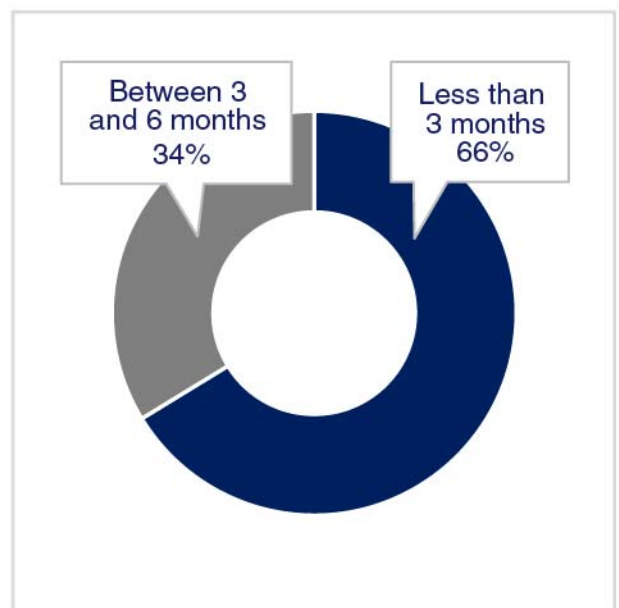
Fund Credit Quality -% of NAV



Asset Allocation



Maturity Profile



The background of the page features a dark, blurred image of financial charts and data on multiple screens. A large white diagonal shape cuts across the image from the top-left to the bottom-right. In the bottom-left corner, the back of a person's head and shoulder, wearing a dark suit, is visible, looking towards the screens.

ASIA SECURITIES MONEY MARKET FUND
AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2024



INDEPENDENT AUDITOR'S REPORT

To the Unitholders of Asia Securities Money Market Fund

Report on the audit of the financial statements

Our opinion

We have audited the financial statements of Asia Securities Money Market Fund ("the Fund"). The financial statements of the Fund comprise:

- the statement of financial position as at 31 March 2024;
- the statement of comprehensive income for the year then ended;
- the statement of changes in unitholder's funds 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 March 2024, 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

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

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

C S Manoharan FCA, T U Jayasinghe FCA, H P V Lakdeva FCA, K M D R P Manatunga ACA, L A C Tillekeratne ACA, M D B Boyagoda FCA, N R Gunasekera FCA, W D A S U Perera ACA, D C A J Yapa ACA, Minfaz Hilmy FCA

Regd. Office: P.O. Box 918, 100 Braybrooke Place, Colombo 02, Sri Lanka. Reg. No.: w/4179



INDEPENDENT AUDITOR'S REPORT

To the Unitholders of Asia Securities Money Market Fund (Contd)

Report on the audit of the financial statements (Contd)

Other information

In connection with our audit of the financial statements, our responsibility is to read the other information identified above when it becomes available 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 board, 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

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

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

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 Unitholders of Asia Securities Money Market Fund (Contd)

Report on the audit of the financial statements (Contd)

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

- 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 are prepared and presented in accordance with and comply with the requirements of the Collective Investment Scheme code (CIS code) of The Securities and Exchange Commission of Sri Lanka and trust deed.

CHARTERED ACCOUNTANTS

CA Sri Lanka membership number 3991

COLOMBO

28 June 2024

Asia Securities Money Market Fund
STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 March 2024

Continuing Operation	Note	31/03/2024	31/03/2023
		LKR	LKR
Revenue			
Finance income - Interest income	05	46,644,711	114,330,775
Total Revenue		46,644,711	114,330,775
Operating expenses			
Management fees		(1,240,841)	(3,067,644)
Trustee fees		(442,068)	(1,800,665)
Custodian fees		(285,694)	(274,305)
Audit fees		(514,763)	(433,846)
WHT Expenses		(507,268)	(1,112,975)
Other expenses		(567,560)	(206,133)
Total operating expenses		(3,558,194)	(6,895,568)
Other gains	06	317,379	2,398,654
Finance cost			
Interest expense		-	(43,124,828)
Total finance cost		-	(43,124,828)
Profit for the period		43,403,896	66,709,033
Increase in net assets attributable to unit holders		43,403,896	66,709,033

Figures in brackets indicate deductions.

The accounting policies and notes from pages 8 to 24 form an integral part of these financial statements.

Asia Securities Money Market Fund
STATEMENT OF FINANCIAL POSITION
As at 31 March 2024

Assets	Note	31/03/2024	31/03/2023
		LKR	LKR
Cash and bank balances	07	7,772,107	43,687,694
Financial assets at amortised cost	08	266,677,198	334,932,766
Other Receivable		-	174,407
Total assets		274,449,305	378,794,867
Liabilities			
Other Payable	09	688,368	595,991
Total liabilities		688,368	595,991
Net assets attributable to unit holders		273,760,937	378,198,876
Unitholders' funds			
Net assets attributable to unit holders		273,760,937	378,198,876

The Fund Management Company and the Trustee are responsible for the preparation and presentation of these financial statements in accordance with Sri Lanka Accounting Standards. These financial statements were approved by the Fund Management Company and the Trustee on 28 June 2024.



Director
Asia Securities Wealth Management (Private) Limited
Fund Management Company




Trustee
Hatton National Bank



Director
Asia Securities Wealth Management (Private) Limited
Fund Management Company

Figures in brackets indicate deductions.

The accounting policies and notes from pages 8 to 24 form an integral part of these financial statements.

Asia Securities Money Market Fund
STATEMENT OF CHANGES IN UNITHOLDERS' FUND
For the year ended 31 March 2024

	No of units	Unitholders' fund LKR
Unitholders' funds as at 31 March 2022	495,515,909	5,435,138,199
Increase in net assets attributable to unitholders	-	66,709,033
Creation of units	162,617,678	1,839,522,706
Redemption of units	(627,671,100)	(6,963,171,062)
Net decrease due to unit holders transactions	(465,053,422)	(5,123,648,356)
Unitholders' funds as at 31 March 2023	30,462,487	378,198,876

	No of units	Unitholders' fund LKR
Unitholders' funds as at 31 March 2023	30,462,487	378,198,876
Increase in net assets attributable to unitholders	-	43,403,896
Creation of units	56,337,418	774,062,954
Redemption of units	(68,339,480)	(921,904,789)
Net decrease due to unit holders transactions	(12,002,062)	(147,841,836)
Unitholders' funds as at 31 March 2024	18,460,425	273,760,937

Figures in brackets indicate deductions.

The accounting policies and notes from pages 8 to 24 form an integral part of these financial statements.

Asia Securities Money Market Fund
STATEMENT OF CASH FLOWS
For the year ended 31 March 2024

	31/03/2024	31/03/2023
	LKR	LKR
Cash flows from operating activities		
Interest received	56,992,141	345,711,561
Interest expense paid	-	(43,124,828)
Other expenses paid	(1,321,565)	(7,081,713)
Management fees and trustee fees paid	(1,969,844)	(8,375,672)
Investment in repurchase agreements	(1,501,000,000)	(11,027,158,870)
Investment in commercial papers	(1,794,331,670)	(460,661,262)
Investment in fixed deposits	(30,000,000)	(150,094,000)
Investment in T-Bills	(518,020,489)	(174,490,853)
Maturity proceed from repurchase agreements	1,601,000,000	10,933,727,425
Maturity proceed from commercial papers	1,786,471,670	2,930,661,262
Maturity proceed from fixed deposits	-	2,437,094,000
Maturity proceed from trust certificates	-	660,000,000
Maturity proceed from T-Bills	514,106,005	403,616,836
Net cash used in operating activities	111,926,248	5,839,823,886
Cash flows from financing activities		
Amounts received on unit creations	774,062,954	1,839,522,706
Amounts paid on unit redemptions	(921,904,789)	(6,963,171,062)
Loans received against fixed deposits	-	980,687,047
Loans paid against fixed deposits	-	(1,665,187,047)
Net cash generated from financing activities	(147,841,835)	(5,808,148,356)
Net increase in cash and cash equivalents during the period	(35,915,587)	31,675,530
Cash and cash equivalents at the beginning of the period	43,687,694	12,012,164
Cash and cash equivalents at the end of the period (Note 7.1)	7,772,107	43,687,694

Figures in brackets indicate deductions.

The accounting policies and notes from pages 8 to 24 form an integral part of these financial statements.

Asia Securities Money Market Fund NOTES TO THE FINANCIAL STATEMENTS

1. General Information

1.1 General

Asia Securities Money Market Fund (“the Fund”) is an open-ended investment fund approved by the Securities and Exchange Commission of Sri Lanka. The Fund had been granted its license on 12th of October 2020 and operations started on 23rd December 2020. The Fund is managed by Asia Securities Wealth Management (Private) Limited which is incorporated and domiciled in Sri Lanka. The registered office of the fund management company is located 4th Floor, Lee Hedges Tower, No, 349, Galle Road, Colombo 03. The trustee and custodian of the fund is Hatton National Bank PLC having its place of business at No 479, T.B. Jayah Mawatha, Colombo 10.

The investment objective of the Fund is to generate a high interest income while preserving capital and providing liquidity. The Fund will invest into high quality money market instruments with a residual maturity of less than 397-days.

1.2 Date of authorization for issue

The financial statements of the Fund for the period ended 31 March 2024 were authorized for issue by the fund management company and the trustee on 28 June 2024.

2. Summary of significant 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 accounting

The financial statements of the Fund have been prepared in accordance with Sri Lanka Accounting Standards, which comprise Sri Lanka Financial Reporting Standards (“SLFRS”s), Sri Lanka Accounting Standards (“LKAS”s), relevant interpretations of the Standing Interpretations Committee (“SIC”) and International Financial Reporting Interpretations Committee (“IFRIC”). Sri Lanka Accounting Standards further comprises of Statements of Recommended Practices (SoRPs), Statements of Alternate Treatments (SoATs) and Financial Reporting Guidelines issued by the Institute of Chartered Accountants of Sri Lanka. These financial statements have been prepared under the historical cost convention. The preparation of financial statements in conformity with Sri Lanka Accounting Standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Fund's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the Fund's financial statements are disclosed in note 4 to the financial statements. The statement of financial position is presented on a liquidity basis and assets and liabilities are presented in decreasing order of liquidity and are not distinguished between the current and non-current. The financial statements are presented in Sri Lankan rupees (LKR).

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after the Fund's inception, and have not been early adopted in preparing these financial statements. None of these are expected to have a material effect on the financial statements of the Fund.

Statement of Compliance

The financial statements which comprise the statement of financial position as at 31 March 2024, statement of comprehensive income, statement of changes in unitholders' fund and statement of cash flows for the period from 01 April 2023 to 31 March 2024, and a summary of material 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 and Unit Trust Code of the Securities and Exchange Commission of Sri Lanka.

Asia Securities Money Market Fund NOTES TO THE FINANCIAL STATEMENTS (CONTD)

2. Summary of significant accounting policies (Contd.)

2.2 Amendments to the Sri Lanka Accounting Standards

The following amendments to the Sri Lanka Accounting Standards that are relevant for the preparation of financial statements have been adopted by the Fund which are effective for the first time for periods commencing on or after 1 January 2023.

(a) New standards and amendments - applicable 1 January 2023

The Fund has applied the following standards and amendments for the first time for their annual reporting periods commencing 1 January 2023:

(i) Amendments to LKAS 1 Presentation of Financial Statements and SLFRS Practice Statement to Making Materiality Judgements - Disclosure of Accounting Policies

The entity 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.

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

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

The entity 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 deleted.

(b) New accounting standards, amendments and interpretations issued but not yet effective and adopted in

The following standards and interpretations had been issued by IASB (and also adopted by CA Sri Lanka), but not mandatory for annual reporting periods ending 31 December 2023. Further, the Fund has not early adopted these new standards and/or amendments.

(i) Amendments to LKAS 1 Presentation of Financial Statements - Classification of Liabilities as Current or Non-current

The amendments to LKAS 1 published in January 2020 affect only the presentation of liabilities as current or noncurrent in the statement of financial position and not the amount or timing of recognition of any asset, liability, income or expenses, or the information disclosed about those items.

Asia Securities Money Market Fund NOTES TO THE FINANCIAL STATEMENTS (CONTD)

2. Summary of significant accounting policies (Contd.)

2.2 Amendments to the Sri Lanka Accounting Standards (Contd)

(b) New accounting standards, amendments and interpretations issued but not yet effective and adopted in 2023 (Contd)

(i) Amendments to LKAS 1 Presentation of Financial Statements—Classification of Liabilities as Current or Non-current (Contd)

The amendments clarify that the classification of liabilities as current or non-current is based on rights that are in existence at the end of the reporting period, specify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability, explain that rights are in existence if covenants are complied with at the end of the reporting period, and introduce a definition of 'settlement' to make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services.

The amendments are applied retrospectively for annual periods beginning on or after 1 January 2024, with early application permitted. The IASB has aligned the effective date with the 2022 amendments to LKAS 1. If an entity applies the 2020 amendments for an earlier period, it is also required to apply the 2022 amendments early. The directors of the managing company anticipate that the application of these amendments may have an impact on the entity's financial statements in future periods.

(ii) Amendments to LKAS 1 Presentation of Financial Statements—Non-current Liabilities with Covenants

The amendments specify that only covenants that an entity is required to comply with on or before the end of the reporting period affect the entity's right to defer settlement of a liability for at least twelve months after the reporting date (and therefore must be considered in assessing the classification of the liability as current or noncurrent). Such covenants affect whether the right exists at the end of the reporting period, even if compliance with the covenant is assessed only after the reporting date (e.g. a covenant based on the entity's financial position at the reporting date that is assessed for compliance only after the reporting date).

The IASB also specifies that the right to defer settlement of a liability for at least twelve months after the reporting date is not affected if an entity only has to comply with a covenant after the reporting period. However, if the entity's right to defer settlement of a liability is subject to the entity complying with covenants within twelve months after the reporting period, an entity discloses information that enables users of financial statements to understand the risk of the liabilities becoming repayable within twelve months after the reporting period. This would include information about the covenants (including the nature of the covenants and when the entity is required to comply with them), the carrying amount of related liabilities and facts and circumstances, if any, that indicate that the entity may have difficulties complying with the covenants.

The amendments are applied retrospectively for annual reporting periods beginning on or after 1 January 2024. Earlier application of the amendments is permitted. If an entity applies the amendments for an earlier period, it is also required to apply the 2020 amendments early.

The directors of the managing company anticipate that the application of these amendments may have an impact on the entity's financial statements in future periods.

Asia Securities Money Market Fund NOTES TO THE FINANCIAL STATEMENTS (CONTD)

2. Summary of significant accounting policies (Contd.)

2.2 Amendments to the Sri Lanka Accounting Standards (Contd)

(iii) Amendments to LKAS 7 Statement of Cash Flows and SLFRS 7 Financial Instruments:

Disclosures—Supplier Finance Arrangements

The amendments add a disclosure objective to LKAS 7 stating that an entity is required to disclose information about its supplier finance arrangements that enables users of financial statements to assess the effects of those arrangements on the entity's liabilities and cash flows. In addition, SLFRS 7 was amended to add supplier finance arrangements as an example within the requirements to disclose information about an entity's exposure to concentration of liquidity risk.

The term 'supplier finance arrangements' is not defined. Instead, the amendments describe the characteristics of an arrangement for which an entity would be required to provide the information. To meet the disclosure objective, an entity will be required to disclose in aggregate for its supplier finance arrangements:

- The terms and conditions of the arrangements
- The carrying amount, and associated line items presented in the entity's statement of financial position, of the liabilities that are part of the arrangements
- The carrying amount, and associated line items for which the suppliers have already received payment from the finance providers
- Ranges of payment due dates for both those financial liabilities that are part of a supplier finance arrangement and comparable trade payables that are not part of a supplier finance arrangement
- Liquidity risk information.

The amendments, which contain specific transition reliefs for the first annual reporting period in which an entity applies the amendments, are applicable for annual reporting periods beginning on or after 1 January 2024. Earlier application is permitted.

2.3 Functional and presentation currency

The Fund's investors are mainly from Sri Lanka, with all creation and redemption of units are denominated in Sri Lanka Rupees. The primary activity of the Fund is to invest in domestic securities and earn and offer unit holders a return. The performance of the Fund is measured and reported to the unitholders in Sri Lanka Rupees. The Trustee considers the rupees as the currency that most faithfully represents the economic effects of the underlying transactions, events and conditions. Accordingly, the financial statements are presented in Sri Lankan Rupees, which is the Fund's functional and presentation currency.

2.4 Going Concern

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

Asia Securities Money Market Fund NOTES TO THE FINANCIAL STATEMENTS (CONTD)

2. Summary of significant accounting policies (Contd.)

2.5 Financial assets

Classification and measurement of financial assets and financial liabilities

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

(i) Recognition and initial measurement

All financial assets are initially recognized on the date the fund becomes a party to the contractual provisions of the instrument. This includes purchases of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place.

(ii) Classification

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

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

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

The fund's financial assets classified under amortised cost include money market savings deposits, fixed deposits, commercial papers, treasury bills, repurchase agreements, trust certificates.

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

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

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

Asia Securities Money Market Fund NOTES TO THE FINANCIAL STATEMENTS (CONTD)

2. Summary of significant accounting policies (Contd.)

2.6 Financial liabilities – Classification, subsequent measurement and gains and losses

Financial liabilities are classified as measured at amortised cost. Financial liabilities are subsequently measured at amortised cost using the effective interest method.

Financial liabilities measured at amortised cost include borrowings, accrued expenses and other payables.

Derecognition

Financial assets

The Fund derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the fund neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset. The Fund enters into transactions whereby it transfers assets recognised in its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognised.

Financial liabilities

The Fund derecognises a financial liability when its contractual obligations are discharged or cancelled or expire. The Fund also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value. On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

Offsetting of financial instruments

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

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

2.7 Impairment

The Fund recognises loss allowances for expected credit losses (ECLs) on financial assets measured at amortised cost.

The Fund measures loss allowances at an amount equal to lifetime ECL, except for bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition which are measured as 12-month ECL. Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument. 12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months). The maximum period considered when estimating ECLs is the maximum contractual period over which the fund is exposed to credit risk.

