

**CEYBANK UNIT TRUST FUND**  
**(INCOME & GROWTH)**

**ANNUAL REPORT**

*31 MARCH 2017*

**Managed By**





### **Investment Objective**

- To achieve a superior rate of return in the medium to long term, which includes reasonable capital appreciation and high income to commensurate with the level of risk.
- To compensate in the long term, for the increase in the general price levels.
- To achieve a consistent growth in the up market with reasonable downward protection in a down market.



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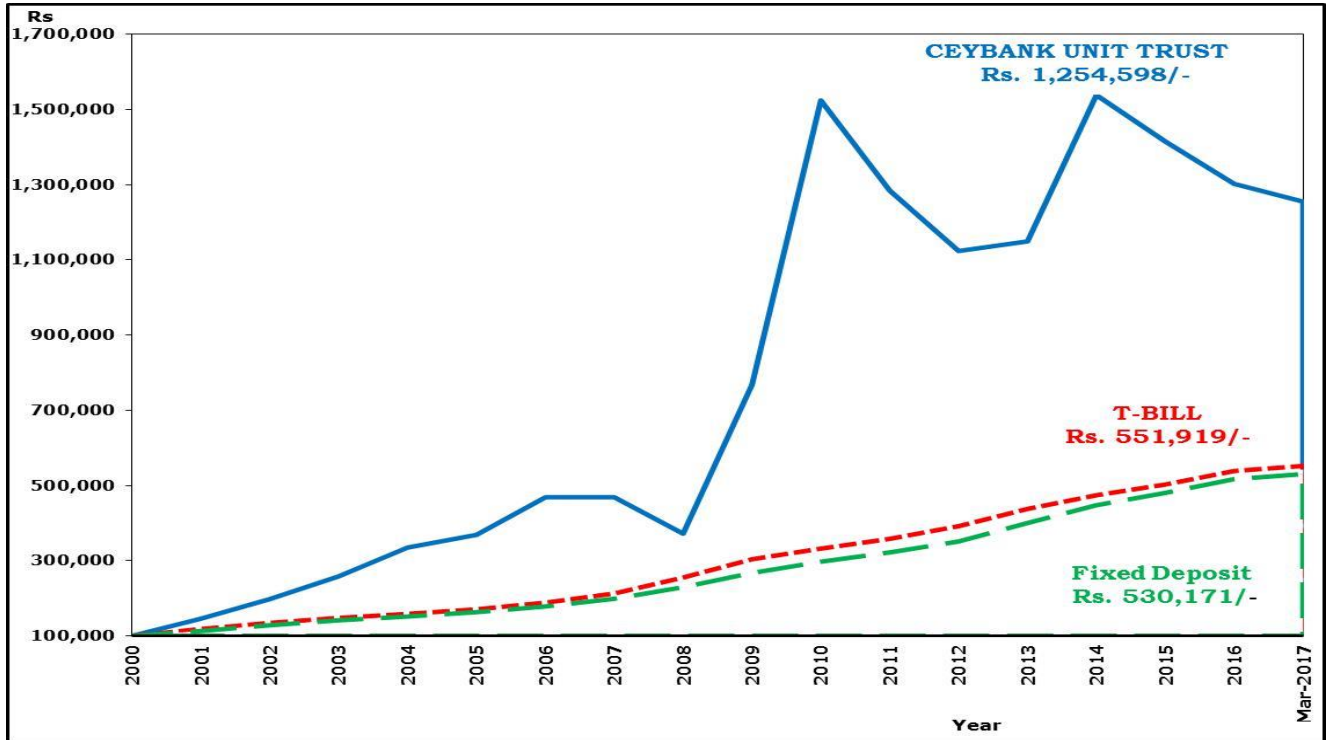
Management Team

Declaration by Trustee and Managing Company

“The SEC in granting approval does not extend to either endorsing or ratifying the accuracy of the specific details set out therein, and that the management company remains at all times responsible for the specific details set out in the Annual Report.”



**The Growth in Value of Rs. 100,000/- invested in the Ceybank Unit Trust Fund  
(adjusted for dividends) Vs Treasury Bills & Fixed Deposits  
(For the period 29-12-2000 to 31-03-2017)**



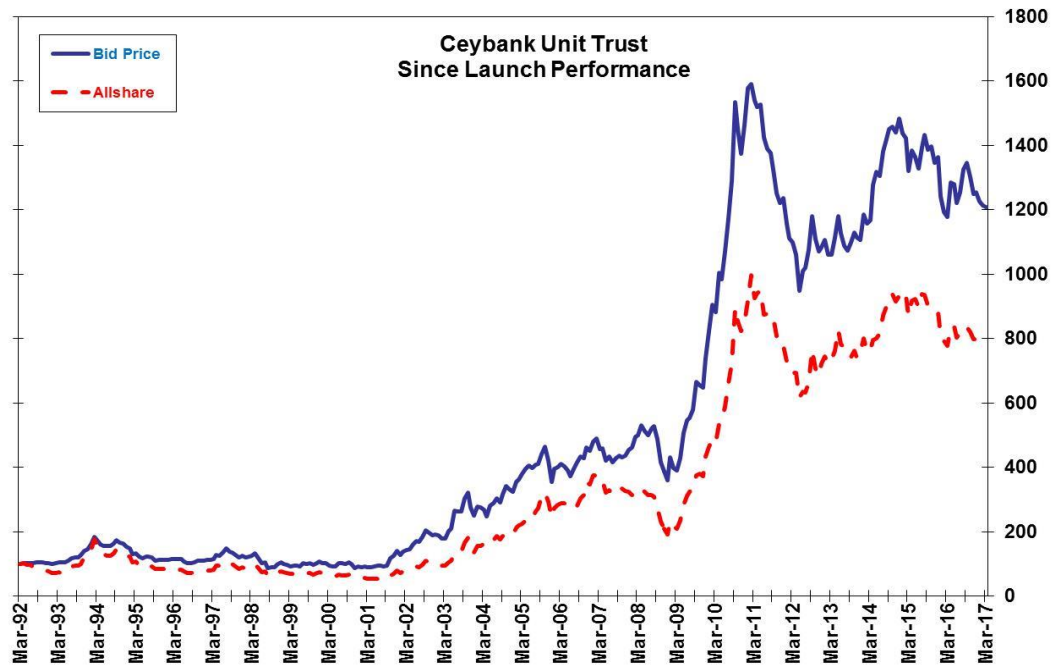
\* Treasury Bill - 1 Year WAR  
Fixed Deposit - AWFDR