Asia Securities Money Market Fund NOTES TO THE FINANCIAL STATEMENTS (CONTD)

2. Summary of significant accounting policies (Contd.)

2.7 Impairment (Contd)

Credit-impaired financial assets

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

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

- Significant financial difficulty of the borrower or issuer;
- A breach of contract such as a default or being more than 90 days past due.
- The restructuring of a loan or advance by the Fund on terms that the Fund would not consider otherwise.
- It is probable that the borrower will enter bankruptcy or other financial reorganization.

As of the statement of financial position date the fund has not observed any of the above thus no impairment provision has been recognized in the financial statements.

All of the funds' investments at amortised cost have low credit risk, and the loss allowance recognised during the period was therefore limited to 12 months expected losses.

The Fund's investments in Treasury bill repurchase agreements that are obtained from primary dealers are collateralized with government securities. Therefore, considered as low risk investments.

Presentation of allowance for ECL in the statement of financial position

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

Write-offs

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

2.8 Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Fund and the Revenue can be reliably measured. The following specific criteria must be also be met before Revenue is

2.9 Interest income

For all financial instruments measured at amortized cost, interest income is recorded using the effective interest rate (EIR), which is the rate that exactly discounts the estimated future cash appropriate, to the net carrying amount of the financial asset.

2.10 Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise of cash at bank. The cash flow statement has been prepared using the direct method. For the purpose of the statement of cash flows, cash and cash equivalents consist of cash and cash. equivalents as defined above.

Asia Securities Money Market Fund NOTES TO THE FINANCIAL STATEMENTS (CONTD)

2. Summary of significant accounting policies (Contd.)

2.11 Income tax

The Fund is not liable to pay income tax as of the reporting date in accordance with Inland Revenue No 24 of 2017 as amended by the Inland Revenue (Amendment) Act No 45 of 2022. However, the interest income on fixed deposits, commercial papers and money market savings are taxed at 5% as per the Inland Revenue (Amended) Act No 45 2022 with effect from 1 January 2023. The Fund's income generated through investment business is treated as "pass-through vehicles" under the provisions of Inland Revenue No 24 of 2017 as amended by the Inland Revenue (Amendment) Act No 45 of 2022.

2.12 Expenses

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

Management fee	0.50% p.a. of net asset value of the fund calculated daily
Trustee fee	0.15% p.a. of net asset value of the fund calculated daily
Custodian fee	Rs 240,000 per Annum

2.13 Accrued expenses

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

2.14 Increase/(decrease) in net assets attributable to unitholders

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.

2.15 Unitholders' funds

Unitholders' funds have been calculated as the difference between the carrying amounts of the assets and the carrying amounts of the liabilities, other than those due to unit holders as at the reporting date.

3 Financial risk management

Risks arising from holding financial instruments are inherent in the Fund's activities, and are managed through a process of ongoing identification, measurement, and monitoring. The Fund is exposed to credit risk, market risk, and liquidity risk.

Financial instruments of the Fund comprise investments in treasury bills and repurchase agreements, fixed deposits, commercial papers, trust certificates and money market savings 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.

The fund manager is responsible for identifying and controlling the risk that arise from these financial instruments. The fund manager agrees on policies for managing each of the risks identified below.

The risks are measured using a method that reflects the expected impact on the statement of profit or loss and other comprehensive income and statement of financial position of the Fund from reasonably possible changes in the relevant risk variables. Information about these risk exposures at the reporting date, measured on this basis, is disclosed below.

Asia Securities Money Market Fund NOTES TO THE FINANCIAL STATEMENTS (CONTD)

3. Financial risk management (Contd)

The fund manager also monitors information about the total fair value of financial instruments exposed to risk, as well as compliance with established investment mandate limits. These mandate limits reflect the investment strategy and market environment of the fund, as well as the level of risk that the fund is willing to accept, with additional emphasis on selected industries. This information is prepared and reported to relevant parties within the fund manager on a regular basis as deemed appropriate, including the fund manager, other key management, the investment committee, and ultimately the trustee of the fund.

The concentration of risk arises when several financial instruments or contracts are entered into with the same counterparty, or where a number of counterparties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economics, political or other conditions.

a) 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 Fund's exposure to credit risk from its financial assets arises from default of the counterparty, with the current exposure equal to the carrying amount of financial assets as at the reporting date. It is the fund's policy to enter contracts with reputable counterparties. The Fund is also subject to credit risk on its bank balances and investment in commercial papers. The credit risk exposure on these instruments is not deemed to be significant.

The Funds' maximum exposure to credit risk is the carrying amount of the financial assets are set out below;

Instrument	31/03/2024 LKR	31/03/2023 LKR
Commercial papers (Note 8.1)	58,111,705	56,007,034
Fixed deposits (Note 8.3)	30,566,438	-
Repurchase agreements (Note 8.2)	40,064,345	140,095,342
Treasury Bills	137,934,710	138,830,390
Total	266,677,198	334,932,766

The analysis below summarises the credit quality of the Fund's debt portfolio at 31 March 2024.

2024 Counterparty	Investment value as at 31 March 2024 (LKR)	% of investment	Credit rating	Rating agency
Hatton National Bank	7,772,107	2.83%	A (lka)	Fitch Rating
Asia Securities (Pvt) Ltd	21,981,205	8.01%	BB+	Fitch Rating
Acuity Securities Ltd	40,064,345	14.60%		Not rated
Alliance Finance Company PLC	30,566,438	11.14%	BBB-	Lanka Rating
LOLC Holdings PLC	36,130,500	13.16%	A	Lanka Rating
Government Securities	137,934,710	50.26%		Risk free Investment
Total	274,449,305			

Asia Securities Money Market Fund NOTES TO THE FINANCIAL STATEMENTS (CONTD)

3. Financial risk management (Contd)

a) Credit risk (Contd)

Debt securities by rating category.

Rating	2024
A	43,902,607
BBB-	30,566,438
BB+	21,981,205
Others	177,999,055
Total	274,449,305

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

2024 Counterparty	Investment value as at 31 March 2023 (LKR)	% of investment	Credit rating	Rating agency
Asia Securities (Private) Limited	56,007,034	14.79%	BBB-	Fitch Rating
First Capital Holdings PLC	120,072,329	31.71%	A	Lanka Rating
Capital Alliance PLC	20,023,014	5.29%	BBf(lka)	Fitch Rating
Hatton National Bank	43,687,694	11.54%	A(lka)	Fitch Rating
Wealth Trust Securities	138,830,390	36.67%	Not rated	
Total	378,620,461			

Debt securities by rating category.

Rating	2023
A	163,760,023
BBB-	56,007,034
BBf (lka)	20,023,014
Not rated	138,830,390
Total	378,620,461

b) Market risk

Market risk represents the risk that the value of the fund's investments portfolios will fluctuate because of changes in market prices and rates. However, the fund's exposure to price risk and foreign exchange risk are deemed negligible as all its investments are short term fixed income securities denominated in Sri Lankan Rupees and the financial instruments are subsequently measured on an amortised cost basis. While market risk cannot be eliminated the fund manager will attempt to reduce this risk by diversifying the fund's investment portfolio in line with investment objectives of the fund.

Asia Securities Money Market Fund NOTES TO THE FINANCIAL STATEMENTS (CONTD)

3. Financial risk management (Contd)

b) Market risk

Interest rate risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates. The Fund's interest-bearing financial assets expose it to risks associated with the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. The risk is measured using sensitivity analysis. Since the Fund had not held financial instruments with variable interest rates as of 31 March 2024, it was not exposed to interest rate risk. Hence a sensitivity analysis has not been presented.

The table below summarises the fund's exposure to interest rate risk.

31/03/2024	Floating interest rate	Fixed interest rate	Non-interest bearing	Total
Financial assets	LKR	LKR	LKR	LKR
Cash and cash equivalents	Nil	7,747,107	25,000	7,772,107
Financial assets at amortised cost	Nil	266,677,198	Nil	266,677,198
Total exposure	Nil	274,424,305	25,000	274,449,305

31/03/2023	Floating interest rate	Fixed interest rate	Non-interest bearing	Total
Financial assets	LKR	LKR	LKR	LKR
Cash and cash equivalents	Nil	43,662,694	25,000	43,687,694
Financial assets at amortised cost	Nil	334,932,766	Nil	334,932,766
<i>Financial liabilities</i>				
Borrowings	Nil	Nil	Nil	Nil
Total exposure	Nil	378,595,460	25,000	378,620,460

c) 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. Exposure to liquidity risk arises because of the possibility that the Fund could be required to pay its liabilities or redeem its units earlier than expected. Units are redeemable at the unitholder's options based on the fund's net asset value per unit at the time of redemption.

The Fund manages its obligation when required to do so and its overall liquidity risk by:

- Investing primarily in financial instruments, which under normal market conditions are readily convertible to cash.
- The fund will also make the Investments within the parameters set out by the Commission in accordance with the Unit Trust Code and the Deed to ensure there is no concentration of risk.
- Maintaining sufficient cash and cash equivalents to meet normal operating requirements and expected redemption requests. 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 Specialized 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.)
- Requiring at least 14 days prior written notice for unitholder redemption equal to or greater than 3% of the net asset value of the fund
- Continually search for new investors.

Asia Securities Money Market Fund NOTES TO THE FINANCIAL STATEMENTS (CONTD)

3. Financial risk management (Contd)

c) Liquidity risk (Contd)

The time frame for return of cash to investors is ten business days in which time investments may be recalled for redemption payouts. Further, the fund is also permitted to borrow up to 15% of the deposited property for redemption payouts. Other financial liabilities have no contractual maturities. Due to the short-term nature of these financial instruments, carrying value approximates fair value.

The table below precises the fund's non derivative financial assets and liabilities with contractual maturities into relevant maturity groupings based on the remaining period at the end of the reporting period. The amounts in the table are the contractual undiscounted cash flows.

31 March 2023	Less than 30 days	31 - 90 days	91 – 180 days	181 – 365 days	Total
Financial Assets	LKR	LKR	LKR	LKR	LKR
<i>Fixed Deposits</i>	Nil	30,566,438	Nil	Nil	30,566,438
Commercial Papers	36,130,500	Nil	21,981,205	Nil	58,111,705
Treasury Bills	Nil	67,194,022	70,740,687	Nil	137,934,709
Repurchase agreements	40,064,345	Nil	Nil	Nil	40,064,345
Cash & bank balances	7,772,107	Nil	Nil	Nil	7,772,107
Total	83,966,952	97,760,460	92,721,892	Nil	274,449,304
Financial Liabilities					
Management fee payable	109,264	Nil	Nil	Nil	109,264
Trustee fee payable	39,671	Nil	Nil	Nil	39,671
Custody fee payable	24,669	Nil	Nil	Nil	24,669
Total	173,604				173,604

31/03/2023	Less than 30 days	31 - 90 days	91 – 180 days	181 – 365 days	Total
Financial Assets	LKR	LKR	LKR	LKR	LKR
Commercial Papers	Nil	Nil	61,918,39	Nil	61,918,390
Treasury Bills	Nil	Nil	150,000,000	Nil	150,000,000
Repurchase agreements	140,803,836	Nil	Nil	Nil	140,803,836
Cash & bank balances	43,687,694	Nil	Nil	Nil	43,687,694
Total	184,491,530	Nil	211,918,390	Nil	396,409,920
Financial Liabilities					
Management fee payable	111,390	Nil	Nil	Nil	111,390
Trustee fee payable	39,415	Nil	Nil	Nil	39,415
Custody fee payable	24,042	Nil	Nil	Nil	24,042
Total	174,847	Nil	Nil	Nil	174,847

d) Capital risk management

The Fund considers its net assets attributable to unitholders as capital, notwithstanding that net asset attributable to unitholders are classified as a liability. The amount of net assets attributable to unitholders can change significantly daily as the Fund is subject to daily applications and redemptions at the discretion of unitholders. Daily applications and redemptions are reviewed relative to the liquidity of the Fund's underlying assets daily by the Management Company. Under the terms of the Unit Trust Code, the Management Company has the discretion to reject an application for units and to defer redemption of units if the exercise of such discretion is in the best interests of unitholders.

Asia Securities Money Market Fund NOTES TO THE FINANCIAL STATEMENTS (CONTD)

3. Financial risk management (Contd.)

d) Capital risk management (Contd)

The Fund's objective when managing capital is to safeguard the Fund's ability to continue as a going concern in order to provide returns for unitholders, provide benefits for other stakeholders and maintain a strong capital base to support the development of the investment activities of the Fund. The Board of Directors and Investment Manager monitor capital on the basis of the value of net assets attributable to unit holders. All the assets and liabilities are measured at amortised cost. Please refer to the Note 2 for more details. Disclosures relevant to unitholders' funds are as follows.

The movement in the unitholders' funds for the period ended 31 March 2024

I. In terms of value

	31/03/2024 (LKR)
Unit holders' funds as at the beginning of the Period	378,198,876
Creations during the period	774,062,954
Redemptions during the period	(921,904,789)
Increase in net assets attributable to unit holders during the period	43,403,896
Unit holders' funds as at 31 March 2023	273,760,937

	31/03/2023 (LKR)
Unit holders' funds as at the beginning of the Period	5,435,138,199
Creations during the period	1,839,522,706
Redemptions during the period	(6,963,171,062)
Increase in net assets attributable to unit holders during the period	66,709,033
Unit holders' funds as at 31 March 2023	378,198,876

I. In terms of numbers of units

	31/03/2024 LKR
Opening number of units	30,462,487
Unit creations during the period	56,337,418
Unit redemptions during the period	(68,339,480)
Closing number of units as at 31 March 2023	18,460,425

	31/03/2023 LKR
Opening number of units	495,515,909
Unit creations during the period	162,617,678
Unit redemptions during the period	(627,671,100)
Closing number of units as at 31 March 2023	30,462,487

Asia Securities Money Market Fund
NOTES TO THE FINANCIAL STATEMENTS (CONTD)

4. Critical accounting estimates and judgements

The preparation of financial statements in conformity with Sri Lanka Accounting Standards requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income, and expenses. In the selection and application of the Fund's accounting policies, which are described below, the fund management company is required to make judgements and assumptions and use assumptions in measuring items reported in the financial statements.

Estimates and judgements are continually evaluated. They are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances. Actual results may differ from such estimates and judgements. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates were revised if the revision affects only that period or in the period of the revision and future periods as well if the revision affects both the current and future periods.

Asia Securities Money Market Fund
NOTES TO THE FINANCIAL STATEMENTS (CONTD)

5. Finance income - Interest income

	<u>31/03/2024</u>	<u>31/03/2023</u>
	LKR	LKR
5.1 Interest on		
Fixed deposits	596,250	25,622,389
Commercial papers	8,008,031	27,532,103
Treasury Bills	30,827,690	13,820,167
Repurchase agreements	5,671,663	11,631,460
Trust Certificates	-	27,855,103
Money market bank accounts	1,541,077	7,869,553
	<u>46,644,711</u>	<u>114,330,775</u>

6. Other gains

	<u>31/03/2024</u>	<u>31/03/2023</u>
	LKR	LKR
Gain on disposal of treasury bills	317,379	34,113
Fixed deposits placement fee income	-	2,364,541
	<u>317,379</u>	<u>2,398,654</u>

6.1 Income is recognised on accrual basis using the effective interest rate method.

6.2 Notional tax is not applicable as per the new Inland Revenue Act No. 24 of 2017. Effective from 1st January 2023, withholding tax at the rate of 5% has been reintroduced on service fee payments which has a source in Sri Lanka and paid to a resident individual who is not an employee of the payer of such service fee.

7. Cash and bank balances

	<u>31/03/2024</u>	<u>31/03/2023</u>
	LKR	LKR
HNB current account	25,000	25,000
HNB money market account	7,747,107	43,662,694
	<u>7,772,107</u>	<u>43,687,694</u>

7.1 Cash and bank balances for the purpose of the statement of cash flows.

	<u>31/03/2024</u>	<u>31/03/2023</u>
	LKR	LKR
Cash and bank balances	<u>7,772,107</u>	<u>43,687,694</u>

Asia Securities Money Market Fund
NOTES TO THE FINANCIAL STATEMENTS (CONTD)

8. Financial assets at amortised cost

	<u>31/03/2024</u>	<u>31/03/2023</u>
	LKR	LKR
Commercial papers (Note 8.1)	58,111,705	56,007,034
Repurchase agreements (Note 8.2)	40,064,345	140,095,342
Fixed deposits Notes (8.3)	30,566,438	-
Treasury bills	137,934,710	138,830,390
	<u>266,677,198</u>	<u>334,932,766</u>

8.1 Commercial papers

	<u>31/03/2024</u>	<u>31/03/2023</u>
	LKR	LKR
Asia Securities (Pvt) Ltd	36,130,500	56,007,034
LOLC Holdings PLC	21,981,205	-
	<u>58,111,705</u>	<u>56,007,034</u>

8.2 Repurchase agreements

	<u>31/03/2024</u>	<u>31/03/2023</u>
	LKR	LKR
Capital Alliance Treasuries Ltd	-	20,023,014
First Capital Treasuries PLC	-	120,072,329
Acuity Securities Ltd	40,064,345	-
	<u>40,064,345</u>	<u>140,095,343</u>

8.3 Fixed Deposits

	<u>31/03/2024</u>	<u>31/03/2023</u>
	LKR	LKR
Alliance Finance Company PLC	30,566,438	-
	<u>30,566,438</u>	<u>-</u>

Asia Securities Money Market Fund
NOTES TO THE FINANCIAL STATEMENTS (CONTD)

9. Other Payable

	<u>31/03/2024</u>	<u>31/03/2023</u>
	LKR	LKR
Management fees payable	109,264	111,390
Trustee fees payable	39,671	39,415
Custodian fees payable	24,669	24,042
Audit and tax consultancy fees payable	514,764	421,144
	<u>688,368</u>	<u>595,991</u>

10. Units in issue and unit price

No. of units in issue and deemed to be in issue as at 31 March 2024 was 18,460,425 (2023 - 30,462,487) and net assets value per unit as at 31 March 2024 was LKR. 14.8296 (2023 - 12.4152). Please refer to Note -15.

11. Related party disclosure

11.1 Management company and trustee

The Management Company is Asia Securities Wealth Management (Private) Limited.

Hatton National Bank had been appointed as trustee with effect from 15 October 2020.

11.2 Key management personnel

Key management personnel includes persons who were directors of Asia Securities Wealth Management (Private) Limited at any time during the financial period.

Directors

Mr.Dumith Fernando

Mr.Avancka Herat

11.3 Key management personnel compensation

There were no payments made to the directors of Asia Securities Wealth Management (Private) Limited during the period by the fund.

11.4 Other transactions within the Fund

Apart from those details disclosed in note 11.5 and 11.6, key management personnel have not entered in to any other transactions involving the Fund during the financial period.

Asia Securities Money Market Fund
NOTES TO THE FINANCIAL STATEMENTS (CONTD)

11. Related party disclosure (Contd)

11.5 Related party unit holding transactions and balances

The following are the units held by related parties as at 31 March 2023.

	Relationship	No. of units	Value of units held (LKR)	Total interest held as a % of NAV
As at 31 March 2023				
Unit holders				
Asia Securities Wealth Management (Pvt) Ltd	Management Company	1,500,263	18,626,060	4.92%
Asia Securities (Pvt) Ltd	Affiliate	20,163,168	250,329,759	66.19%

The following are the units transactions by related parties for the period ended 31 March 2023.

	Relationship	Creation of units		Redemption of units	
		No. of units	Value	No. of units	Value
Asia Securities Wealth Management (Pvt) Ltd	Management Company	1,687,447	19,000,000	(2,690,224)	(30,000,000)
Asia Securities (Pvt) Ltd	Affiliate	74,531,957	835,000,000	(54,368,789)	(616,000,000)
Mr.Dumith Fernando	Chairman	842,765	9,595,021	(4,968,952)	(55,021,341)
Mr.Avancka Herat	Director	Nil	Nil	(3,848)	(45,028)

The following are the units held by related parties as at 31 March 2024.

	Relationship	No. of units	Value of units held (LKR)	Total interest held as a % of NAV
As at 31 March 2023				
Unit holders				
Asia Securities Wealth Management (Pvt) Ltd	Management Company	Nil	Nil	Nil
Asia Securities (Pvt) Ltd	Affiliate	Nil	Nil	Nil
Mr.Dumith Fernando	Chairman	Nil	Nil	Nil
Mr.Avancka Herat	Director	Nil	Nil	Nil

Asia Securities Money Market Fund
NOTES TO THE FINANCIAL STATEMENTS (CONTD)

11. Related party disclosure (Contd.)

11.5 Related party unit holding transactions and balances (Contd)

The following are the units transactions by related parties for the period ended 31 March 2024.

	Relationship	Creation of units		Redemption of units	
		No. of units	Value	No. of units	Value
Asia Securities Wealth Management (Pvt) Ltd	Management Company	257,945	3,500,000	(1,758,208)	(22,914,939)
Asia Securities (Pvt) Ltd	Affiliate	Nil	Nil	(20,163,168)	(258,152,111)
Mr.Dumith Fernando	Chairman	432,906	6,100,000	(432,906)	(6,348,832)
Mr.Avancka Herat	Director	118,884	1,500,000	(118,884)	(1,544,044)

11.6 Transactions and balances related to the service provided by related parties

Fees were charged by the management company and trustee for services provided during the period and the balances outstanding related to such services as at period end are as disclosed below:

	31/03/2024 LKR	31/03/2023 LKR
Charges for the period with related parties		
Management fees by Asia securities Wealth Management (Private) Limited	1,240,841	3,067,644
Trustee fees by Hatton National Bank PLC	442,068	1,800,665
Custodian fee by Hatton National Bank PLC	285,694	274,305
Balances with related parties		
Bank balance held at Hatton National Bank PLC as at 31 March 2024	25,000	25,000
Money market account balance held at Hatton National Bank PLC as at 31 March 2024	7,747,107	43,662,694
Management fees payable to Asia securities Wealth Management (Private) Limited	109,264	111,390
Trustee fees payable to Hatton National Bank PLC	39,671	39,415
Custodian fees payable to Hatton National Bank PLC	24,669	24,042

Asia Securities Money Market Fund
NOTES TO THE FINANCIAL STATEMENTS (CONTD)

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

	<u>31/03/2024</u>	<u>31/03/2023</u>
	LKR	LKR
Net asset value as per financial statements	273,760,937	378,198,877
Published net asset value	273,760,937	378,198,877
Published number of units as at 31 March	18,460,425	30,462,487
Net asset value per unit	<u>14.8296</u>	<u>12.4152</u>

13. Contingencies

There were no significant contingencies existing as at the reporting date that required adjustments to or disclosures in the financial statements. (2023 - Nil)

14. Events occurring after reporting date

No other events have occurred since the statement of financial position date which would require adjustments to or disclosure in the financial statements.

15. Commitments

There were no significant capital and financial commitments as at the reporting date. (2023 - Nil)

The background of the page features a dark, blurred image of financial data. In the upper right, there are several line and bar charts with red and green elements. In the lower left, the back of a person's head and shoulder is visible, looking towards the charts. A large white diagonal shape cuts across the page from the top left to the bottom right, creating a large white space for the text.

ASIA SECURITIES INCOME FUND

ASIA SECURITIES INCOME FUND REVIEW

(Inception: 15th Dec. 2022)

Fund Objective

The Fund is an open-ended unit trust fund that primarily invests in government securities and fixed income instruments with an investment-grade rating of BBB- or above. These fixed income securities have medium to long-term maturities. The investment objective of the fund is to generate a competitive interest income for its investors while ensuring that best efforts are made to grow capital and provide liquidity.

Fund Return

Period	ASIF Return	Benchmark Return
2023 - 24 (Annualized)	31.88%	28.25%
YTD Return (31/Dec/2023 - 31/Mar/2024) (non-annualized)	4.51%	4.97%

Commentary

Since its launch on December 15, 2022, the Asia Security Income Fund has delivered an annualized return of 32.03% to its investors. The fund primarily focuses on government securities and repos.

Throughout 2023/24, interest rates experienced a downward trajectory, driven by the Central Bank's relaxed monetary stance. Policy rates were collectively reduced by 700 basis points during this period, supported by notable moderation in inflation, well-anchored inflation expectations, subpar economic activity amidst subdued domestic demand conditions, and easing external sector pressures. In June 2023, the Sri Lankan government successfully

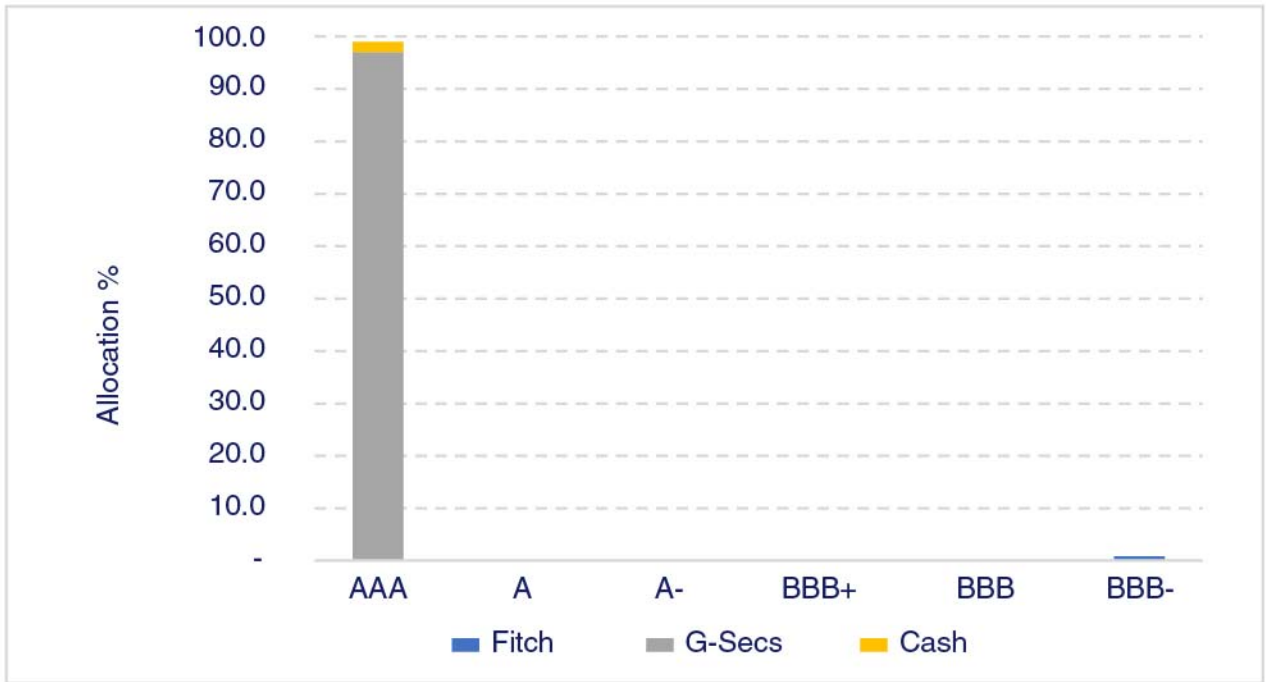
completed the domestic debt optimization program. As a result, yields on government securities (G-secs) immediately declined, and risk premia were adjusted. Our fund yields significantly improved due to capital gains from prudent investments in long-term G-secs.

As we enter the election cycle, policy direction and the conclusion of the external debt restructuring, along with inflation expectations and fiscal performance, will play a crucial role in determining the direction of interest rates. We will adjust our portfolio selection based on thorough analysis, making our best efforts to grow capital and provide liquidity.

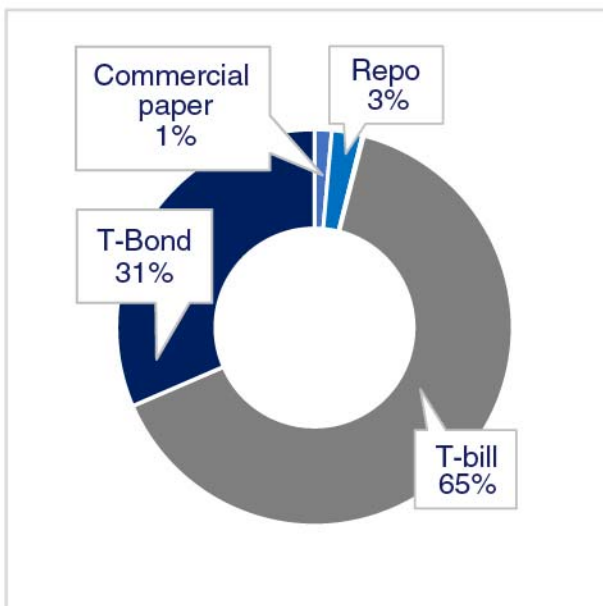
ASIA SECURITIES INCOME FUND REVIEW

Key Facts of the Fund

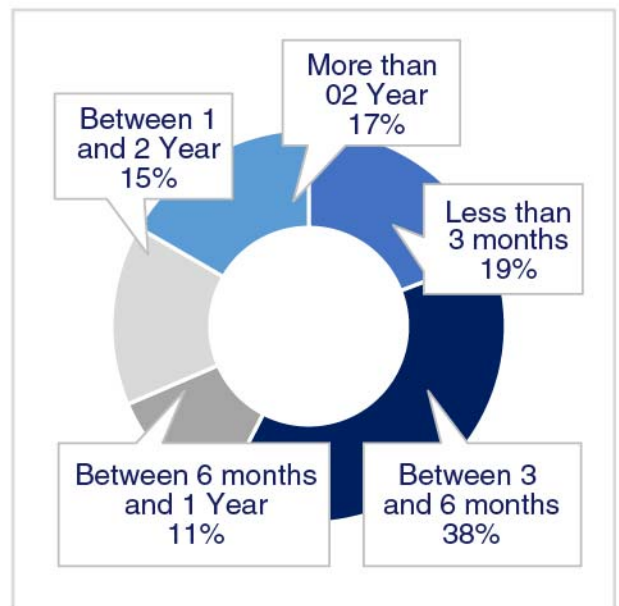
Fund Credit Quality -% of NAV



Asset Allocation



Maturity Profile



The background of the page features a dark, blurred image of financial data. In the upper right, there are several line and bar charts with red and green bars, set against a dark blue background. In the lower left, the silhouette of a person's head and shoulders is visible, looking towards the right. The overall aesthetic is professional and data-driven.

ASIA SECURITIES INCOME FUND
AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2024



INDEPENDENT AUDITOR'S REPORT To the Unitholders of Asia Securities Income Fund

Report on the audit of the financial statements

Our opinion

We have audited the financial statements of Asia Securities Income Fund ("the Fund"). The financial statements of the Fund comprise:

- the statement of financial position as at 31 March 2024;
- the statement of comprehensive income for the year then ended;
- the statement of changes in unitholder's funds 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 March 2024, 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

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

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

C S Manoharan FCA, T U Jayasinghe FCA, H P V Lakdeva FCA, K M D R P Manatunga ACA, L A C Tillekeratne ACA, M D B Boyagoda FCA, N R Gunasekera FCA, W D A S U Perera ACA, D C A J Yapa ACA, Minfaz Hilmy FCA

Regd. Office: P.O. Box 918, 100 Braybrooke Place, Colombo 02, Sri Lanka. Reg. No.: w/4179



INDEPENDENT AUDITOR'S REPORT

To the Unitholders of Asia Securities 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 identified above when its become available 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 board, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

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

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

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

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

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 Unitholders of Asia Securities Income Fund (Contd)

Report on the audit of the financial statements (Contd.)

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

- 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 are prepared and presented in accordance with and comply with the requirements of the Collective Investment Scheme code (CIS code) of The Securities and Exchange Commission of Sri Lanka and trust deed.

CHARTERED ACCOUNTANTS

CA Sri Lanka membership number 3991

COLOMBO

28 June 2024

Asia Securities Income Fund
STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 March 2024

	Note	For the period from 15/12/2022 to	
		31/03/2024	31/03/2023
Continuing Operations		LKR	LKR
Revenue			
Finance income - Interest income	05	210,049,656	25,537,746
Fair value gain	06	70,174,639	1,311,759
Total income		280,224,295	26,849,505
Operating expenses			
Management fees		(5,996,629)	(454,290.89)
Trustee fees		(2,144,844)	(160,749.08)
Custodian fees		(285,694)	(82,208.64)
Audit fees		(675,613)	(258,146.25)
Other expenses		(1,439,376)	(193,320.73)
Total operating expenses		(10,542,156)	(1,148,716)
Profit for the period		269,682,139	25,700,789
Increase in net assets attributable to unit holders		269,682,139	25,700,789

Figures in brackets indicate deductions.

The accounting policies and notes from pages 8 to 24 form an integral part of these financial statements.

Asia Securities Income Fund
STATEMENT OF FINANCIAL POSITION
As at 31 March 2024

	Note	31/03/2024 LKR	31/03/2023 LKR
Assets			
Cash and bank balances	07	2,677,351	27,439,314
Financial assets at amortised cost	08	82,924,770	100,061,370
Financial assets at FVTPL	09	1,993,699,886	222,368,493
Other Receivable		52,000,000	-
Total assets		2,131,302,007	349,869,177
Liabilities			
Other Payable	10	1,966,060	525,784
Total liabilities		1,966,060	525,784
Net assets attributable to unit holders		2,129,335,947	349,343,393
Unitholders' funds			
Net assets attributable to unit holders		2,129,335,947	349,343,393

The Fund Management Company and the Trustee are responsible for the preparation and presentation of these financial statements in accordance with Sri Lanka Accounting Standards. These financial statements were approved by the Fund Management Company and the Trustee on 28 June 2024.



Director

Asia Securities Wealth Management (Private) Limited
Fund Management Company



Trustee

Hatton National Bank




Director

Asia Securities Wealth Management (Private) Limited
Fund Management Company

Figures in brackets indicate deductions.

The accounting policies and notes from pages 8 to 24 form an integral part of these financial statements.

Asia Securities Income Fund
STATEMENT OF CHANGES IN UNITHOLDERS' FUND
For the year ended 31 March 2024

	<u>No of units</u>	<u>Unitholders' fund</u> LKR
Increase in net assets attributable to unitholders	-	25,700,789
Creation of units	48,171,872	497,070,644
Redemption of units	(16,007,434)	(173,428,040)
Net increase due to unit holders transactions	32,164,438	323,642,604
Unitholders' funds as at 31 March 2023	32,164,438	349,343,393

	<u>No of units</u>	<u>Unitholders' fund</u> LKR
Unitholders' funds as at 31 March 2023	32,164,438	349,343,393
Increase in net assets attributable to unitholders	-	269,682,139
Creation of units	190,023,359	2,473,450,211
Redemption of units	(73,531,224)	(963,139,796)
Net increase/decrease due to unit holders transactions	116,492,135	1,510,310,415
Unitholders' funds as at 31 March 2024	148,656,573	2,129,335,947

Figures in brackets indicate deductions.

The accounting policies and notes from pages 8 to 24 form an integral part of these financial statements.

Asia Securities Income Fund
STATEMENT OF CASH FLOWS
For the year ended 31 March 2024

**For the
period from
15/12/2022 to
31/03/2023**

	Note	31/03/2024	31/03/2023
		LKR	LKR
Cash flows from operating activities			
Interest received		158,495,797	14,513,037
Gain on disposal of treasury bills	06	554,548	15,275
Gain on disposal of treasury bonds	06	20,323,815	-
Other expenses paid		(1,703,417)	(193,320)
Management fees and trustee fees paid		(7,398,463)	(429,613)
Investment in repurchase agreements		(6,232,500,000)	(618,308,767)
Investment in commercial papers		(2,106,363,794)	(549,610,545)
Investment in treasury bills		(3,172,183,967)	(239,844,750)
Investment in treasury bonds		(513,597,506)	(118,166,250)
Maturity proceed from repurchase agreements		6,229,500,000	568,308,767
Maturity proceed from commercial papers		2,129,223,795	499,610,545
Maturity proceed from T-Bills		1,921,853,613	147,902,330
Maturity proceed from T-Bonds		38,723,200	-
Net cash used in operating activities		(1,535,072,378)	(296,203,291)
Cash flows from financing activities			
Amounts received on unit creations		2,473,450,211	497,070,644
Amounts paid on unit redemptions		(963,139,796)	(173,428,040)
Net cash generated from financing activities		1,510,310,415	323,642,604
Net increase in cash and cash equivalents during the period	07	(24,761,963)	27,439,314
Cash and cash equivalents at the beginning of the period		27,439,314	-
Cash and cash equivalents at the end of the period (Note 7.1)		2,677,351	27,439,314

Figures in brackets indicate deductions.