Y/E Dec	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017 Mar
CUT Value (Rs'000)	100	146	198	258	335	369	468	469	372	768	1,524	1,284	1,123	1,149	1,538	1,415	1,302	1,255





## PERFORMANCE HIGHLIGHTS



*Performance is based on Time Weighted Monthly Returns*



**CEYBANK UNIT TRUST FUND  
Annual Report & Accounts 2016/2017  
CORPORATE INFORMATION**

**TRUSTEE**

National Savings Bank  
Savings House, 255, Galle Road  
Colombo 03

**MEMBERS OF**

**THE INVESTMENT ADVISORY PANEL**

**FUND MANAGERS & REGISTRAR**

Ceybank Asset Management Ltd  
Reg. No PV 3326  
No 85, York Street, Colombo -1  
Tel : 011- 760 2000-2, Fax : 011- 2327203  
E.mail : info@ceybank.com  
Web: www.ceybank.com

Mr. Hari Selvanathan  
Deputy Chairman  
Carson Cumberbatch PLC

Mr. S N P Palihena  
Former General Manager  
Bank of Ceylon

**DIRECTORS OF THE  
MANAGEMENT COMPANY**

Mr. P.S.C. Pelpola  
Chairman

Mr. M Selvanathan  
Deputy Chairman

Mr. C. Sathkumara  
CEO/Executive Director

Mr. D. M. Gunasekera  
(Nominee - Bank of Ceylon)

Mr. W.P.R.P.H. Fonseka  
(Nominee - Bank of Ceylon)

Shri B Babu Rao  
(Nominee - Unit Trust of India)

Mr. M S P Ranjith Perera  
(Nominee - Sri Lanka Insurance)

Mr. P.A.Liyanamana  
(Nominee - Sri Lanka Insurance)

Mr.A.P. weeratunge  
(Alternate to Mr. M Selvanathan)

Mr. M.D.C. Nilantha  
(Alternate to Mr. D. M. Gunasekera)

Mr. U. D. Liyanagamage  
(Alternate to Mr.P.A.Liyanamana)

Mr. Tennyson Rodrigo  
Former Managing Director  
Capital Development & Investment Co Ltd

**AUDITORS**

SJMS Associates  
Chartered Accountants

**TAX CONSULTANTS**

Ernst & Young  
Chartered Accountants

**BANKERS & CUSTODIAN**

Bank of Ceylon

**LAWYERS**

F. J. & G. De Saram  
Attorneys –at-Law

Nithya Partners  
Attorneys –at-Law

## REPORT OF THE MANAGER

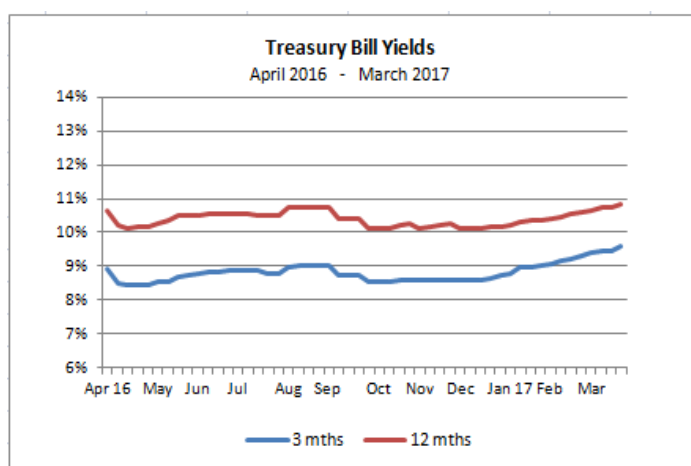
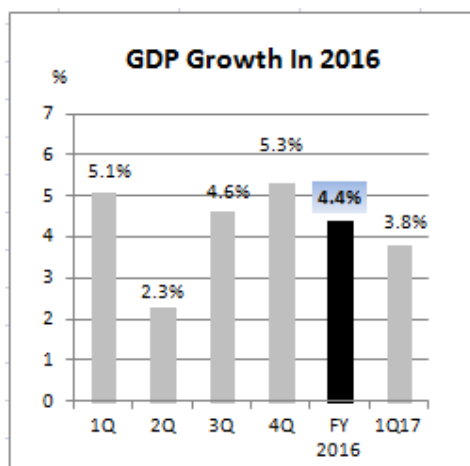
We have great pleasure in presenting the Annual Report and Audited Accounts of Ceybank Unit Trust Fund for the year ended 31<sup>st</sup> March 2017.

The stock market saw increased volatility during the first half of the year, after increasing sharply initially. The volatility was followed by a gradual decline for the rest of the period before turning around at the end of the year under review. The ASI depreciated by 0.16% during the year and closed at 6,061.94 points on the 31<sup>st</sup> March 2017, a drop of 9.94 points. During the same period the Net Asset Value per unit of your Fund increased by 2.82% outperforming the market. The net asset value per unit amounted to Rs 23.81 as at 31<sup>st</sup> March 2017.

The Fund declared and distributed a tax free dividend of Rs 1.00 (100cts) per unit (totaling Rs 197.46 million) to the unit holders in February 2017. The cumulative dividends paid to unit holders since the inception of the Fund, stand at Rs. 22.90 per unit.

### Economy

The Sri Lankan Economy recorded a GDP growth of 4.4% for the year 2016, down from 4.8% the previous year. Sector wise, Industry grew by 6.7%, Services by 4.2% while Agriculture declined by 4.2% during the year 2016. This was followed by a 3.8% growth in the first quarter of 2017. Annual Average Inflation measured by the CCPI (Base: 2013) which was at 2.4% in April 2016 increased gradually during most of the year, ending higher at 5.0% as at 31<sup>st</sup> March 2017.



Interest rates remained within a thin band. The benchmark 12 month Treasury bill rate which was at 10.64% p.a. at the beginning of the year closed 34 basis points higher at 10.98% p.a. by the end of March 2017. Yields on long term Treasury bonds however remained volatile during the year.