The accounting policies and notes from pages 8 to 24 form an integral part of these financial statements.

Asia Securities Income Fund NOTES TO THE FINANCIAL STATEMENTS

1. General Information

1.1 General

Asia Securities Income Fund (“the Fund”) is an open-ended fund approved by the Securities and Exchange Commission of Sri Lanka. The Fund was launched in 15th December 2022. The Fund is managed by Asia Securities Wealth Management (Private) Limited which is incorporated and domiciled in Sri Lanka. The registered office of the Fund management company is located at 4th Floor, Lee Hedges Tower, No 349, Galle Road, Colombo 03. The trustee and custodian of the Fund is Hatton National Bank having its place of business at No 481, T .B. Jayah Mawatha, Colombo 10.

The investment objective of the fund is to generate a high interest income while preserving capital and providing liquidity. The Fund will invest into high quality corporate debt instruments, government securities and securities issued by banks and financial institutions. This also includes both short term (<397 days) and long term fixed income instruments with a residual maturity of more than 397 days.

1.2 Date of authorization for issue

The financial statements of the Fund for the period ended 31 March 2024 were authorized for issue by the fund management company and the trustee on 28 June 2024.

2. Summary of material accounting policies

The principal accounting policies adopted in the preparation of these financial statements are set out below.

2.1 Basis of accounting

The financial statements of the Fund have been prepared in accordance with Sri Lanka Accounting Standards, which comprise Sri Lanka Financial Reporting Standards (“SLFRS”s), Sri Lanka Accounting Standards (“LKAS”s), relevant interpretations of the Standing Interpretations Committee (“SIC”) and International Financial Reporting Interpretations Committee (“IFRIC”). Sri Lanka Accounting Standards further comprises of Statements of Recommended Practices (SoRPs), Statements of Alternate Treatments (SoATs) and Financial Reporting Guidelines issued by the Institute of Chartered Accountants of Sri Lanka. These financial statements have been prepared under the historical cost convention. The preparation of financial statements in conformity with Sri Lanka Accounting Standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Fund’s accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the Fund’s financial statements are disclosed in note 4 to the financial statements. The statement of financial position is presented on a liquidity basis and assets and liabilities are presented in decreasing order of liquidity and are not distinguished between the current and non-current. The financial statements are presented in Sri Lankan rupees (LKR).

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after the Fund’s inception, and have not been early adopted in preparing these financial statements. None of these are expected to have a material effect on the financial statements of the Fund.

Statement of Compliance

The financial statements which comprise the statement of financial position as at 31 March 2024, statement comprehensive income, statement of changes in unitholders’ fund and statement of cash flows for the period from 01 April 2023 to 31 March 2024 and a summary of material 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 and Unit Trust Code of the Securities and Exchange Commission of Sri Lanka.

Asia Securities Income Fund NOTES TO THE FINANCIAL STATEMENTS (CONTD)

2. Summary of material accounting policies (Contd.)

2.2 Amendments to the Sri Lanka Accounting Standards

The following amendments to the Sri Lanka Accounting Standards that are relevant for the preparation of the financial statements have been adopted by the Fund which are effective for the first time for periods commencing on or after 01 January 2023.

(a) New standards and amendments - applicable 1 January 2023

The Fund has applied the following standards and amendments for the first time for their annual reporting periods commencing 1 January 2023:

(i) Amendments to LKAS 1 Presentation of Financial Statements and SLFRS Practice Statement to Making Materiality Judgements - Disclosure of Accounting Policies

The entity 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.

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.

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

The entity 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 deleted.

(b) New accounting standards, amendments and interpretations issued but not yet effective and adopted in 2023

The following standards and interpretations had been issued by IASB (and also adopted by CA Sri Lanka), but not mandatory for annual reporting periods ending 31 December 2023. Further, the Fund has not early adopted these new standards and/or amendments.

(i) Amendments to LKAS 1 Presentation of Financial Statements—Classification of Liabilities as Current

The amendments to LKAS 1 published in January 2020 affect only the presentation of liabilities as current or noncurrent in the statement of financial position and not the amount or timing of recognition of any asset, liability, income or expenses, or the information disclosed about those items.

Asia Securities Income Fund NOTES TO THE FINANCIAL STATEMENTS (CONTD)

2. Summary of material accounting policies (Contd.)

2.2 Amendments to the Sri Lanka Accounting Standards (Contd)

(b) New accounting standards, amendments and interpretations issued but not yet effective and adopted in 2023

(i) Amendments to LKAS 1 Presentation of Financial Statements—Classification of Liabilities as Current

The amendments clarify that the classification of liabilities as current or non-current is based on rights that are in existence at the end of the reporting period, specify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability, explain that rights are in existence if covenants are complied with at the end of the reporting period, and introduce a definition of 'settlement' to make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services.

The amendments are applied retrospectively for annual periods beginning on or after 1 January 2024, with early application permitted. The IASB has aligned the effective date with the 2022 amendments to LKAS 1. If an entity applies the 2020 amendments for an earlier period, it is also required to apply the 2022 amendments early. The directors of the managing company anticipate that the application of these amendments may have an impact on the entity's financial statements in future periods.

(ii) Amendments to LKAS 1 Presentation of Financial Statements—Non-current Liabilities with Covenants

The amendments specify that only covenants that an entity is required to comply with on or before the end of the reporting period affect the entity's right to defer settlement of a liability for at least twelve months after the reporting date (and therefore must be considered in assessing the classification of the liability as current or noncurrent). Such covenants affect whether the right exists at the end of the reporting period, even if compliance with the covenant is assessed only after the reporting date (e.g. a covenant based on the entity's financial position at the reporting date that is assessed for compliance only after the reporting date).

The IASB also specifies that the right to defer settlement of a liability for at least twelve months after the reporting date is not affected if an entity only has to comply with a covenant after the reporting period. However, if the entity's right to defer settlement of a liability is subject to the entity complying with covenants within twelve months after the reporting period, an entity discloses information that enables users of financial statements to understand the risk of the liabilities becoming repayable within twelve months after the reporting period. This would include information about the covenants (including the nature of the covenants and when the entity is required to comply with them), the carrying amount of related liabilities and facts and circumstances, if any, that indicate that the entity may have difficulties complying with the covenants.

The amendments are applied retrospectively for annual reporting periods beginning on or after 1 January 2024. Earlier application of the amendments is permitted. If an entity applies the amendments for an earlier period, it is also required to apply the 2020 amendments early.

The directors of the managing company anticipate that the application of these amendments may have an impact on the entity's financial statements in future periods.

Asia Securities Income Fund NOTES TO THE FINANCIAL STATEMENTS (CONTD)

2. Summary of material accounting policies (Contd.)

2.2 Amendments to the Sri Lanka Accounting Standards (Contd)

(b) New accounting standards, amendments and interpretations issued but not yet effective and adopted in 2023

(iii) Amendments to LKAS 7 Statement of Cash Flows and SLFRS 7 Financial Instruments: Disclosures - Supplier Finance Arrangements

The amendments add a disclosure objective to LKAS 7 stating that an entity is required to disclose information about its supplier finance arrangements that enables users of financial statements to assess the effects of those arrangements on the entity's liabilities and cash flows. In addition, SLFRS 7 was amended to add supplier finance arrangements as an example within the requirements to disclose information about an entity's exposure to concentration of liquidity risk.

The term 'supplier finance arrangements' is not defined. Instead, the amendments describe the characteristics of an arrangement for which an entity would be required to provide the information. To meet the disclosure objective, an entity will be required to disclose in aggregate for its supplier finance arrangements:

- The terms and conditions of the arrangements.
- The carrying amount, and associated line items presented in the entity's statement of financial position, of the liabilities that are part of the arrangements.
- The carrying amount, and associated line items for which the suppliers have already received payment from the finance providers.
- Ranges of payment due dates for both those financial liabilities that are part of a supplier finance arrangement and comparable trade payables that are not part of a supplier finance arrangement.

Liquidity risk information

The amendments, which contain specific transition reliefs for the first annual reporting period in which an entity applies the amendments, are applicable for annual reporting periods beginning on or after 1 January 2024. Earlier application is permitted.

2.3 Functional and presentation currency

The Fund's investors are mainly from Sri Lanka, with all creation and redemption of units are denominated in Sri Lanka Rupees. The primary activity of the Fund is to invest in domestic securities and earn and offer unit holders a return. The performance of the Fund is measured and reported to the unitholders in Sri Lanka Rupees. The Trustee considers the rupees as the currency that most faithfully represents the economic effects of the underlying transactions, events and conditions. Accordingly, the financial statements are presented in Sri Lankan Rupees, which is the Fund's functional and presentation currency.

2.4 Going Concern

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

Asia Securities Income Fund NOTES TO THE FINANCIAL STATEMENTS (CONTD)

2. Summary of material accounting policies (Contd.)

2.5 Financial assets

Classification and measurement of financial assets and financial liabilities

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

(i) Recognition and initial measurement

All financial assets are initially recognized on the date the Fund becomes a party to the contractual provisions of the instrument. This includes purchases of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place.

(ii) Classification

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

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

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

The Fund's financial assets classified under amortised cost include commercial papers, repurchase agreements, and money market savings.

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

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

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

Asia Securities Income Fund NOTES TO THE FINANCIAL STATEMENTS (CONTD)

2. Summary of material accounting policies (Contd.)

2.6 Financial liabilities - Classification, subsequent measurement and gains and losses

Financial liabilities are classified as measured at amortised cost. Financial liabilities are subsequently measured at amortised cost using the effective interest method.

Financial liabilities measured at amortised cost include accrued expenses and other payables.

Derecognition

Financial assets

The Fund derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Fund neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset. The Fund enters into transactions whereby it transfers assets recognised in its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognised.

Financial liabilities

The Fund derecognises a financial liability when its contractual obligations are discharged or cancelled or expire. The Fund also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value. On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

Offsetting of financial instruments

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

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

2.7 Impairment

The Fund recognises loss allowances for expected credit losses (ECLs) on financial assets measured at amortised cost.

The Fund measures loss allowances at an amount equal to lifetime ECL, except for bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition which are measured as 12-month ECL. Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument. 12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months). The maximum period considered when estimating ECLs is the maximum contractual period over which the fund is exposed to credit risk.

Credit-impaired financial assets

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

Asia Securities Income Fund NOTES TO THE FINANCIAL STATEMENTS (CONTD)

2. Summary of material accounting policies (Contd.)

2.7 Impairment (Contd)

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

- Significant financial difficulty of the borrower or issuer;
- A breach of contract such as a default or being more than 90 days past due.
- The restructuring of a loan or advance by the Fund on terms that the Fund would not consider otherwise.
- It is probable that the borrower will enter bankruptcy or other financial reorganization.

As of the statement of financial position date the Fund has not observed any of the above thus no impairment provision has been recognized in the financial statements.

The Funds's investments at amortised cost have low credit risk, and the loss allowance recognised during the period was therefore limited to 12 months expected losses.

The Fund's investments in treasury bill repurchase agreements that are obtained from primary dealers are collateralized with government securities. Therefore, considered as low risk investments.

Presentation of allowance for ECL in the statement of financial position

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

Write-offs

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

2.8 Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Fund and the Revenue can be reliably measured. The following specific criteria must be also be met before Revenue is recognised.

2.9 Interest income

For all financial instruments measured at amortized cost, interest income is recorded using the effective interest rate (EIR), which is the rate that exactly discounts the estimated future cash appropriate, to the net carrying amount of the financial asset.

2.10 Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise of cash at bank. The cash flow statement has been prepared using the direct method. For the purpose of the statement of cash flows, cash and cash equivalents consist of cash and cash. equivalents as defined above.

2.11 Income tax

The Fund is not liable to pay income tax as of the reporting date in accordance with Inland Revenue No 24 of 2017 as amended by the Inland Revenue (Amendment) Act No 45 of 2022. However, interest income on commercial papers and money market savings are taxed at 5% as per the Inland Revenue (Amended) Act No 45 2022 with effect from 1 January 2023. The Fund's income generated through investment business is treated as "pass-through vehicles" under the provisions of Inland Revenue No 24 of 2017 as amended by the Inland Revenue (Amendment) Act No 45 of 2022.

Asia Securities Income Fund NOTES TO THE FINANCIAL STATEMENTS (CONTD)

2. Summary of material accounting policies (Contd.)

2.12 Expenses

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

Management fee	- 0.50% p.a. of net asset value of the Fund calculated daily
Trustee fee	- 0.15% p.a. of net asset value of the Fund calculated daily
Custodian fee	- Rs 240,000 per Annum

2.13 Accrued expenses

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

2.14 Increase/(decrease) in net assets attributable to unitholders

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.

2.15 Unitholders' funds

Unitholders' funds have been calculated as the difference between the carrying amounts of the assets and the carrying amounts of the liabilities, other than those due to unit holders as at the reporting date.

3. Financial risk management

Risks arising from holding financial instruments are inherent in the Fund's activities, and are managed through a process of ongoing identification, measurement, and monitoring. The Fund is exposed to credit risk, market risk, and liquidity risk.

Financial instruments of the Fund comprise investments in treasury bonds, treasury bills and repurchase agreements, commercial papers, and money market savings 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.

The fund manager is responsible for identifying and controlling the risk that arise from these financial instruments. The fund manager agrees on policies for managing each of the risks identified below.

The risks are measured using a method that reflects the expected impact on the statement of profit or loss and statement of financial position of the Fund from reasonably possible changes in the relevant risk variables. Information about these risk exposures at the reporting date, measured on this basis, is disclosed below.

The fund manager also monitors information about the total fair value of financial instruments exposed to risk, as well as compliance with established investment mandate limits. These mandate limits reflect the investment strategy and market environment of the Fund, as well as the level of risk that the Fund is willing to accept, with additional emphasis on selected industries. This information is prepared and reported to relevant parties within the fund manager on a regular basis as deemed appropriate, including the fund manager, other key management, the investment committee, and ultimately the trustee of the Fund.

The concentration of risk arises when several financial instruments or contracts are entered into with the same counterparty, or where a number of counterparties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economics, political or other conditions.

Asia Securities Income Fund NOTES TO THE FINANCIAL STATEMENTS (CONTD)

3. Financial risk management (Contd)

a) 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 Fund's exposure to credit risk from its financial assets arises from default of the counterparty, with the current exposure equal to the carrying amount of financial assets as at the reporting date. It is the Fund's policy to enter contracts with reputable counterparties. The Fund is subject to credit risk on its bank balances and investments at amortised cost. The credit risk exposure on these instruments is not deemed to be significant.

The Fund's maximum exposure to credit risk is the carrying amount of the financial assets are set out below;

Instrument	31/03/2024 (LKR)	31/03/2023 (LKR)
Commercial papers	29,828,496	50,031,233
Repurchase agreements	53,096,274	50,030,137
Treasury bills	1,322,649,181	97,630,148
Treasury bonds	671,050,705	124,738,345
Cash and bank balance	2,677,351	27,439,314
Total	2,079,302,007	349,869,177

The analysis below summarises the credit quality of the Fund's debt portfolio at 31 March 2024.

2024 Counterparty	Investment value as at 31 March 2024 (LKR)	% of investment	Credit rating	Rating agency
Asia Securities (Private) Limited	29,828,496	34.85%	BB+	Fitch Rating
Acuity Securities Ltd	53,096,274	62.03%	Not rated	
Hatton National Bank	2,677,351	3.13%	A(lka)	Fitch Rating
Total	85,602,121			

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

2023 Counterparty	Investment value as at 31 March 2023 (LKR)	% of investment	Credit rating	Rating agency
Asia Securities (Private) Limited	50,031,23	14.30%	BBB-	Fitch Rating
First Capital Holdings PLC	50,030,137	14.30%	A	Lanka Rating
Capital Alliance PLC	77,619,153	22.19%	BBf(lka)	Fitch Rating
Wealth Trust Securities Limited	144,749,340	41.37%	Not rated	
Hatton National Bank	27,439,314	7.84%	A(lka)	Fitch Rating
Total	349,869,177			

Debt securities by rating category.

Rating	2024	2023
A	2,677,351	77,469,451
BBB-	-	50,031,233
BBf(lka)	-	77,619,153
BB+	29,828,496	-
Not rated	53,096,274	144,749,340
Total	85,602,121	349,869,177

Asia Securities Income Fund NOTES TO THE FINANCIAL STATEMENTS (CONTD)

3. Financial risk management (Contd)

b) Market risk

Market risk represents the risk that the value of the Fund's investments portfolios will fluctuate because of changes in market prices and rates. While market risk cannot be eliminated the fund manager will attempt to reduce this risk by diversifying the Fund's investment portfolio in line with investment objectives of the Fund.

Interest rate risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates. The Fund's interest-bearing financial assets expose it to risks associated with the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows.

The table below summarises the fund's exposure to interest rate risk

31/03/2024	Floating interest rate (LKR)	Fixed interest rate (LKR)	Non-interest bearing (LKR)	Total (LKR)
<i>Financial assets</i>				
Cash and bank balances	Nil	2,652,351	25,000	2,677,351
Financial assets at FVTPL	1,993,699,886	Nil	Nil	1,993,699,886
Financial assets at amortised cost	Nil	82,924,770	Nil	82,924,770
Total exposure	1,993,699,886	85,577,121	25,000	2,079,302,007

31/03/2023	Floating interest rate (LKR)	Fixed interest rate (LKR)	Non-interest bearing (LKR)	Total (LKR)
<i>Financial assets</i>				
Cash and bank balances	Nil	27,414,314	25,000	27,439,314
Financial assets at FVTPL	222,368,493	Nil	Nil	222,368,493
Financial assets at amortised cost	Nil	100,061,370	Nil	100,061,370
Total exposure	222,368,493	127,475,684	25,000	349,869,177

c) 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. Exposure to liquidity risk arises because of the possibility that the Fund could be required to pay its liabilities or redeem its units earlier than expected. Units are redeemable at the unitholder's options based on the Fund's net asset value per unit at the time of redemption.