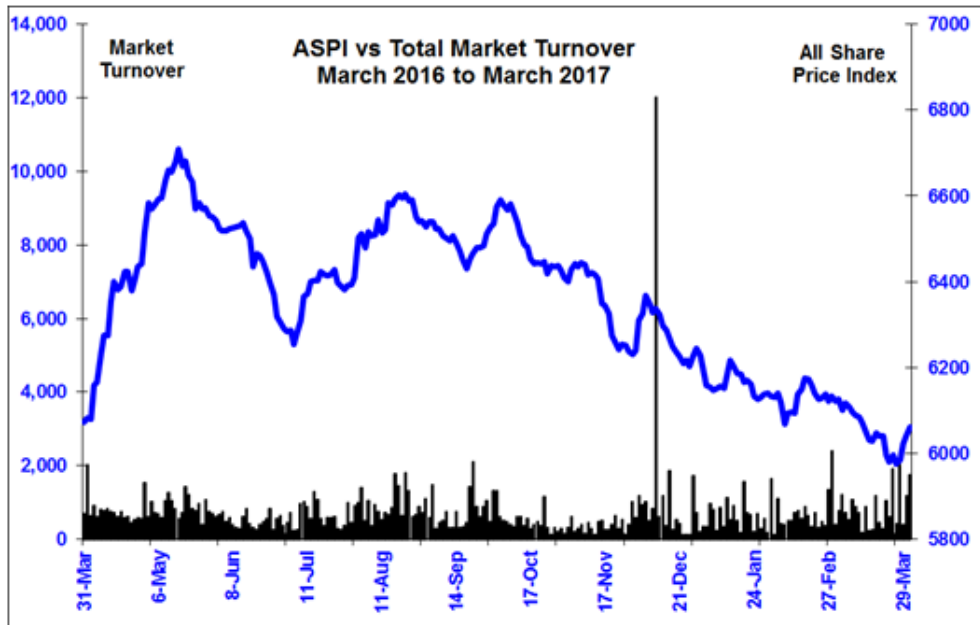
Overnight call money rates traded between 7.95% and 8.80% p.a. The exchange rate which was at 145.28 (Rs/US\$) in April 2016, depreciated by 4.62% during the year to close at 151.99 (Rs/ US\$) as at 31<sup>st</sup> March 2017.

Central Bank key policy rates were adjusted twice during the year under review. The Standing Deposit Facility Rate (SDFR) and the Standing Lending Facility Rate (SLFR) were increased by 0.75% to close at 7.25% and 8.75% respectively as at end March 2017. The Statutory Reserve Requirement (SRR) for Commercial Banks remained unchanged at 7.50% p.a.

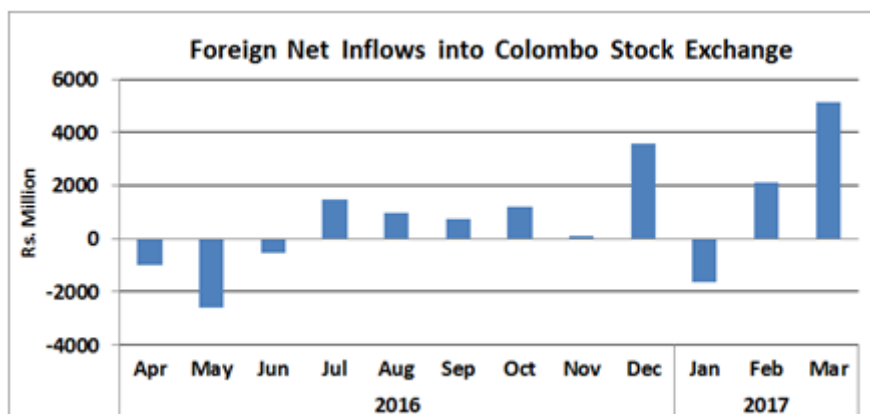


## Capital Market Performance

The Stock market remained volatile during the period, moving up sharply initially, and then losing momentum, followed by a period of volatility and a gradual downward slide thereafter, before making a slight recovery at the end of the period.



Foreign participation in the market was dismal for most part of the year, as foreign investors exited the market on uncertainty in Government Policy. However this trend changed sharply during the last quarter with foreign investors re-entering the market to buy selected counters. The inward fund flows were attributed to the realignment of Foreign Fund Manager's asset allocation to the Region. The All Share Index closed at 6,061.94 on 31<sup>st</sup> March 2017 recording a decline of 0.16% for the year under review.

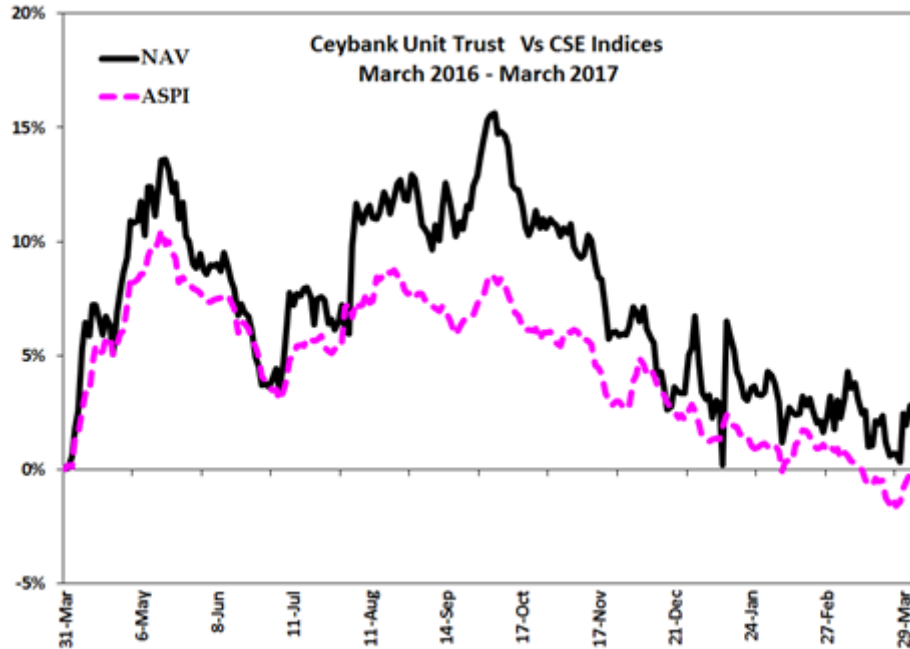


The average daily turnover for the period was Rs733 million.



## Fund Performance

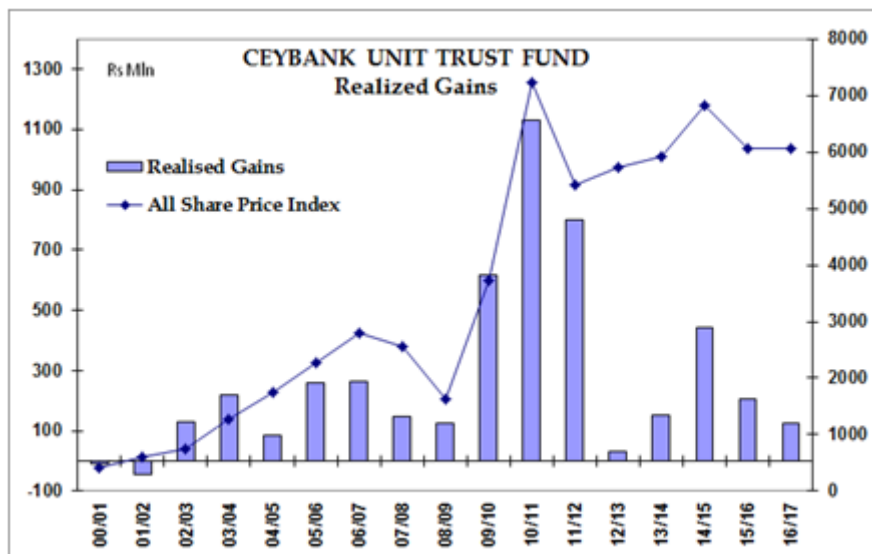
The ASI depreciated by 0.16% during the period while the Net Asset Value per unit of your Fund appreciated by 2.82%, thus outperforming the market. The total net assets stood at Rs. 4,720 million as at 31<sup>st</sup> March 2017.

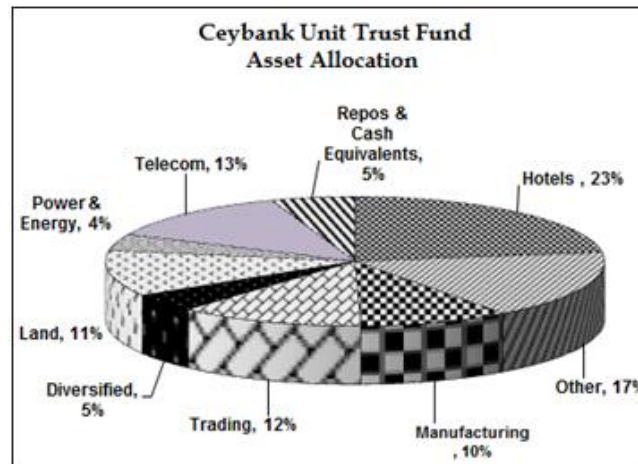


Dividend income of the Fund increased by 45% to Rs 188.06 million from Rs 129.10 million in the previous year. Interest income increased from Rs 19.78 million to Rs 21.31 million during the same period.

The Fund realized Rs 125 million as capital gains from the sale of equity during the period, a decline of 39% in comparison to Rs 207 million the previous year.

The Net Asset Value of the portfolio decreased to Rs 4,720 million as at 31<sup>st</sup> March 2017 from Rs 4,798 million in March 2016.





Your Fund investments are, diversified widely across fundamentally strong stocks, with a medium to long term outlook, in Hotel, Manufacturing, Telecommunication and Trading, sectors as depicted in the chart. These stocks have performed well and are expected to add value to your units in the medium term. Therefore we intend to maintain high equity exposure in the medium term.

## Future Outlook

The economy is expected to grow at around 4.5% in 2017. The Future outlook on growth will depend on Government policy direction and the clarity especially on taxes.

With major Export markets in the USA and Europe facing declining economic growth together with social and political challenges, Sri Lanka exports have cause for concern. While the resumption of the GSP+ facility is a positive factor, the country will need to move fast to capitalize on the opportunities that come with it. The relatively low crude oil prices globally have taken some pressure off some dependent sectors. Local weather conditions will have a significant bearing on the economy as was seen after the recent floods in the south and continuing drought in the north of the country. The weather will be an important determinant that will affect growth in areas of Agriculture and Energy. Performance of the corporate sector has been encouraging, with Tourism and Infrastructure development leading the way. Attracting Foreign Direct Investments continues to be a challenge. Government plans to attract investments through Public Private Partnerships although promising, are still to bear fruit. Portfolio investments which saw large outflows in 2016, has seen a reversal and is expected to increase in both Equity and Debt. We expect interest rates to remain flat and increase towards the end of the year depending on the Government's ability to achieve its revenue targets and inflationary pressure.

Selected sectors and Companies in the Equity market have shown value and we expect them to perform well as economic policy direction is slowly established. We will continue to search for value in specific sectors and counters and make changes to the asset allocation based on the changing market environment, while maintaining high equity allocation in the medium term.

## Management

We would like to thank our valued unit holders for the confidence placed in us. We are confident of providing a consistent return to the unit holders who remain in the Fund in the medium to long term. We also place on record our appreciation for the support and co-operation received from the Securities and Exchange Commission of Sri Lanka, Colombo Stock Exchange, the Trustee National Savings Bank and Custodian Bank of Ceylon.

Our sincere appreciation is also due to the stakeholders, the Chairman and Board of Directors and for their guidance. Our achievements would not have been possible without the skills and commitment of the Management Team. We thank them for their contribution and dedication throughout the year and look forward to their support in the future.

Chitra Sathkumara

**Executive Director/ CEO**

July 2017



## **INDEPENDENT AUDITOR'S REPORT TO THE UNIT HOLDERS OF CEYBANK UNIT TRUST FUND**

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Ceybank Unit Trust Fund ("the Fund"), which comprise the statement of financial position as at 31 March 2017, and the statement of comprehensive income, statement of changes unit holders' funds and, statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

### **Manager's Trustee's Responsibility for the Financial Statements**

Ceybank Asset Management Ltd, the Managers and the Trustees of the Unit Trust are responsible for the preparation of these financial statements that give true and fair view in accordance with Sri Lanka Accounting Standards and for such internal controls as Management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Sri Lanka Auditing Standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial statements that give a true and fair view 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the management of the Trust, as well as evaluating the overall presentation of the financial statements.

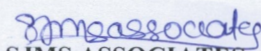
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Opinion**

In our opinion, the financial statements give a true and fair view of the financial position of the Fund as at 31 March 2017, and of its financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

### **Report on Other Legal and Regulatory Requirements**

The Financial Statements are prepared and presented in accordance with and comply with the requirements of the trust deed and unit trust code of the Securities and Exchange Commission of Sri Lanka.