The Fund manages its obligation when required to do so and its overall liquidity risk by:

- Investing primarily in financial instruments, which under normal market conditions are readily convertible to cash.
- The Fund will also make the Investments within the parameters set out by the Commission in accordance with the Unit Trust Code and the Deed to ensure there is no concentration of risk.
- Maintaining sufficient cash and cash equivalents to meet normal operating requirements and expected redemption requests. 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 Specialized 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.)
- Requiring at least 14 days prior written notice for unitholder redemption equal to or greater than 3% of the net asset value of the Fund
- Continually search for new investors.

Asia Securities Income Fund NOTES TO THE FINANCIAL STATEMENTS (CONTD)

3. Financial risk management (Contd)

c) Liquidity risk (Contd)

The time frame for return of cash to investors is five business days in which time investments may be recalled for redemption payouts. Further, the Fund is also permitted to borrow up to 15% of the deposited property for redemption payouts. Other financial liabilities have no contractual maturities. Due to the short-term nature of these financial instruments, carrying value approximates fair value.

The table below precises the Fund's non derivative financial assets and liabilities with contractual maturities into relevant maturity groupings based on the remaining period at the end of the reporting period. The amounts in the table are the contractual undiscounted cash flows.

31/03/2024	31 - 90 days	91 - 180 days	181 - 365 days	Total
Financial Assets				
Commercial Papers	Nil	29,828,496	Nil	29,828,496
Treasury Bills	235,000,000	820,000,000	252,000,000	1,377,000,000
Treasury Bonds	Nil	Nil	634,000,000	634,000,000
Repurchase agreements	Nil	Nil	Nil	53,096,274
Cash and bank balances	Nil	Nil	Nil	2,677,351
Total	235,000,000	849,828,496	886,000,000	2,096,602,121
Financial Liabilities				
Management fee	Nil	Nil	Nil	932,943
Trustee fee	Nil	Nil	Nil	338,730
Custody fee	Nil	Nil	Nil	24,669
Total	Nil	Nil	Nil	1,296,342

31/03/2023	31 - 90 days	91 - 180 days	181 - 365 days	Total
Financial Assets				
Commercial Papers	Nil	Nil	Nil	50,312,329
Treasury Bills	36,141,989	67,000,000	Nil	103,141,989
Treasury Bonds	Nil	Nil	150,000,000	150,000,000
Repurchase agreements	Nil	Nil	Nil	50,301,370
Cash and bank balances	Nil	Nil	Nil	27,439,314
Total	36,141,989	67,000,000	150,000,000	381,195,002
Financial Liabilities				
Management fee	Nil	Nil	Nil	179,928
Trustee fee	Nil	Nil	Nil	63,667
Custody fee	Nil	Nil	Nil	24,042
Total	Nil	Nil	Nil	267,637

d) Capital risk management

The Fund considers its net assets attributable to unitholders as capital, notwithstanding that net asset attributable to unitholders are classified as a liability. The amount of net assets attributable to unitholders can change significantly daily as the Fund is subject to daily applications and redemptions at the discretion of unitholders. Daily applications and redemptions are reviewed relative to the liquidity of the Fund's underlying assets daily by the Management Company. Under the terms of the Unit Trust Code, the Management Company has the discretion to reject an application for units and to defer redemption of units if the exercise of such discretion is in the best interests of unitholders.

Asia Securities Income Fund NOTES TO THE FINANCIAL STATEMENTS (CONTD)

3. Financial risk management (Contd.)

d) Capital risk management (contd)

The Fund's objective when managing capital is to safeguard the Fund's ability to continue as a going concern in order to provide returns for unitholders, provide benefits for other stakeholders and maintain a strong capital base to support the development of the investment activities of the Fund. The Board of Directors and Investment Manager monitor capital on the basis of the value of net assets attributable to unit holders. Please refer to the Note 2 for more details. Disclosures relevant to unitholders' funds are as follows.

The movement in the unitholders' funds for the period ended 31 March 2024

I. In terms of value

	31/03/2024 (LKR)
Unitholders' funds as at the beginning of the period	349,343,393
Creations during the period	2,473,450,211
Redemptions during the period	(963,139,796)
Increase in net assets attributable to unitholders during the period	269,682,139
Unit holders' funds as at 31 March 2024	2,129,335,947

I. In terms of numbers of units

	31/03/2024 (LKR)
Opening number of units	32,164,438
Unit creations during the period	190,023,359
Unit redemptions during the period	(73,531,224)
Closing number of units as at 31 March 2024	148,656,573

I. In terms of value

	31/03/2023 (LKR)
Unitholders' funds as at the beginning of the period	Nil
Creations during the period	497,070,644
Redemptions during the period	(173,428,040)
Increase in net assets attributable to unitholders during the period	25,700,789
Unit holders' funds as at 31 March 2023	349,343,393

I. In terms of numbers of units

	31/03/2023 (LKR)
Opening number of units	Nil
Unit creations during the period	48,171,872
Unit redemptions during the period	(16,007,434)
Closing number of units as at 31 March 2023	32,164,439

Asia Securities Income Fund
NOTES TO THE FINANCIAL STATEMENTS (CONTD)

4. Critical accounting estimates and judgements

The preparation of financial statements in conformity with Sri Lanka Accounting Standards requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income, and expenses. In the selection and application of the company's accounting policies, which are described below, the Fund management company is required to make judgements and assumptions and use assumptions in measuring items reported in the financial statements.

These estimates are based on management's knowledge of current facts and circumstances, and assumptions based on such knowledge and expectations of future events. Actual results may differ from such estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates were revised if the revision affects only that period or in the period of the revision and future periods as well if the revision affects both the current and future periods. Management considers credit, liquidity and market risk and assesses the impact on valuation of investments when determining the fair value.

Fair value of the financial instruments are determined by observable market prices or rates where available.

5. Finance income - Interest income

	31/03/2024	31/03/2023
	LKR	LKR
5.1 Interest on		
Commercial Papers	16,260,799	2,576,235
Repurchase Agreements	17,459,993	2,309,144
Treasury Bills	110,875,923	16,924,792
Treasury Bond	64,162,229	2,519,613
Money market bank accounts	1,290,712	1,207,962
	<u>210,049,656</u>	<u>25,537,746</u>

5.2 Income is recognised on accrual basis using the effective interest rate method.

5.3 Notional tax is not applicable as per the new Inland Revenue Act No. 24 of 2017. Effective from 1st January 2023, withholding tax at the rate of 5% has been reintroduced on service fee payments which has a source in Sri Lanka and paid to a resident individual who is not an employee of the payer of such service fee.

6. Fair value gain

	31/03/2024	31/03/2023
	LKR	LKR
Treasury Bills	5,027,129	362,752
Treasury Bonds	44,269,147	933,732
Gain on disposal of Treasury Bills	554,548	15,275
Gain on disposal of Treasury Bonds	20,323,815	-
	<u>70,174,639</u>	<u>1,311,759</u>

Asia Securities Income Fund
NOTES TO THE FINANCIAL STATEMENTS (CONTD)

7. Cash and bank balances	31/03/2024	31/03/2023
	LKR	LKR
HNB current account	25,000	25,000
HNB money market account	2,652,351	27,414,314
	2,677,351	27,439,314

7.1 Cash and bank balances for the purpose of the statement of cash flow

	31/03/2024	31/03/2023
	LKR	LKR
Cash and bank balances	2,677,351	27,439,314

8. Financial assets at amortised cost	31/03/2024	31/03/2023
	LKR	LKR
Commercial papers (Note 8.1)	29,828,496	50,031,233
Repurchase agreements (Note 8.2)	53,096,274	50,030,137
	82,924,770	100,061,370

	31/03/2024	31/03/2023
	LKR	LKR
8.1 Commercial papers		
Asia Securities (Pvt) Ltd	29,828,496	50,031,233
	29,828,496	50,031,233

	31/03/2024	31/03/2023
	LKR	LKR
8.2 Repurchase agreements		
First Capital Treasuries PLC	-	50,030,137
Acuity Securities Ltd	53,096,274	-
	53,096,274	50,030,137

9. Financial assets at fair value through profit or loss	31/03/2024	31/03/2023
	LKR	LKR
Treasury Bills	1,322,649,181	97,630,148
Treasury Bonds	671,050,705	124,738,345
	1,993,699,886	222,368,493

Asia Securities Income Fund
NOTES TO THE FINANCIAL STATEMENTS (CONTD)

10. Other Payables

	<u>31/03/2024</u>	<u>31/03/2023</u>
	LKR	LKR
Management fees payable	932,943	179,928
Trustee fees payable	338,730	63,667
Custodian fees payable	24,669	24,042
Audit and tax consultancy fees payable	669,718	258,147
	<u>1,966,060</u>	<u>525,784</u>

11. Units in issue and unit price

No. of units in issue and deemed to be in issue as at 31 March 2024 was 148,656,573 (2023 - 32,164,439) and net assets value per unit as at 31 March 2024 was LKR. 14.3238 (2023 - 10.8611). (Please refer to Note - 13)

12. Related party disclosure

12.1 Management company and trustee

The Management Company is Asia Securities Wealth Management (Private) Limited.

Hatton National Bank had been appointed as trustee with effect from 17 October 2022.

12.2 Key management personnel

Key management personnel includes persons who were directors of Asia Securities Wealth Management (Private) Limited at any time during the financial period.

Directors

Mr.Dumith Fernando

Mr.Avancka Herat

12.3 Key management personnel compensation

There were no payments made to the directors of Asia Securities Wealth Management (Private) Limited during the period by the fund.

12.4 Other transactions within the Fund

Apart from those details disclosed in note 12.5 key management personnel have not entered in to any other transactions involving the Fund during the financial period.

Asia Securities Income Fund
NOTES TO THE FINANCIAL STATEMENTS (CONTD)

12. Related party disclosure (Contd)

12.5 Related party unit holding transactions and balances

The following are the units held by related parties as at 31 March 2023.

As at 31 March 2023	Relationship	No. of units	Value of units held LKR	Total interest held as a % of NAV
Unit holders				
Asia Securities Wealth Management (Pvt) Ltd	Management Company	2,762,533	30,004,144	8.59%
Asia Securities (Pvt) Ltd	Affiliate	549,869	5,972,185	1.71%

The following are the units transactions by related parties for the period ended 31 March 2023.

	Relationship	Creation of units		Redemption of units	
		No. of units	Value LKR	No. of units	Value LKR
Asia Securities Wealth Management (Pvt) Ltd	Management Company	2,762,533	30,000,000	Nil	Nil
Asia Securities (Pvt) Ltd	Affiliate	11,600,000	116,000,000	(11,050,131)	(120,000,000)

The following are the units held by related parties as at 31 March 2024.

As at 31 March 2023	Relationship	No. of units	Value of units held LKR	Total interest held as a % of NAV
Unit holders				
Asia Securities Wealth Management (Pvt) Ltd	Management	1,045,501	14,975,556	0.70%
Asia Securities (Pvt) Ltd	Affiliate	Nil	Nil	Nil
Mr.Dumith Fernando	Chairman	2,769,049	39,663,310	1.86%

The following are the units transactions by related parties for the period ended 31 March 2024.

	Relationship	Creation of units		Redemption of units	
		No. of units	Value LKR	No. of units	Value LKR
Asia Securities Wealth Management (Pvt) Ltd	Management Company	867,359	12,000,000	(2,584,390)	(35,200,000)
Asia Securities (Pvt) Ltd	Affiliate	10,779,444	120,000,000	(11,329,313)	(140,377,962)
Mr.Dumith Fernando	Chairman	5,473,214	71,000,000	(2,704,165)	(35,629,790)

Asia Securities Income Fund
NOTES TO THE FINANCIAL STATEMENTS (CONTD)

12. Related party disclosure (Contd.)

12.6 Transactions and balances related to the service provided by related parties

Fees were charged by the management company and trustee for services provided during the period and the balances outstanding related to such services as at period end are as disclosed below:

	<u>31/03/2024</u>	<u>31/03/2023</u>
	LKR	LKR
Charges for the period with related parties		
Management fees to Asia securities Wealth Management (Private) Ltd	5,996,629	454,291
Trustee fees to Hatton National Bank PLC	2,144,844	160,749
Custodian fee to Hatton National Bank PLC	285,694	82,209
Balances with related parties		
Bank balance held at Hatton National Bank PLC as at 31 March 2024	25,000	25,000
Money market account balance held at Hatton National Bank PLC as at 31 March 2024	2,652,351	27,414,314
Management fees payable to Asia securities Wealth Management (Private) Ltd	932,943	179,928
Trustee fees payable to Hatton National Bank PLC	338,730	63,667
Custodian fees payable to Hatton National Bank PLC	24,669	24,042

Please refer to the note 2.12 for terms and conditions

**13. Reconciliation between the net asset value
as per financial statements and the published net asset value**

	<u>31/03/2024</u>	<u>31/03/2023</u>
	LKR	LKR
Net asset value as per financial statements	2,129,335,947	349,343,393
Published net asset value	2,129,335,947	349,343,393
Published number of units as at 31 March	148,656,573	32,164,439
Net asset value per unit	14.3238	10.8611

14. Contingencies

There were no significant contingencies existing as at the reporting date that required adjustments to or disclosures in the financial statements. (2023 - Nil)

15. Events occurring after reporting date

No other events have occurred since the statement of financial position date which would require adjustments to or disclosure in the financial statements.

16. Capital commitments

There were no significant capital and financial commitments as at the reporting date. (2023 - Nil)

The background of the page features a dark, high-tech environment. On the right side, there are several computer monitors displaying financial data. The most prominent chart is a candlestick chart with red and green bars, overlaid with a blue line graph. The lighting is dim, with blue and red highlights from the screens. On the left side, the back of a person's head and shoulders, wearing a dark suit, is visible as they look towards the screens.

ASIA SECURITIES GILT FUND

ASIA SECURITIES GILT FUND REVIEW

(Inception: 03rd Apr 2023)

Fund Objective

To maximize returns to its investors by investing exclusively in government securities and government guaranteed securities.

Fund Return

Period	ASIF Return	Benchmark Return
2023 - 24 (Annualized)	48.91%	26.09%
YTD Return (31/Dec/2023 - 31/Mar/2024) (Non-Annualized)	5.69%	4.97%

Commentary

During the financial year of 2023/24, the Asia Security Gilt Fund delivered an annualized return of 48.91% for its investors. The fund primarily focuses on investing in long-term government securities, taking advantage of higher yields in a declining interest rate environment.

Outlook

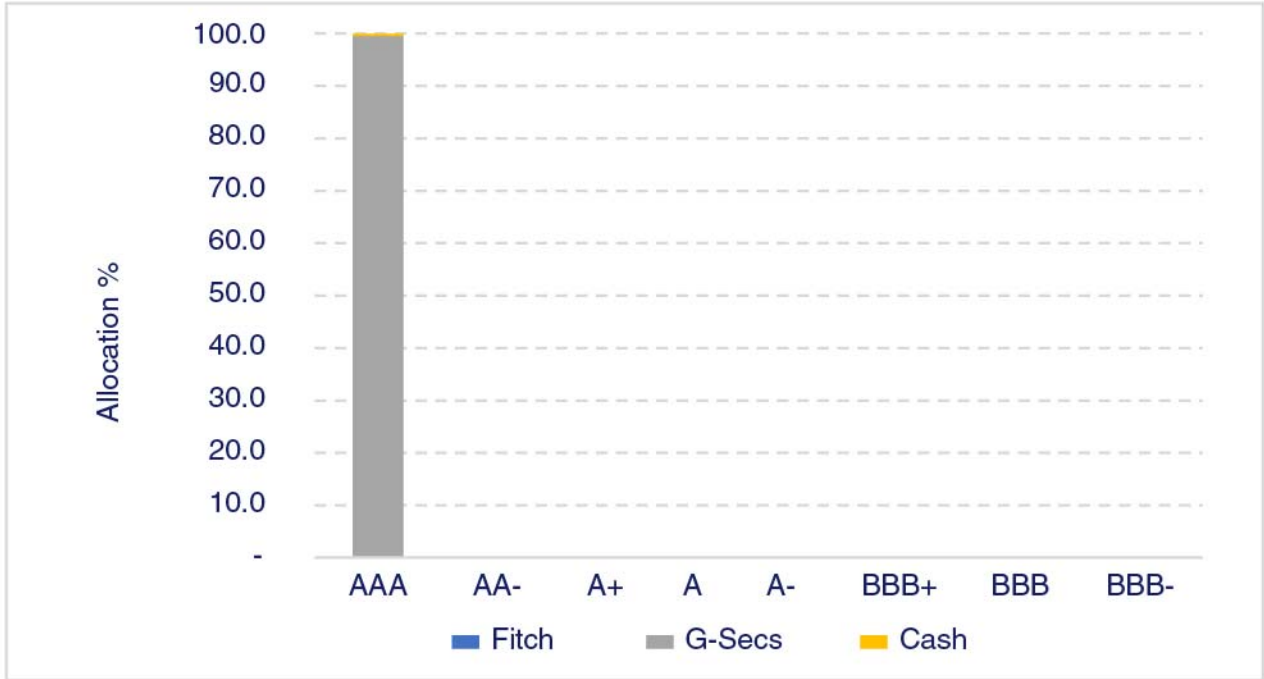
Throughout 2023/24, interest rates experienced a downward trajectory, driven by the Central Bank's relaxed monetary stance. Policy rates were collectively reduced by 700 basis points during this period, supported by notable moderation in inflation, well-anchored inflation expectations, subpar economic activity amidst subdued domestic demand conditions, and easing external sector pressures. In June 2023, the Sri Lankan government successfully completed the domestic debt optimization program. As a result, yields on government securities (G-secs) immediately declined, and risk premia were adjusted. Our fund yields significantly improved due to capital gains from prudent investments in long-term G-secs.