  
**SJMS ASSOCIATES**  
Chartered Accountants  
Colombo  
31<sup>st</sup> July 2017



## Statement of comprehensive income

For the year ended 31 March 2017

(all amounts in Sri Lanka Rupees thousands)

	Note	2016/2017 Rs.	2015/2016 Rs.
<b>Investment income</b>			
Dividend income		188,060	129,103
Interest income from financial assets- Loans and receivables	4	21,313	19,789
Net realized gain on financial assets held at fair value through profit or loss	5	125,904	207,669
Net change in unrealized gain/(loss) on financial assets held at fair value through profit or loss		(86,538)	(820,696)
Other income		-	363
<b>Total investment income/ expenses</b>		<b>248,739</b>	<b>(463,772)</b>
<b>Expenses</b>			
Management fee		(86,401)	(91,764)
Trustee and custodian fee		(17,135)	(18,342)
Audit fee		(299)	(271)
Transaction cost		(9,417)	(8,900)
Write off of long outstanding ESC receivable balance		-	(6,320)
Other expenses		(521)	(299)
<b>Total operating expenses</b>		<b>(113,773)</b>	<b>(125,895)</b>
<b>Net operating profit/(loss) after deductions and before tax</b>		<b>134,966</b>	<b>(589,668)</b>
Income tax expense	6	-	-
<b>Increase/(decrease) in net assets attributable to unit holders</b>		<b>134,966</b>	<b>(589,668)</b>

The accounting policies and notes from 1 to 15 form an integral part of these financial statements.





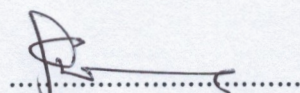
## Statement of financial position

As at 31 March 2017

(all amounts in Sri Lanka Rupees thousands)

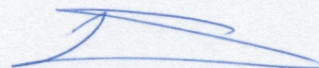
	Note	31.03.2017 Rs.	31.03.2016 Rs.
<b>Assets</b>			
Cash and cash equivalents	7	8,647	25,195
Dividend receivables		19,848	3,739
Financial assets - held at fair value through profit or loss	8	4,503,818	4,509,056
Financial assets -loans and receivables	9	213,276	285,989
Income tax receivable	10	17,282	15,202
<b>Total assets</b>		<b>4,762,871</b>	<b>4,839,181</b>
<b>Unit holders' funds and liabilities</b>			
<b>Liabilities</b>			
Payables	11	37,887	40,419
Amount payable on unit redemption		4,597	166
<b>Total liabilities (excluding net assets attributable to unit holders)</b>		<b>42,484</b>	<b>40,585</b>
<b>Unit holders' funds</b>			
<b>Net assets attributable to unit-holders</b>	12	<b>4,720,387</b>	<b>4,798,596</b>
<b>Total unit holders' funds and liabilities</b>		<b>4,762,871</b>	<b>4,839,181</b>

The financial statements comply with the requirements of the trust deed and were approved by the fund management company and the trustees on 31<sup>st</sup> July 2017.



Director

Ceybank Asset Management Ltd.  
Fund Management Company



Director

Ceybank Asset Management Ltd.  
Fund Management Company

The accounting policies and notes from 1 to 15 form an integral part of these financial statements.





Statement of changes in unit-holders' funds  
For the year ended 31 March 2017  
(all amounts in Sri Lanka Rupees thousands)

	2016/2017 Rs.	2015/2016 Rs.
Unit holders' funds at the beginning of year	4,798,596	5,369,752
Increase in net assets attributable to unit holders	134,966	(589,668)
Received on unit creations	45,799	467,652
Distributions to unit-holders	(197,467)	(383,050)
Payments on unit redemptions	(61,507)	(66,091)
Unit-holders' funds at the end of the year	<u>4,720,387</u>	<u>4,798,596</u>

The accounting policies and notes from 1 to 15 form an integral part of these financial statements.





## Statement of cash flows

For the year ended 31 March 2017

(all amounts in Sri Lanka Rupees thousands)

	Note	2016/2017 Rs.	2015/2016 Rs.
<b><i>Cash flows from operating activities</i></b>			
Miscellaneous receipts		-	9
DividendS received		171,951	143,336
Central depository system fees paid			
Operating expenses paid		(114,328)	(120,361)
Tax paid		(2,080.38)	(1,950)
Investment in equity shares		(475,928)	(496,205)
Proceeds from sale of equity shares		518,556	541,111
Net investments in repurchase agreements		37,692	(20,763)
Net investments in commercial paper		60,120	(59,941)
Net investments in fixed deposits		(25,099)	-
<b><i>Net cash inflows/(outflows) from operating activities</i></b>		<b><u>192,196</u></b>	<b><u>4,781</u></b>
<b><i>Cash flows from financing activities</i></b>			
Proceeds from issue of units		45,799	467,652
Payments on redemptions of units		(57,076)	(65,935)
Distribution paid		(197,467)	(383,042)
<b><i>Net cash inflows/(outflows) from financing activities</i></b>		<b><u>(208,744)</u></b>	<b><u>18,675</u></b>
<b><i>Net increase/(decrease) in cash and cash equivalents</i></b>		<b><u>(16,548)</u></b>	<b><u>23,456</u></b>
Cash and cash equivalents at the beginning of the year		25,195	1,739
Net increase/(decrease) in cash and cash equivalents		<u>(16,548)</u>	<u>23,456</u>
<b><i>Cash and cash equivalents at the end of the year</i></b>	7	<b><u>8,647</u></b>	<b><u>25,195</u></b>

The accounting policies and notes from 1 to 15 form an integral part of these financial statements.



**Notes to the financial statements****For the year ended 31 March 2017****(In the notes all amounts are shown in Sri Lanka Rupees thousands unless otherwise stated)****1. General information**

Ceybank Unit Trust is an income and growth fund, which was launched in March 1992 by Ceybank Asset Management Ltd with the objective of providing capital growth in terms of appreciation of the unit price whilst striving to provide a regular stream of dividends to the investors possibly on an annual basis. The fund would be invested in a mix of equity and fixed income securities with a view to balancing the risk assumed by the unit holders by investing primarily in listed equity. The registered office of the Management company is located at 54/C1, Ward place, Colombo 7.

**2. Preparation of financial statements****2.1 Statement of compliance**

The Financial Statements of the Company, as at 31 March 2017 and for the year then ended, have been prepared and presented in accordance with the Sri Lanka Accounting Standards (SLFRS and LKAS), laid down by the Institute of Chartered Accountants of Sri Lanka and in compliance with the requirements of the the Unit Trust Code of 2011.