As we enter the election cycle, policy direction and the conclusion of the external debt restructuring, along with inflation expectations and fiscal performance, will play a crucial role in determining the direction of interest rates. We will adjust our portfolio selection based on thorough analysis, making our best efforts to grow capital and provide liquidity.

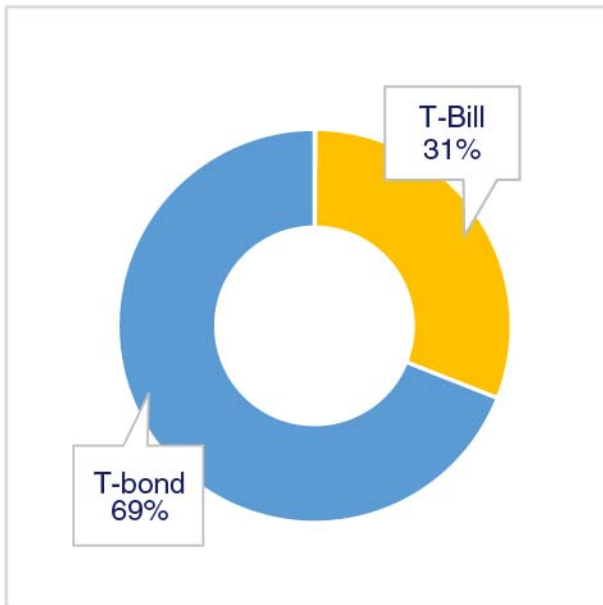
ASIA SECURITIES GILT FUND REVIEW

Key Facts of the Fund

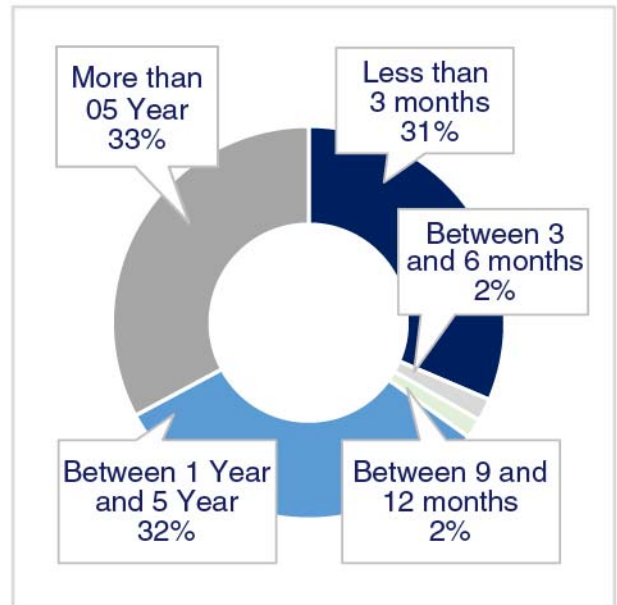
Fund Credit Quality -% of NAV



Asset Allocation



Maturity Profile



The background of the page features a dark, blurred image of financial data. On the right side, there are several computer monitors displaying various financial charts, including a candlestick chart with red and green bars and a line graph with a blue trend line. On the left side, the silhouette of a person's head and shoulders is visible, looking towards the right. The overall color palette is dark with highlights of blue, red, and green from the charts.

ASIA SECURITIES GILT FUND
AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2024



INDEPENDENT AUDITOR'S REPORT To the Unitholders of Asia Securities Gilt Fund

Report on the audit of the financial statements

Our opinion

We have audited the financial statements of Asia Securities Gilt Fund ("the Fund"). The financial statements of the Fund comprise:

- the statement of financial position as at 31 March 2024;
- the statement of comprehensive income for the year then ended;
- the statement of changes in unitholder's funds 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 March 2024, 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

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

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

C S Manoharan FCA, T U Jayasinghe FCA, H P V Lakdeva FCA, K M D R P Manatunga ACA, L A C Tillekeratne ACA, M D B Boyagoda FCA, N R Gunasekera FCA, W D A S U Perera ACA, D C A J Yapa ACA, Minfaz Hilmy FCA

Regd. Office: P.O. Box 918, 100 Braybrooke Place, Colombo 02, Sri Lanka. Reg. No.: w/4179



INDEPENDENT AUDITOR'S REPORT To the Unitholders of Asia Securities Gilt Fund

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 identified above when it becomes available 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 board, 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

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

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

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.
- 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.



INDEPENDENT AUDITOR'S REPORT
To the Unitholders of Asia Securities Gilt Fund

Report on the audit of the financial statements (Contd.)

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

- 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 are prepared and presented in accordance with and comply with the requirements of the Collective Investment Scheme code (CIS code) of The Securities and Exchange Commission of Sri Lanka and trust deed.

Deloitte Partners

CA Sri Lanka membership number 3991
 COLOMBO
 28 June 2024

Asia Securities Gilt Fund
STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 March 2024

		For the period from 03/04/2023 to 31/03/2024
Continuing Operations	Note	LKR
Revenue		
Finance income - Interest income	05	1,255,259,437
Fair value gain	06	1,422,281,810
Total Revenue		2,677,541,247
Operating expenses		
Management fees		(13,599,221)
Trustee fees		(12,123,882)
Custodian fees		(283,367)
Audit fees		(677,320)
Other expenses		(377,973)
Total operating expenses		(27,061,763)
Profit for the period		2,650,479,484
Increase in net assets attributable to unit holders		<u>2,650,479,484</u>

Figures in brackets indicate deductions.

The accounting policies and notes from pages 8 to 21 form an integral part of these financial statements.

Asia Securities Gilt Fund
STATEMENT OF FINANCIAL POSITION
As at 31 March 2024

	Note	31/03/2024 LKR
Assets		
Cash and bank balances	07	30,620
Financial assets at amortised cost	08	6,039,458
Financial assets at FVTPL	09	8,364,824,530
Total assets		8,370,894,608
Liabilities		
Other payable	10	3,429,558
Total liabilities		3,429,558
Net assets attributable to unit holders		8,367,465,050
Unitholders' funds		
Net assets attributable to unit holders		8,367,465,050

The Fund Management Company and the Trustee are responsible for the preparation and presentation of these financial statements in accordance with Sri Lanka Accounting Standards. These financial statements were approved by the Fund Management Company and the Trustee on 28 June 2024.



Director

Asia Securities Wealth Management (Private) Limited
Fund Management Company



Trustee

Hatton National Bank



Director

Asia Securities Wealth Management (Private) Limited
Fund Management Company

Figures in brackets indicate deductions.

The accounting policies and notes from pages 8 to 21 form an integral part of these financial statements.

Asia Securities Gilt Fund
STATEMENT OF CHANGES IN UNITHOLDERS' FUND
For the year ended 31 March 2024

	No of units	Unitholders' fund LKR
Increase in net assets attributable to unitholders	-	2,650,479,484
Creation of units	562,217,451	5,721,485,080
Redemption of units	(306,404)	(4,499,514)
Net increase due to unit holders transactions	561,911,047	5,716,985,566
Unitholders' funds as at 31 March 2024	561,911,047	8,367,465,050

Figures in brackets indicate deductions.

The accounting policies and notes from pages 8 to 21 form an integral part of these financial statements.

Asia Securities Gilt Fund
STATEMENT OF CASH FLOWS
For the year ended 31 March 2024

	Note	For the period from 03/04/2023 to 31/03/2024
Cash flows from operating activities		LKR
Interest received		744,584,183
Gain on disposal of treasury bills/bonds	06	653,920
Other expenses paid		(345,222)
Management fees and trustee fees paid		(23,286,982)
Investment in repurchase agreements		(14,519,339,629)
Investment in T-Bills		(7,627,469,370)
Investment in T-Bonds		(3,921,326,703)
Maturity proceed from repurchase agreements		14,513,315,645
Maturity proceed from T-Bills		5,074,019,162
Maturity proceed from T-Bonds		42,240,050
Net cash used in operating activities		<u>(5,716,954,946)</u>
Cash flows from financing activities		
Amounts received on unit creations		5,721,485,080
Amounts paid on unit redemptions		(4,499,514)
Net cash generated from financing activities		<u>5,716,985,566</u>
Net increase in cash and cash equivalents during the period	07	30,620
Cash and cash equivalents at the beginning of the period		-
Cash and cash equivalents at the end of the period (Note 7.1)		<u>30,620</u>

Figures in brackets indicate deductions.

The accounting policies and notes from pages 8 to 21 form an integral part of these financial statements.

Asia Securities Gilt Fund NOTES TO THE FINANCIAL STATEMENTS

1. General Information

1.1 General

Asia Securities Gilt Fund (“the Fund”) is an open-ended fund approved by the Securities and Exchange Commission of Sri Lanka. The Fund was launched in 03rd April 2023. The Fund is managed by Asia Securities Wealth Management (Private) Limited which is incorporated and domiciled in Sri Lanka. The registered office of the Fund management company is located at 4th Floor, Lee Hedges Tower, No 349, Galle Road, Colombo 03. The trustee and custodian of the Fund is Hatton National Bank having its place of business at No 481, T .B. Jayah Mawatha, Colombo 10.

The investment objective of the fund is to generate a high interest income while preserving capital and providing liquidity. The Fund will invest into government securities and government guaranteed securities issued by banks and financial institutions.

1.2 Date of authorization for issue

The financial statements of the Fund for the period ended 31 March 2024 were authorized for issue by the fund management company and the trustee on 28 June 2024.

2. Summary of material accounting policies

The principal accounting policies adopted in the preparation of these financial statements are set out below.

2.1 Basis of accounting

The financial statements of the Fund have been prepared in accordance with Sri Lanka Accounting Standards, which comprise Sri Lanka Financial Reporting Standards (“SLFRS”s), Sri Lanka Accounting Standards (“LKAS”s), relevant interpretations of the Standing Interpretations Committee (“SIC”) and International Financial Reporting Interpretations Committee (“IFRIC”). Sri Lanka Accounting Standards further comprises of Statements of Recommended Practices (SoRPs), Statements of Alternate Treatments (SoATs) and Financial Reporting Guidelines issued by the Institute of Chartered Accountants of Sri Lanka. These financial statements have been prepared under the historical cost convention. The preparation of financial statements in conformity with Sri Lanka Accounting Standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Fund’s accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the Fund’s financial statements are disclosed in note 4 to the financial statements. The statement of financial position is presented on a liquidity basis and assets and liabilities are presented in decreasing order of liquidity and are not distinguished between the current and non-current. The financial statements are presented in Sri Lankan rupees (LKR).

These are the Fund’s first financial statements prepared in accordance with LKASs and SLFRSs as this is the first period of its operation.

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after the Fund’s inception, and have not been early adopted in preparing these financial statements. None of these are expected to have a material effect on the financial statements of the Fund.

Statement of Compliance

The financial statements which comprise the statement of financial position as at 31 March 2024, statement of comprehensive income, statement of changes in unitholders’ fund and statement of cash flows for the period from 03 April 2023 to 31 March 2024 and a summary of material 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 and Unit Trust Code of the Securities and Exchange Commission of Sri Lanka.

Asia Securities Gilt Fund NOTES TO THE FINANCIAL STATEMENTS (CONTD)

2. Summary of material accounting policies (Contd.)

2.2 Amendments to the Sri Lanka Accounting Standards

The following amendments to the Sri Lanka Accounting Standards that are relevant for the preparation of the financial statements have been adopted by the Fund which are effective for the first time for periods commencing on or after 01 January 2023.

(a) New standards and amendments - applicable 1 January 2023

The Fund has applied the following standards and amendments for the first time for their annual reporting periods commencing 1 January 2023:

(i) Amendments to LKAS 1 Presentation of Financial Statements and SLFRS Practice Statement to Making Materiality Judgements - Disclosure of Accounting Policies

The entity 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.

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.

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

The entity 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 deleted.

(b) New accounting standards, amendments and interpretations issued but not yet effective and adopted in 2023

The following standards and interpretations had been issued by IASB (and also adopted by CA Sri Lanka), but not mandatory for annual reporting periods ending 31 December 2023. Further, the Fund has not early adopted these new standards and/or amendments.

(i) Amendments to LKAS 1 Presentation of Financial Statements - Classification of Liabilities as Current or Noncurrent

The amendments to LKAS 1 published in January 2020 affect only the presentation of liabilities as current or noncurrent in the statement of financial position and not the amount or timing of recognition of any asset, liability, income or expenses, or the information disclosed about those items.

Asia Securities Gilt Fund NOTES TO THE FINANCIAL STATEMENTS (CONTD)

2. Summary of material accounting policies (Contd.)

2.2 Amendments to the Sri Lanka Accounting Standards (Contd)

(b) New accounting standards, amendments and interpretations issued but not yet effective and adopted in 2023

(i) Amendments to LKAS 1 Presentation of Financial Statements - Classification of Liabilities as Current or Noncurrent

The amendments clarify that the classification of liabilities as current or non-current is based on rights that are in existence at the end of the reporting period, specify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability, explain that rights are in existence if covenants are complied with at the end of the reporting period, and introduce a definition of 'settlement' to make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services.

The amendments are applied retrospectively for annual periods beginning on or after 1 January 2024, with early application permitted. The IASB has aligned the effective date with the 2022 amendments to LKAS 1. If an entity applies the 2020 amendments for an earlier period, it is also required to apply the 2022 amendments early. The directors of the parent company anticipate that the application of these amendments may have an impact on the group's consolidated financial statements in future periods.

(ii) Amendments to LKAS 1 Presentation of Financial Statements - Non-current Liabilities with Covenants

The amendments specify that only covenants that an entity is required to comply with on or before the end of the reporting period affect the entity's right to defer settlement of a liability for at least twelve months after the reporting date (and therefore must be considered in assessing the classification of the liability as current or noncurrent). Such covenants affect whether the right exists at the end of the reporting period, even if compliance with the covenant is assessed only after the reporting date (e.g. a covenant based on the entity's financial position at the reporting date that is assessed for compliance only after the reporting date).

The IASB also specifies that the right to defer settlement of a liability for at least twelve months after the reporting date is not affected if an entity only has to comply with a covenant after the reporting period. However, if the entity's right to defer settlement of a liability is subject to the entity complying with covenants within twelve months after the reporting period, an entity discloses information that enables users of financial statements to understand the risk of the liabilities becoming repayable within twelve months after the reporting period. This would include information about the covenants (including the nature of the covenants and when the entity is required to comply with them), the carrying amount of related liabilities and facts and circumstances, if any, that indicate that the entity may have difficulties complying with the covenants.

The amendments are applied retrospectively for annual reporting periods beginning on or after 1 January 2024. Earlier application of the amendments is permitted. If an entity applies the amendments for an earlier period, it is also required to apply the 2020 amendments early.

The directors of the managing company anticipate that the application of these amendments may have an impact on the entity's financial statements in future periods.

Asia Securities Gilt Fund NOTES TO THE FINANCIAL STATEMENTS (CONTD)

2. Summary of material accounting policies (Contd.)

2.2 Amendments to the Sri Lanka Accounting Standards (Contd)

(b) New accounting standards, amendments and interpretations issued but not yet effective and adopted in 2023

(iii) Amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures - Supplier Finance Arrangements

The amendments add a disclosure objective to LKAS 7 stating that an entity is required to disclose information about its supplier finance arrangements that enables users of financial statements to assess the effects of those arrangements on the entity's liabilities and cash flows. In addition, SLFRS 7 was amended to add supplier finance arrangements as an example within the requirements to disclose information about an entity's exposure to concentration of liquidity risk.

The term 'supplier finance arrangements' is not defined. Instead, the amendments describe the characteristics of an arrangement for which an entity would be required to provide the information.

To meet the disclosure objective, an entity will be required to disclose in aggregate for its supplier finance arrangements:

- The terms and conditions of the arrangements.
- The carrying amount, and associated line items presented in the entity's statement of financial position, of the liabilities that are part of the arrangements.
- The carrying amount, and associated line items for which the suppliers have already received payment from the finance providers.
- Ranges of payment due dates for both those financial liabilities that are part of a supplier finance arrangement and comparable trade payables that are not part of a supplier finance arrangement.
- Liquidity risk information

The amendments, which contain specific transition reliefs for the first annual reporting period in which an entity applies the amendments, are applicable for annual reporting periods beginning on or after 1 January 2024. Earlier application is permitted.

2.3 Functional and presentation currency

The Fund's investors are mainly from Sri Lanka, with all creation and redemption of units are denominated in Sri Lanka Rupees. The primary activity of the Fund is to invest in domestic securities and earn and offer unit holders a return. The performance of the Fund is measured and reported to the unitholders in Sri Lanka Rupees. The Trustee considers the rupees as the currency that most faithfully represents the economic effects of the underlying transactions, events and conditions. Accordingly, the financial statements are presented in Sri Lankan Rupees, which is the Fund's functional and presentation currency.

2.4 Going Concern

These financial statements are prepared on the assumption that the Fund is a going concern i.e. as continuing in operation for the foreseeable future. It is therefore assumed that the Fund has neither the intention nor the necessity of liquidation or of curtailing materially the scale of its operation. Management of the fund has assessed the potential impact of the current economic condition on the Fund's Operations, and is confident that it will not impact the going concern ability of the fund. In a period of rising inflation and interest rates, maturing investments will be typically re-invested at new and higher rates. This will result in a general increase in the fund's running returns.

Asia Securities Gilt Fund NOTES TO THE FINANCIAL STATEMENTS (CONTD)

2. Summary of material accounting policies (Contd.)

2.5 Financial assets

Classification and measurement of financial assets and financial liabilities

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

(i) Recognition and initial measurement

All financial assets are initially recognized on the date the Fund becomes a party to the contractual provisions of the instrument. This includes purchases of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place.

(ii) Classification

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

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

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

The Fund's financial assets classified under amortised cost include commercial papers, repurchase agreements, and money market savings.

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

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

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

Asia Securities Gilt Fund NOTES TO THE FINANCIAL STATEMENTS (CONTD)

2. Summary of material accounting policies (Contd.)

2.6 Financial liabilities - Classification, subsequent measurement and gains and losses

Financial liabilities are classified as measured at amortised cost. Financial liabilities are subsequently measured at amortised cost using the effective interest method.

Financial liabilities measured at amortised cost include borrowings, accrued expenses and other payables.

Derecognition

Financial assets

The Fund derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Fund neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset. The Fund enters into transactions whereby it transfers assets recognised in its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognised.

Financial liabilities

The Fund derecognises a financial liability when its contractual obligations are discharged or cancelled or expire. The Fund also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value. On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

Offsetting of financial instruments

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

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

2.7 Impairment

The Fund recognises loss allowances for expected credit losses (ECLs) on financial assets measured at amortised cost.

The Fund measures loss allowances at an amount equal to lifetime ECL, except for bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition which are measured as 12-month ECL. Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument. 12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months). The maximum period considered when estimating ECLs is the maximum contractual period over which the fund is exposed to credit risk.

Credit-impaired financial assets

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

Asia Securities Gilt Fund NOTES TO THE FINANCIAL STATEMENTS (CONTD)

2. Summary of material accounting policies (Contd.)

2.7 Impairment (Contd)

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

- Significant financial difficulty of the borrower or issuer;
- A breach of contract such as a default or being more than 90 days past due.
- The restructuring of a loan or advance by the Fund on terms that the Fund would not consider otherwise.
- It is probable that the borrower will enter bankruptcy or other financial reorganization.

As of the statement of financial position date the Fund has not observed any of the above thus no impairment provision has been recognized in the financial statements.

The Funds's investments at amortised cost have low credit risk, and the loss allowance recognised during the period was therefore limited to 12 months expected losses.

The Fund's investments in treasury bill repurchase agreements that are obtained from primary dealers are collateralized with government securities. Therefore, considered as low risk investments.

Presentation of allowance for ECL in the statement of financial position

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

Write-offs

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

2.8 Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Fund and the Revenue can be reliably measured. The following specific criteria must be also be met before Revenue is recognised.

2.9 Interest income

For all financial instruments measured at amortized cost, interest income is recorded using the effective interest rate (EIR), which is the rate that exactly discounts the estimated future cash appropriate, to the net carrying amount of the financial asset.

2.10 Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise of cash at bank. The cash flow statement has been prepared using the direct method. For the purpose of the statement of cash flows, cash and cash equivalents consist of cash and cash. equivalents as defined above.

2.11 Income tax

The Fund is not liable to pay income tax as of the reporting date in accordance with Inland Revenue No 24 of 2017 as amended by the Inland Revenue (Amendment) Act No 45 of 2022. However, the interest income on commercial papers, trust certificates, money market savings & fixed deposits are taxed at 5% as per the Inland Revenue (Amended) Act No 45 2022 with effect from 1 January 2023. The Fund's income generated through investment business is treated as "passthrough vehicles" under the provisions of Inland Revenue No 24 of 2017 as amended by the Inland Revenue (Amendment) Act No 45 of 2022.

Asia Securities GILT Fund NOTES TO THE FINANCIAL STATEMENTS (CONTD)

2. Summary of material accounting policies (Contd.)

2.12 Expenses

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

Management fee	- 0.20% p.a. of net asset value of the Fund calculated daily
Trustee fee	- 0.15% p.a. of net asset value of the Fund calculated daily
Custodian fee	- Rs 240,000 per Annum

2.13 Accrued expenses

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

2.14 Increase/(decrease) in net assets attributable to unitholders

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.

2.15 Unitholders' funds

Unitholders' funds have been calculated as the difference between the carrying amounts of the assets and the carrying amounts of the liabilities, other than those due to unit holders as at the reporting date.

3. Financial risk management

Risks arising from holding financial instruments are inherent in the Fund's activities, and are managed through a process of ongoing identification, measurement, and monitoring. The Fund is exposed to credit risk, market risk, and liquidity risk.

Financial instruments of the Fund comprise investments in treasury bills and repurchase agreements, fixed deposits, commercial papers, trust certificates and money market savings 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.

The fund manager is responsible for identifying and controlling the risk that arise from these financial instruments. The fund manager agrees on policies for managing each of the risks identified below.

The risks are measured using a method that reflects the expected impact on the statement of profit or loss and statement of financial position of the Fund from reasonably possible changes in the relevant risk variables. Information about these risk exposures at the reporting date, measured on this basis, is disclosed below.

The fund manager also monitors information about the total fair value of financial instruments exposed to risk, as well as compliance with established investment mandate limits. These mandate limits reflect the investment strategy and market environment of the Fund, as well as the level of risk that the Fund is willing to accept, with additional emphasis on selected industries. This information is prepared and reported to relevant parties within the fund manager on a regular basis as deemed appropriate, including the fund manager, other key management, the investment committee, and ultimately the trustee of the Fund.

The concentration of risk arises when several financial instruments or contracts are entered into with the same counterparty, or where a number of counterparties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economics, political or other conditions.

Asia Securities Gilt Fund NOTES TO THE FINANCIAL STATEMENTS (CONTD)

3. Financial risk management (Contd)

a) 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 Fund's exposure to credit risk from its financial assets arises from default of the counterparty, with the current exposure equal to the carrying amount of financial assets as at the reporting date. It is the Fund's policy to enter contracts with reputable counterparties. The Fund is subject to credit risk on its bank balances and investments at amortised cost. The credit risk exposure on these instruments is not deemed to be significant.

The Fund's maximum exposure to credit risk is the carrying amount of the financial assets are set out below;

Instrument	31/03/2024 (LKR)
Repurchase agreements	6,039,458
Treasury bills	2,770,878,317
Treasury bonds	5,593,946,213
Cash at the bank	30,620
Total	8,370,894,608

The analysis below summarises the credit quality of the Fund's debt portfolio at 31 March 2024.

2024 Counterparty	Investment value as at 31 March 2024 (LKR)	% of investment	Credit rating	Rating agency
Commercial Bank	6,039,458	99.50%	A(lka)	Fitch Rating
Hatton National Bank	30,620	0.50%	A(lka)	Fitch Rating
Total	6,070,078			

Debt securities by rating category.

Rating	2024
A(lka)	6,070,078
Total	6,070,078

Asia Securities Gilt Fund NOTES TO THE FINANCIAL STATEMENTS (CONTD)

3. Financial risk management (Contd)

b) Market risk

Market risk represents the risk that the value of the Fund's investments portfolios will fluctuate because of changes in market prices and rates. While market risk cannot be eliminated the fund manager will attempt to reduce this risk by diversifying the Fund's investment portfolio in line with investment objectives of the Fund.

Interest rate risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates. The Fund's interest-bearing financial assets expose it to risks associated with the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows.

The table below summarises the fund's exposure to interest rate risk

31/03/2024	Floating interest rate LKR	Fixed interest rate LKR	Non-interest bearing LKR	Total LKR
<i>Financial assets</i>				
Cash and cash equivalents	-	5,620	25,000	30,620
Financial assets at FVTPL	8,364,824,530	-	-	8,364,824,530
Financial assets at amortised cost	-	6,039,458	-	6,039,458
Total exposure	8,364,824,530	6,045,078	25,000	8,370,894,608

c) 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. Exposure to liquidity risk arises because of the possibility that the Fund could be required to pay its liabilities or redeem its units earlier than expected. Units are redeemable at the unitholder's options based on the Fund's net asset value per unit at the time of redemption.

The Fund manages its obligation when required to do so and its overall liquidity risk by:

- Investing primarily in financial instruments, which under normal market conditions are readily convertible to cash.
- The Fund will also make the Investments within the parameters set out by the Commission in accordance with the Unit Trust Code and the Deed to ensure there is no concentration of risk.
- Maintaining sufficient cash and cash equivalents to meet normal operating requirements and expected redemption requests. 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 Specialized 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.)
- Requiring at least 14 days prior written notice for unitholder redemption equal to or greater than 3% of the net asset value of the Fund
- Continually search for new investors.

Asia Securities Gilt Fund NOTES TO THE FINANCIAL STATEMENTS (CONTD)

3. Financial risk management (Contd)

c) Liquidity risk (Contd)

The time frame for return of cash to investors is five business days in which time investments may be recalled for redemption payouts. Further, the Fund is also permitted to borrow up to 15% of the deposited property for redemption payouts. Other financial liabilities have no contractual maturities. Due to the short-term nature of these financial instruments, carrying value approximates fair value.

The table below precises the Fund's non derivative financial assets and liabilities with contractual maturities into relevant maturity groupings based on the remaining period at the end of the reporting period. The amounts in the table are the contractual undiscounted cash flows.

31/03/2024	Less than 30	31 - 90 days	91 - 180 days	181 - 365 days	Total
Financial Assets					
Treasury Bills	150,000,000	2,349,000,000	Nil	324,024,455	2,823,024,455
Treasury Bonds	Nil	Nil	Nil	4,467,132,891	4,467,132,891
Repurchase agreements	6,061,121	Nil	Nil	Nil	6,061,121
Total	156,061,121	2,349,000,000	Nil	4,791,157,346	7,296,218,467
Financial Liabilities					
Management fee	1,412,606	Nil	Nil	Nil	1,412,606
Trustee fee	1,282,212	Nil	Nil	Nil	1,282,212
Custody fee	24,669	Nil	Nil	Nil	24,669
Total	2,719,487	Nil	Nil	Nil	2,719,487

d) Capital risk management

The Fund considers its net assets attributable to unitholders as capital, notwithstanding that net asset attributable to unitholders are classified as a liability. The amount of net assets attributable to unitholders can change significantly daily as the Fund is subject to daily applications and redemptions at the discretion of unitholders. Daily applications and redemptions are reviewed relative to the liquidity of the Fund's underlying assets daily by the Management Company. Under the terms of the Unit Trust Code, the Management Company has the discretion to reject an application for units and to defer redemption of units if the exercise of such discretion is in the best interests of unitholders.

The Fund's objective when managing capital is to safeguard the Fund's ability to continue as a going concern in order to provide returns for unitholders, provide benefits for other stakeholders and maintain a strong capital base to support the development of the investment activities of the Fund. The Board of Directors and Investment Manager monitor capital on the basis of the value of net assets attributable to unit holders. Please refer to the Note 2 for more details. Disclosures relevant to unitholders' funds are as follows.

Asia Securities Gilt Fund NOTES TO THE FINANCIAL STATEMENTS (CONTD)

3. Financial risk management (Contd.)

d) Capital risk management (contd)

The movement in the unitholders' funds for the period ended 31 March 2024

I. In terms of value

	31/03/2024 (LKR)
Unitholders' funds as at the beginning of the period	-
Creations during the period	5,721,485,080
Redemptions during the period	(4,499,514)
Increase in net assets attributable to unitholders during the period	2,650,479,484
Unitholders' funds as at 31 March 2024	8,367,465,050

I. In terms of numbers of units

	31/03/2024 (LKR)
Opening number of units	-
Unit creations during the period	562,217,451
Unit redemptions during the period	(306,404)
Closing number of units as at 31 March 2024	561,911,047

4. Critical accounting estimates and judgements

The preparation of financial statements in conformity with Sri Lanka Accounting Standards requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income, and expenses. In the selection and application of the company's accounting policies, which are described below, the Fund management company is required to make judgements and assumptions and use assumptions in measuring items reported in the financial statements.

These estimates are based on management's knowledge of current facts and circumstances, and assumptions based on such knowledge and expectations of future events. Actual results may differ from such estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates were revised if the revision affects only that period or in the period of the revision and future periods as well if the revision affects both the current and future periods. Management considers credit, liquidity and market risk and assesses the impact on valuation of investments when determining the fair value.

Fair value of the financial instruments are determined by observable market prices or rates where available.

Asia Securities Gilt Fund
NOTES TO THE FINANCIAL STATEMENTS (CONTD)

5 Finance income - Interest income

	<u>31/03/2024</u>
	LKR
5.1 Interest on	
Repurchase Agreements	38,206,830
Treasury Bills	465,119,096
Treasury Bond	751,597,441
Money market bank accounts	336,070
	<u><u>1,255,259,437</u></u>

5.2 Income is recognised on accrual basis using the effective interest rate method.

5.3 Notional tax is not applicable as per the new Inland Revenue Act No. 24 of 2017. Effective from 1st January 2023, withholding tax at the rate of 5% has been reintroduced on service fee payments which has a source in Sri Lanka and paid to a resident individual who is not an employee of the payer of such service fee.

6 Fair value gain

	<u>31/03/2024</u>
	LKR
Treasury Bills	19,725,237
Treasury Bonds	1,401,902,653
Gain on disposal of treasury bills/bonds	653,920
	<u><u>1,422,281,810</u></u>

Cash and bank balances

	<u>31/03/2024</u>
	LKR
HNB current account	25,000
HNB money market account	5,620
	<u><u>30,620</u></u>

7.1 Cash and bank balances for the purpose of the statement of cash flow

	<u>31/03/2024</u>
	LKR
Cash and bank balances	<u><u>30,620</u></u>

Asia Securities Gilt Fund
NOTES TO THE FINANCIAL STATEMENTS (CONTD)

8 Financial assets at amortised cost

	<u>31/03/2024</u>
	LKR
Repurchase Agreements	6,039,458
	<u>6,039,458</u>

9 Financial assets at fair value through profit or loss

	<u>31/03/2024</u>
	LKR
Treasury Bills	2,770,878,317
Treasury Bonds	5,593,946,213
	<u>8,364,824,530</u>

10 Other payable

	<u>31/03/2024</u>
	LKR
Management fees payable	1,412,606
Trustee fees payable	1,282,212
Custodian fees payable	24,669
Audit and tax consultancy fees payable	677,321
Other payable	32,750
	<u>3,429,558</u>

11 Units in issue and unit price

No. of units in issue and deemed to be in issue as at 31 March 2024 was 561,911,047 and net assets value per unit as at 31 March 2024 was LKR. 14.8910. Please refer to Note-13.

Asia Securities Gilt Fund
NOTES TO THE FINANCIAL STATEMENTS (CONTD)

12 Related party disclosure

12.1 Management company and trustee

The Management Company is Asia Securities Wealth Management (Private) Limited.

Hatton National Bank had been appointed as trustee with effect from 23 March 2023.

12.2 Key management personnel

Key management personnel includes persons who were directors of Asia Securities Wealth Management (Private) Limited at any time during the financial period.

Directors

Mr.Dumith Fernando

Mr.Avancka Herat

12.3 Key management personnel compensation

There were no payments made to the directors of Asia Securities Wealth Management (Private) Limited during the period by the fund.

12.4 Other transactions within the Fund

Apart from those details disclosed in note 12.5 key management personnel have not entered in to any other transactions involving the Fund during the financial period.

12.5 Related party unit holding transactions and balances

The following are the units held by related parties.

As at 31 March 2024	Relationship	No. of units	Value of units held LKR	Total interest held as a % of NAV
Unit holders				
Dumith Fernando	Chairman	49,465	736,580	0.01%

The following are the units transactions by related parties for the period ended 31 March 2024.

Relationship	Creation of units		Redemption of units		
	No. of units	Value LKR	No. of units	Value LKR	
Dumith Fernando	Chairman	49,465	500,000	(49,465)	(500,000)

Asia Securities Gilt Fund
NOTES TO THE FINANCIAL STATEMENTS (CONTD)

12 Related party disclosure (Contd.)

12.6 Transactions and balances related to the service provided by related parties

Fees were charged by the management company and trustee for services provided during the period and the balances outstanding related to such services as at period end are as disclosed below:

	<u>31/03/2024</u>
	LKR
Charges for the period with related parties	
Management fees to Asia securities Wealth Management (Pvt) Ltd	13,599,221
Trustee fees to Hatton National Bank PLC	12,123,882
Custodian fee to Hatton National Bank PLC	283,367
Balances with related parties	
Bank balance held at Hatton National Bank PLC as at 31 March 2024	25,000
Money market account balance held at Hatton National Bank PLC as at 31 March 2024	5,620
Management fees payable to Asia securities Wealth Management (Pvt) Ltd	1,412,606
Trustee fees payable to Hatton National Bank PLC	1,282,212
Custodian fees payable to Hatton National Bank PLC	24,669

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

	<u>31/03/2024</u>
	LKR
Net asset value as per financial statements	8,367,465,050
Published net asset value	8,367,465,050
Published number of units as at 31 March 2024	561,911,047
Net asset value per unit	14.8910

14 Contingencies

There were no significant contingencies existing as at the reporting date that required adjustments to or disclosures in the financial statements.

15 Events occurring after reporting date

No other events have occurred since the statement of financial position date which would require adjustments to or disclosure in the financial statements.

16 Capital commitments

There were no significant capital and financial commitments as at the reporting date.

The background of the page is a dark, blurred image of financial data. It features several computer monitors displaying various types of charts, including candlestick charts with red and green bars and line graphs with blue and green lines. The lighting is dim, with the primary light source being the screens themselves. In the bottom-left corner, the silhouette of a person's head and shoulders is visible, looking towards the right, presumably at the financial data. A large white diagonal shape cuts across the page from the top-left towards the bottom-right, creating a clean, modern aesthetic.

**ASIA SECURITIES
EQUITY OPPORTUNITIES FUND**

ASIA SECURITIES EQUITY OPPORTUNITIES FUND REVIEW

(Inception: 23rd Dec. 2023)

Fund Objective

The primary objective of the Asia Securities Equity Opportunities Fund is to achieve long-term capital appreciation by investing primarily in a diversified portfolio of equity securities. The fund seeks to outperform its benchmark index through a combination of top-down macroeconomic analysis and bottom-up fundamental research, identifying companies with strong growth potential, solid financial health, and sustainable competitive advantages.