These financial statements include the following components:

- Statement Comprehensive Income
- Statement of Financial Position
- Statement of Changes in Equity
- Statement of Cash Flows
- Notes to the Financial Statements comprising Accounting Policies and other explanatory information

**2.2 Basis of preparation**

The financial statements have been prepared on the historical cost basis except for the financial assets at fair value through profit or loss. Historical cost is generally the fair value of the consideration given in exchange of assets. The financial statements are presented in Sri Lankan rupees (LKR).

The statement of financial position is presented on a liquidity basis and assets and liabilities are presented in decreasing order of liquidity and are not distinguished between current and non-current.

**2.3 Significant accounting judgments, estimates and assumptions**

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

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are 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 current and future periods.

Management considers credit, liquidity and market risk and assesses the impact on valuation of investments when determining the fair value. Following are the key sources of estimation uncertainty at the statement of financial position date, that have significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year.

**Notes to the financial statements****For the year ended 31 March 2017****(In the notes all amounts are shown in Sri Lanka Rupees thousands unless otherwise stated)****2.4 Summary of significant accounting policies****2.4.1 Financial instruments – initial recognition and subsequent measurements****2.4.1.1 Date of recognition**

All financial assets are initially recognized on the trade date, i.e. the date that 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.

**2.4.1.2 Initial measurement of financial instruments**

The classification of financial instruments at initial recognition depends on their purpose and characteristics and the management intention in acquiring them. All financial assets are measured initially at the fair value plus transaction costs, except in the cases of financial assets recorded at fair value through profit or loss.

**2.4.1.3 Financial assets - Loans and receivables**

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted on an active market. Loans and receivables in the statement of financial position comprise of repurchase agreements, commercial papers and placements with other banks.

After initial measurement, loans and receivables are subsequently measured at amortized cost using the effective interest rate, less allowance for impairment. The amortization is included in the “interest income” in the statement of comprehensive income. The losses arising from impairment is recognized in the statement of comprehensive income in “credit loss expense”.

Interest income is recognized by applying the effective interest rate, except for short term receivables when the recognition of interest would be immaterial.

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

Financial assets are classified as fair value through profit or loss (FVTPL) if they are held for trading or are designated at fair value through profit or loss. Financial assets are classified as held-for-trading if they are acquired for the purpose of selling or repurchasing in the near term. Up on the initial recognition, transaction cost are directly attributable to the acquisition are recognized in profit or loss as incurred.

***Financial assets held for trading***

Financial assets, held for trading are recorded in the statement of financial position at fair value. Changes in fair value are recognized in the ‘net change in financial assets held for trading’ in the statement of comprehensive income. Interest income or expense and dividend income are recorded in “investment income” according to the terms of the contract. Included in this classification are quoted equity securities and quoted debentures.

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

Financial assets at fair value through profit or loss are subsequently measured at fair value. Changes in fair value are recognised in the ‘Unrealised gain / (loss) on financial assets held for trading’ in the statement of profit or loss and other comprehensive income. Dividend income is recorded in “investment income” according to the terms of the contract.

**Notes to the financial statements****For the year ended 31 March 2017****(In the notes all amounts are shown in Sri Lanka Rupees thousands unless otherwise stated)****2.4.1.5 Determination of fair value**

The fair value for financial instruments traded in active markets at the reporting date is based on their quoted market price or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs.

For all other financial instruments not traded in an active market, the fair value is determined by using appropriate valuation techniques. Valuation techniques include the discounted cash flow method, comparison with similar instruments for which market observable prices exist, options pricing models, credit models and other relevant valuation models.

An analysis of fair values of financial instruments and further details as to how they are measured are provided in Note 6.

**2.4.1.6 Derecognition of financial assets**

A financial asset is derecognized when,

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

**2.4.2 Impairment**

For financial assets carried at amortised cost, the Fund first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred).

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the statement of profit or loss and other comprehensive income.

**2.4.3 Cash and cash equivalents**

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

**2.4.4 Payables and provisions**

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

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



**Notes to the financial statements****For the year ended 31 March 2017****(In the notes all amounts are shown in Sri Lanka Rupees thousands unless otherwise stated)****2.4.5 Revenue recognition**

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the fund and the revenue can be reliably measured.

Dividend income

Income is recognized when the right to receive the dividend is established, normally being the ex-dividend date. Dividend income is recognized net of withholding tax, if any

Interest income

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

Interest income from repurchase agreements and government treasury bills are recognized at gross of notional tax credit or withholding tax.

Unrealised gains / (losses) on financial assets held at fair value through profit or loss

Unrealised gains / (losses) on financial assets held at fair value through profit or loss includes all gains and losses arise from changes in fair value of financial assets held at fair value through profit or loss" as at the reporting date.

Realised gains / (losses) on financial assets held at fair value through profit or loss

Realised gains / (losses) on financial assets held at fair value through profit or loss includes results of buying and selling of quoted equity securities.

**2.4.6 Expenses**

The management participation fee of the fund is as follows:

Management fee - 1.65% p.a. of Net Asset Value of the Fund

Trustee fee - 0.25% p.a. of Net Asset Value of the Fund

Custodian fee - 0.085% p.a. of Net Asset Value of the Fund

**2.4.7 Accrued expenses**

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

**2.4.8 Income tax**

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

**2.4.9 Distributions**

In accordance with the trust deed, the Fund distributes income, to Unit Holders by cash or reinvestment in units. The distributions are recorded in the statement of movement in Unit Holders' Funds.

## Notes to the financial statements

For the year ended 31 March 2017

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

## NOTES TO THE FINANCIAL STATEMENTS

**2.4.10 Unit holders' funds and net assets attributable to unit holders**

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

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

Dividend to unit holders is declared according to Explanatory Memorandum. Distribution to unit holders is recognized in the Statement of changes in unit-holders' funds. Income not distributed is included in net assets attributable to unit holders.