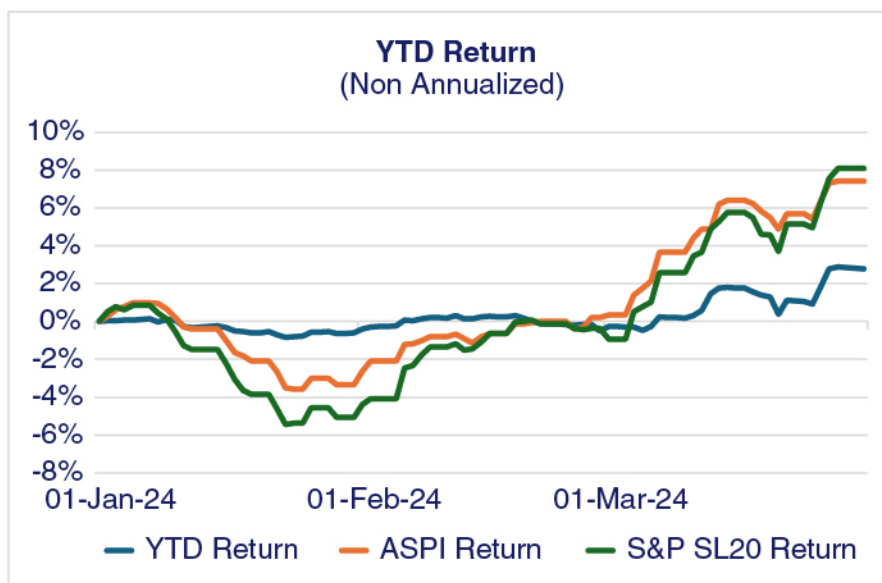
The fund targets a broad range of industries and sectors to capitalize on economic trends and opportunities. Risk management is a key component of the investment strategy, with a focus on maintaining a balanced portfolio to mitigate market volatility and protect against downside risk.

By investing in high-quality, growth-oriented companies, the Asia Securities Equity Opportunities Fund aims to deliver consistent returns to its investors over the long term, while aligning with their risk tolerance and investment objectives.

Fund Return vs. Benchmark Return

For the period ended 31st March 2024, your fund NAV increased by 2.80% while ASPI & S&P SL 20 Indices increased by 7.41% and 8.12% respectively (all returns stated are non-annualized). The investment fund

underperformed the index due to the late deployment of funds and suboptimal stock selection. Additionally, the smaller size of the fund resulted in fees constituting a larger percentage of the NAV.



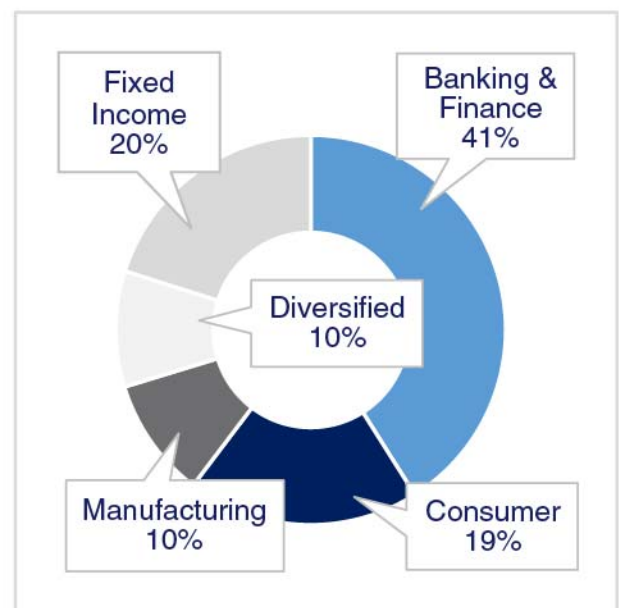
ASIA SECURITIES EQUITY OPPORTUNITIES FUND REVIEW

Period	Non Annualized Fund Return	Non Annualized ASPI Return	Non Annualized S&P SL20 Return
Three months ended 31st March 2024	2.8061%	7.4170%	8.1236%

Top Holdings

Counter	% Equity
Sampath Bank PLC	16.0%
Hatton National Bank PLC	16.0%
Distilleries Company of Sri Lanka PLC	11.9%
People's Leasing & Finance PLC	9.0%
Sunshine Holdings PLC	7.4%

Sector Allocation



Sri Lankan Equity Market Commentary

The Sri Lankan equity market experienced a volatile yet promising year during 2023/24, marked by significant developments on both the macroeconomic and corporate fronts. After facing considerable challenges in the previous years due to economic instability and political uncertainties, the market showed resilience and signs of recovery, driven by improved investor sentiment and strategic policy reforms.

The government implemented a series of fiscal and monetary policies aimed at stabilizing the economy, reducing inflation, and attracting foreign investment. These measures included tax reforms, interest rate adjustments, and initiatives to boost exports and tourism. The Central Bank of Sri Lanka played a pivotal role in maintaining currency stability and ensuring adequate liquidity in the financial system.

ASIA SECURITIES EQUITY OPPORTUNITIES FUND REVIEW

Market Performance

The Colombo Stock Exchange (CSE) demonstrated a robust performance throughout the three months the fund was in operation, with the All Share Price Index (ASPI) showing a notable upward trend by growing 7.170% YTD as at 31st March 2024, whilst the more liquid S&P SL20 index experienced a growth of 8.12% during the same period. On the valuations front, the ASPI was trading at a market PER of 9.9X as at March 31st 2024 (vs. 5.0X as at 31st March 2023 and 11.1X as at 31st December 2023). During the three months ended 31st March 2024, the market recorded an average daily turnover level of LKR 1,424mn (vs. LKR 1,891mn during the three months ended 31st March 2023 and LKR 1,072mn during the three months ending 31st December 2023). During the same period the market experienced a notable net foreign outflow of LKR 7,907mn.

On the macroeconomic front, adherence to the IMF program has yielded positive results despite significant tax increases through income and indirect taxes. Key factors include: 1) The appreciation of the exchange rate, 2) Stronger remittances, and 3) Increased tourism receipts. These, along with declining interest rates, have fostered positive sentiment and boosted the performance of the ASPI.

Market growth was also driven on the back of strong corporate earnings aided by 1) recovery in overall demand conditions driven by improved economic activity and interest rates, 2) Soft commodity prices supported by a strong LKR, benefiting overall margins of corporates and 3) Borrowing costs to remain contained.

Outlook for 2024/25

Several sectors within the Sri Lankan equity market are poised for significant growth. The banking and finance sector will benefit from the completion of the debt restructuring, leading to lower interest rates and increased credit growth. The tourism sector is expected to experience robust growth due to economic stability and improved global travel conditions. The consumer sector is likely to expand as consumer confidence and disposable incomes improve, boosting demand for goods and services. Additionally, the construction and manufacturing sectors are anticipated to grow, driven by resumption in increased industrial activity. Together, these sectors will play a crucial role in driving the growth of the Sri Lankan equity market.

Despite the positive developments, elections in Sri Lanka can negatively impact the equity market through increased political uncertainty, leading to market volatility as investors adopt a wait-and-see approach as significant policy shifts post-election can affect key sectors leading to investor caution until the new administration's economic stance is clarified.

The future outlook for the Sri Lankan equity market in 2025 appears cautiously optimistic. Following a period of economic stabilization and structural reforms, the foundation has been laid for potential growth. Key factors contributing to this positive outlook include the continuation of favorable policy measures, a stable political environment, and adherence to the IMF program, which is expected to enhance investor confidence. If these challenges are effectively addressed, the Sri Lankan equity market could see sustained growth, attracting both domestic and international investors seeking opportunities in a recovering economy.

The background of the page features a dark, blurred image of financial charts and data on multiple screens. A large white diagonal shape cuts across the image from the top-left to the bottom-right. In the bottom-left corner, the silhouette of a person's head and shoulder is visible, looking towards the screens.

ASIA SECURITIES EQUITY OPPORTUNITIES FUND
FINANCIAL STATEMENTS - UNAUDITED
FOR THE PERIOD ENDED 31 MARCH 2024

Asia Securities Equity Opportunities Fund
STATEMENT OF COMPREHENSIVE INCOME
Year ended 31 March 2024

Income	Note	31.03.2024 LKR
Interest Income	03	538,084
Dividend Income		19,750
Net change in unrealized appreciation on financial assets held at fair value through profit and loss	04	1,235,225
Total income		1,793,059
Operating expenses		
Management Fees		(104,777)
Trustee and Custodian Fees		(95,864)
Audit Fees		(474,124)
Brokerage Expenses on Equity Transactions		(258,517)
Other Expenses		(16,764)
Total Operating expenses		(950,046)
Total comprehensive income for the period		843,013

Asia Securities Equity Opportunities Fund
STATEMENT OF FINANCIAL POSITION
Year ended 31 March 2024

	Note	31.03.2024 LKR
Assets		
Cash and bank balances	05	147,650
Financial assets at FVTPL	06	24,317,081
Financial assets at amortised cost	07	6,517,452
Total assets		30,982,183
Liabilities		
Accrued Expenses	08	544,598
Total liabilities		544,598
Net assets attributable to unit holders		30,437,584
Unitholders' funds		
Net assets attributable to unit holders		30,437,584

The Fund Management Company and the Trustee are responsible for the preparation and presentation of these financial statements in accordance with Sri Lanka Accounting Standards. These financial statements were approved by the Fund Management Company and the Trustee on 08th July 2024.



Director

Asia Securities Wealth Management (Private) Limited
Fund Management Company



Trustee

Hatton National Bank



Director

Asia Securities Wealth Management (Private) Limited
Fund Management Company

Asia Securities Equity Opportunities Fund
STATEMENT OF CHANGES IN UNITHOLDERS' FUND
Year ended 31 March 2024

	Unitholders' fund
	31.03.2024
	LKR
Total Comprehensive Income for the Period	843,013
Received on Creation of Units	29,594,571
Paid on Redemption of Units	-
Net Increase / (decrease) due to Unit holders' Transactions	29,594,571
Unitholders' funds as at 31 March 2024	<u>30,437,584</u>

Asia Securities Equity Opportunities Fund
STATEMENT OF CASH FLOWS
Year ended 31 March 2024

	2024
Cash flows from operating activities	LKR
Interest Received	514,480
Dividend Received	19,750
Management Fees and Trustee Fees Paid	(130,167)
Brokerage Paid on Equity Transactions	(258,517)
Audit Fees Paid	-
Other Expenses Paid	(10,612)
Equity Investments cost	(23,081,856)
Equity Investments sold	-
Commercial Papers	-
Trust Certificates	-
Investment in Repurchase Agreements	(217,900,000)
Maturity Proceed from Repurchase Agreements	211,400,000
Net Cash Flow generated from Operating Activities	-
Net Cash Flow generated from Operating Activities	(29,446,921)
Cash Flows from Financing Activities	
Cash Received on Creation of Units	29,594,571
Cash Paid on Redemption of Units	-
Net Cash generated from Financing Activities	29,594,571
Net Cash generated from Financing Activities	29,594,571
Net Increase in Cash and bank balances	147,650
Cash and bank balances at the beginning of the year	-
Cash and bank balances at the end of the period	147,650

Asia Securities Equity Opportunities Fund
NOTES TO THE FINANCIAL STATEMENTS (CONTD)
Year ended 31 March 2024

1 General Information

Asia Securities Equity Opportunities Fund (“the fund”) is an open-ended fund approved by the Securities and Exchange Commission of Sri Lanka. The fund was launched in 28th December 2023. The fund is managed by Asia Securities Wealth Management (Private) Limited which is incorporated and domiciled in Sri Lanka. The registered office of the fund management company is located at 4th Floor, Lee Hedges Tower, No 349, Galle Road, Colombo 03. The trustee and custodian of the fund is Hatton National Bank having its place of business at No 481, T .B. Jayah Mawatha, Colombo 10. The investment objective of the equity fund is to achieve long term capital growth by investing mainly in quoted equities in CSE.

2 Preperation of Financial Statements

The financial statements are prepared and presented in accordance with and comply with the relevant Sri Lanka Accounting Standards issued by the Institute of Chartered Accountants of Sri Lanka. Please note that all figures in the financial statements are un audited.

3 Gross Income

	31.03.2024
	LKR
Interest on Repurchase Agreements	467,547
Interest on Savings	70,538
	538,084

4 Net change in unrealized appreciation on financial assets held at fair value through profit and loss

	31.03.2024
	LKR
Unrealised appreciation of Equity Shares	1,235,225
	1,235,225

5

Cash and bank balances

	31.03.2024
	LKR
HNB Current account	25,000
HNB Money Market account	122,650
	147,650

Asia Securities Equity Opportunities Fund
NOTES TO THE FINANCIAL STATEMENTS (CONTD)
Year ended 31 March 2024

6 Financial Assets - Fair Value through profit or loss

	31.03.2024
	LKR
Cost of purchases	23,081,856
Appreciation of Marketable Securities	1,235,225
Market Value as at end of the year	24,317,081

Quoted investments

	No of ordinary shares	Market Price per share LKR	2024 Market value LKR
Banks			
Hatton National Bank	27,000	180.00	4,860,000
Sampath Bank PLC	61,000	80.00	4,880,000
			<u>9,740,000</u>
Capital Goods			
Hayleys Plc	25,000	82.10	2,052,500
John Keells Holdings Plc	4,500	194.00	873,000
			<u>2,925,500</u>
Consumer Durables & Apparel			
Textured Jersey Lanka PLC	50,000	37.60	1,880,000
			<u>1,880,000</u>
Diversified financials			
Peoples Leasing & Finance PLC	250,000	11.00	2,750,000
			<u>2,750,000</u>
Foods Beverages & Tobacco			
Sunshine Holdings Plc	38,000	59.50	2,261,000
Distilleries Company of Sri Lanka PLC	134,148	26.90	3,608,581
			<u>5,869,581</u>
Materials			
Alumex PLC	120,000	9.60	1,152,000
			<u>1,152,000</u>
			<u>24,317,081</u>

Asia Securities Equity Opportunities Fund
NOTES TO THE FINANCIAL STATEMENTS (CONTD)
Year ended 31 March 2024

7 Financial assets - amortised cost

	<u>31.03.2024</u>
	<u>LKR</u>
Repurchase Agreements	6,517,452
	<u>6,517,452</u>

8 Accrued Expenses

	<u>31.03.2024</u>
	<u>LKR</u>
Management Fee Payable	38,122
Trustee Fee and Custodian Fee Payable	32,353
Audit Fee and professional Fee Payable	474,124
	<u>544,598</u>

9 Contingencies

There were no significant contingencies existing as at the reporting date that required adjustments to or disclosures in the financial statements.

10 Events occurring after reporting date

There have been no significant events occurring after the reporting date that required adjustment to or disclosures in the financial statements.

11 Capital commitments

There were no significant capital and financial commitments as at the reporting date.

12 Units in issue and unit price

No. of units in issue and deemed to be in issue as at 31 March 2024 was 2,958,716 and net assets value per unit as at 31 March 2024 was Rs. 10.2874

Asia Securities Equity Opportunities Fund
NOTES TO THE FINANCIAL STATEMENTS (CONTD)
Year ended 31 March 2024

13 Related party disclosure

13.1 Management company and trustee

The Management Company is Asia Securities Wealth Management (Private) Limited.

Hatton National Bank had been appointed as trustee with effect from 15 September 2023.

13.2 Key management personnel

Key management personnel includes persons who were directors of Asia Securities Wealth Management (Private) Limited at any time during the financial year.

Directors

Mr.Dumith Fernando

Mr.Avancka Herat

13.3 Key management personnel compensation

There were no payments made to the directors of Asia Securities Wealth Management (Private) Limited during the year by the fund.

13.4 Other transactions within the Fund

Apart from those details disclosed in note 13.5 and 13.6, key management personnel have not entered in to any other transactions involving the Fund during the financial year.

13.5 Related party unit holding transactions and balances

The following are the units held by related parties.

	Relationship	No. of units	Value of units held LKR	Total interest held as a % of NAV
As at 31 March 2024				
Asia Securities (Private) Ltd	Affiliate	1,000,000	10,195,300	33%
Mr.Dumith Fernando	Chairman	100,000	1,019,530	3%

The following are the units transactions by related parties for the period ended 31 March 2024

	Relationship	Creation of units		Redemption of units	
		No. of units	Value LKR	No. of units	Value LKR
Asia Securities (Private) Ltd	Affiliate	1,000,000	10,000,000	-	-
Mr.Dumith Fernando	Chairman	100,000	1,000,000	-	-

Asia Securities Equity Opportunities Fund
NOTES TO THE FINANCIAL STATEMENTS (CONTD)
Year ended 31 March 2024

13 Related party disclosure (Contd.)

13.6 Transactions and balances related to the service provided by related parties

Fees were charged by the management company and trustee for services provided during the period and the balances outstanding related to such services as at period end are as disclosed below:

	2024
	LKR
Charges for the period with related parties	
Management fees by Asia securities Wealth Management (Private) Limited	104,777
Trustee fees by Hatton National Bank PLC	21,121
Custodian fee by Hatton National Bank PLC	74,743
Balances with related parties	
Bank balance held at Hatton National Bank PLC as at 31 March	25,000
Money market account balance held at Hatton National Bank PLC as at 31 March	122,650
Management fees payable to Asia securities	
Wealth Management (Private) Limited	38,122
Trustee fees payable to Hatton National Bank PLC	7,683
Custodian fees payable to Hatton National Bank PLC	24,669

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

	2024
	LKR
Net asset value as per financial statements	30,437,584
Published net asset value	30,437,584
Published number of units as at 31 March	2,958,716
Net asset value per unit	10.2874

A large, diagonal graphic on the right side of the page features a background image of a computer monitor displaying financial data. The monitor shows a candlestick chart with red and green bars, overlaid with a blue line graph and horizontal green bars. The overall aesthetic is modern and professional, with a blue and white color scheme.

CORPORATE INFORMATION

MANAGEMENT COMPANY

Asia Securities Wealth Management (Pvt) Limited
4th Floor, Lee Hedges Tower,
349, Galle Road, Colombo 3

TRUSTEE & CUSTODIAN

Hatton National Bank PLC
479, T.B. Jaya Mawatha, Colombo 10

AUDITORS

Deloitte Partners
100, Braybrooke Place, Colombo 2

LAWYERS

Nithya Partners
97/A, Galle Main Road, Colombo 3

BANKERS

Hatton National Bank PLC
479, T.B. Jaya Mawatha, Colombo 10

DECLARATION BY THE TRUSTEES AND MANAGEMENT COMPANY


This declaration is issued in line with the SEC Circular No. 02/2009 on Guidelines for Trustees and Managing Companies of Unit Trusts Funds, by the Trustees and Management Company. Hatton National Bank PLC, the Trustee and Asia Securities Wealth Management (Pvt) Ltd, the Managers of Asia Securities Money Market Fund, Asia Securities Income Fund, Asia Securities Gilt Fund and Asia Securities Equity Opportunities 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 holder.



Director
Management Company



Director
Management Company




Authorized Signatories
Trustee