**2.5 New Accounting Standards that are effective and Issued But Not Yet Effective are stated below;**

A number of new standards and amendments to standards, which have been issued but not yet effective as at the Reporting date, have not been applied in preparing these Financial Statements. Accordingly, the following Accounting Standards have not been applied in preparing these Financial Statements and the Company plans to apply these standards on the respective effective dates:

Accounting Standard	Summary of the Requirements
SLFRS 9 – 'Financial Instruments'	<p>SLFRS 9, issued in 2014, replaces the existing guidance in LKAS 39 – Financial Instruments: Recognition and Measurement. SLFRS 9 contains three principal classification categories for financial assets – i.e. measured at amortised cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL). The existing LKAS 39 categories of Held-to-maturity, Loans and receivables and Available-for-sale are removed.</p> <p>SLFRS 9 replaces the 'incurred loss' model in LKAS 39 with an 'expected credit loss' model. The new model applies to financial assets that are not measured at FVTPL.</p> <p>Effective date of SLFRS 9 has been deferred till January 01, 2018.</p>
SLFRS 15 – 'Revenue from Contracts with Customers'	<p>SLFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. New qualitative and quantitative disclosure requirements aim to enable Financial Statements users to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers.</p> <p>It replaces existing revenue recognition guidance, including LKAS 18 on 'Revenue' and LKAS 11 on 'Construction Contracts' and IFRIC 13 on 'Customer Loyalty Programmes'.</p> <p>SLFRS 15 is effective for annual reporting periods beginning on or after January 01, 2018, with early adoption permitted.</p>
SLFRS 16 – 'Leases'	<p>SLFRS 16 eliminates the current dual accounting model for lessees which distinguishes between On-Balance Sheet finance leases and Off-Balance Sheet operating leases. Instead there will be a single On-Balance Sheet accounting model that is similar to current finance lease accounting.</p> <p>SLFRS 16 is effective for annual Reporting periods beginning on or after January 01, 2019.</p>

Financial impact of the above new accounting standards have not been assessed.



**Notes to the financial statements****For the year ended 31 March 2017****(In the notes all amounts are shown in Sri Lanka Rupees thousands unless otherwise stated)****NOTES TO THE FINANCIAL STATEMENTS****2.6.1 Improvements and other amendments to SLFRS/ LKAS**

A number of standard have been modified on miscellaneous points. These include Disclosure Initiative (Amendments to LKAS 7), Recognition of Deferred Tax Assets for realized Losses (Amendments to LKAS 12) and Classifications and Measurements of Share Based Payment Transactions (Amendments to SLFRS 2)

Financial impact of the above new accounting standards and improvements has not yet been assessed.

**2.6.2 Changes in accounting standard which are effective from current year**

A number of standard have been modified on miscellaneous points with effect from January 2016. Such changes include Disclosure Initiative (Amendments to LKAS 1), Accounting for Acquisition of Interest in Joint Operations (Amendments SLFRS 11), Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to SLFRS 10 and LKAS 28), Investment Entities: Applying the Consolidation Exception (Amendments to SLFRS 10, SLFRS 12 and LKAS 28) and Annual Improvements 2012 - 2014 (which made amendments to SLFRS 5 Non-current Assets Held for Sale and Discontinued Operations, SLFRS 7 Financial Instruments: Disclosure, LKAS 19 Employee Benefits and LKAS 34 Interim Financial Reporting).

None of these amendments had a material effect on the Company's Financial Statements unless otherwise stated in the respective notes.

**Notes to the financial statements****For the year ended 31 March 2017****(In the notes all amounts are shown in Sri Lanka Rupees thousands unless otherwise stated)****3. Financial instruments and risk management****3.1 Financial instruments**

The Fund's principal financial assets comprise investments in repurchase agreements, commercial papers, trading securities, fixed deposits and cash at bank. The main purpose of these financial instruments is to generate a return on the investment made by Unit Holders. The Fund's principal financial liabilities comprise amounts attributable to Unit Holders, which are the amounts owed to Unit Holders of the Fund. The Fund also has other financial instruments such as receivables and payables which arise directly from its operations.

In accordance with LKAS 39 Financial Instruments: Recognition and Measurement, the investments in repurchase agreements and commercial papers are classified as 'loans and receivables' and are valued at amortised cost. The investments in trading securities are classified as "held for trading" and valued at fair value. Amounts attributable to Unit Holders are classified as 'other financial liabilities' and are carried at the redemption amount being net asset value. Payables are designated as 'other financial liabilities' at amortised cost.

**3.2 Financial risk management objectives, policies and processes**

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

Financial instruments of the Fund comprise investments in repurchase agreements, commercial papers, fixed deposits and trading securities 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 other receivables and other payables, which arise directly from its operations.

The manager is responsible for identifying and controlling the risk that arise from these financial instruments. The Manager agrees 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.

The 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 Manager on a regular basis as deemed appropriate, including the Fund manager, other key management, Risk and Investment Committees, and ultimately the Trustees of the Fund.

Concentration of risk arises when a number of financial instruments or contracts are entered in to with the same counterparty, or where a number of counterparties are engaged in similar business activities, 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.

**Notes to the financial statements****For the year ended 31 March 2017****(In the notes all amounts are shown in Sri Lanka Rupees thousands unless otherwise stated)****3.2.1 Market risk**

Market risk represents the risk that the value of the Fund's investments portfolios will fluctuate as a result of changes in market prices.

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

The Fund uses a range of different Fund managers for investment assets. Where a Unit Holder is invested in more than one investment portfolio, this reduces the impact of a particular manager underperforming. Within the underlying investment portfolio, diversification is achieved at a number of levels. The diversified portfolios are invested across a range of investment sectors. Within each sector of the diversified portfolios, the Fund managers invest in a variety of securities.

**3.2.2 Price risk**

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

The table below shows the impact on the statement of comprehensive income and statement of financial position due to a reasonably possible change in the price of the fund's investment in trading securities in note 8, with all other variables held constant:

	31-Mar-17		31-Mar-16	
	Increases/ (decreases) on profit before tax	Increases/ (decreases) on amounts attributable to Unit holders	Increases/ (decreases) on profit before tax	Increases/ (decreases) on amounts attributable to Unit holders
	Rs.	Rs.	Rs.	Rs.
Change in price of the Fund's investment in trading securities				
+ 10%	450,382	450,382	450,906	450,906
- 10%	(450,382)	(450,382)	(450,906)	(450,906)

**3.2.3 Interest rate risk**

Interest rate risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market interest rates.

The Fund's interest bearing financial assets expose it to risks associated with the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. The risk is measured using sensitivity analysis. However, due to the short term nature of the instruments of repurchase agreements and trust certificates it is reasonably expected that the fluctuation in interest rate will not materially impact the net assets value of the Fund. The table below summarises the Fund's exposure to interest rate risks.

## Notes to the financial statements

For the year ended 31 March 2017

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

	Floating interest rate	Fixed interest rate	Non- interest bearing	Total
<b>As at 31.03.2017</b>				
<b>Financial assets</b>				
Cash and cash equivalent	-	-	8,647	8,647
Loans and receivables	-	213,276	-	213,276
Financial assets - held at fair value through profit or loss	-	-	4,503,818	4,503,818
Other receivables	-	-	37,130	37,130
<b>Total exposure</b>	<b>-</b>	<b>213,276</b>	<b>4,549,595</b>	<b>4,762,871</b>
<b>As at 31.03.2016</b>				
<b>Financial assets</b>				
Cash and cash equivalent	-	-	25,195	25,195
Loans and receivables	-	285,989	-	285,989
Financial assets - held at fair value through profit or loss	-	-	4,509,056	4,509,056
Other receivables	-	-	18,941	18,941
<b>Total exposure</b>	<b>-</b>	<b>285,989</b>	<b>4,553,192</b>	<b>4,839,181</b>

**3.2.4 Credit risk**

Credit risk is the risk that the counterparty to the financial statement will fail to discharge an obligation and cause the Fund to incur a financial loss.

The Fund's exposure to credit risk from its financial assets arises from default of the counterparty, with the current exposure equal to the fair value of these instruments as detailed below. It is the Fund's policy to enter into financial instruments with reputable counterparties. The details are as follows:

## Notes to the financial statements

For the year ended 31 March 2017

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

(i) *Debt securities*

The fund invests in debt securities which have an investment grade categorization as rated by Fitch. An analysis of debt by rating is set out in the table below.

	31.03.2017	31.03.2016
<b>Repurchase agreements</b>		
<b>Rating</b>		
Risk free	188,177	225,869
<b>Commercial papers</b>		
<b>Rating</b>		
A - (ICRA)	-	19,986
BBB - (ICRA)	-	40,134
<b>Fixed Deposits</b>		
BBB - (ICRA)	25,099	-
<b>Total</b>	<b>213,276</b>	<b>285,989</b>

(ii) *Cash and cash equivalents*

The exposure to credit risk for cash and cash equivalents is low as all counter-parties have a rating of AA+ as determined by the Fitch Rating agency.

In accordance with the fund's policy, the investment manager monitors the fund's credit position on a daily basis.

**3.2.5 Liquidity risk**

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

The fund is exposed to daily cash redemptions of redeemable units. It therefore, primarily holds investments that are traded in an active market and can be readily disposed. Only a limited proportion of its assets are held in investments not actively traded on a stock exchange.

Units are redeemed on demand at the unit holder's option. However, the Board of Directors do not envisage that the contractual maturity disclosed in the table below will be representative of the actual cash outflows, as holders of these instruments typically retain them for the medium to long term.

The table below analyses the fund's non-derivative financial liabilities 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.

	Less than 1 month	1-6 months	6-12 months	Total
<b>As at 31.03.2017</b>				
Payables	26,320	299	11,268	37,887
Amount payable on unit redemption	4,597	-	-	4,597
<b>Contractual cash flows</b>	<b>30,917</b>	<b>299</b>	<b>11,268</b>	<b>42,484</b>
<b>As at 31.03.2016</b>				
Payables	29,152	271	10,997	40,420
Amount payable on unit redemption	166	-	-	166
<b>Contractual cash flows</b>	<b>29,318</b>	<b>271</b>	<b>10,997</b>	<b>40,586</b>

**Notes to the financial statements****For the year ended 31 March 2017****(In the notes all amounts are shown in Sri Lanka Rupees thousands unless otherwise stated)****3.2.6 Capital risk management**

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

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

Following being the disclosures of Unit Holders' Funds;

The movement in the Unit Holder's Funds as at 31 March 2017

**i In terms of Value**

Unit Holders' Funds as at 01 April 2016	4,798,596
Increase in net assets attributable to unit holders	134,966
Received on unit creations	45,799
Distributions to unit-holders	(197,467)
Payments on unit redemptions	(61,507)
<b>Unit-holders funds at the end of the year</b>	<b>4,720,387</b>

**In terms of No of units**

<b>ii</b> Opening no of units as at 01 April 2016	198,849,163
Closing no of units as at 31 March 2017	198,283,897

**3.3 Fair value estimation**

The carrying amounts of the fund's assets and liabilities at the end of each reporting period approximate their fair values.

Financial assets and liabilities held at fair value through profit or loss are measured initially at fair value including any transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability. Transaction costs on financial assets and financial liabilities at fair value through profit or loss are added to the value of the asset or liability. Subsequent to initial recognition, all instruments held at fair value through profit or loss are measured at fair value with changes in their fair value recognized in profit or loss.

*(i) Fair value in an active market*

The fair value of financial assets and liabilities traded in active markets is based on their quoted market prices at the end of the reporting period without any deduction for estimated future selling costs.

The fund values its investments in accordance with the accounting policies set out in note 2.4.1 For the majority of its investments, the fund relies on information provided by independent pricing services for the valuation of its investments.

A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

**Notes to the financial statements****For the year ended 31 March 2017****(In the notes all amounts are shown in Sri Lanka Rupees thousands unless otherwise stated)***(ii) Fair value in an inactive or unquoted market*

The fair value of financial assets and liabilities that are not traded in an active market is determined using valuation techniques. These include the use of recent arm's length market transactions, reference to the current fair value of a substantially similar other instrument, discounted cash flow techniques, option pricing models or any other valuation technique that provides a reliable estimate of prices obtained in actual market transactions.

Where discounted cash flow techniques are used, estimated future cash flows are based on management's best estimates and the discount rate used is a market rate at the end of the reporting period applicable for an instrument with similar terms and conditions.

Some of the inputs to these models may not be market observable and are therefore estimated based on assumptions.

The output of a model is always an estimate or approximation of a value that cannot be determined with certainty, and valuation techniques employed may not fully reflect all factors relevant to the positions the fund holds. Valuations are therefore adjusted, where appropriate, to allow for additional factors including liquidity risk and counterparty risk.

The carrying value less impairment provision of other receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the fund for similar financial instruments.

**3.4 Fair value hierarchy***(i) Classification of financial assets and financial liabilities*

The fund classifies fair value measurements using a fair value hierarchy that reflects the subjectivity of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1)
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The level in the fair value hierarchy within which the fair value measurement is categorized in its entirety is determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety. For this purpose, the significance of an input is assessed against the fair value measurement in its entirety. If a fair value measurement uses observable inputs that require significant adjustment based on unobservable inputs, that measurement is a level 3 measurement. Assessing the significance of a particular input to the fair value measurement in its entirety requires judgment, considering factors specific to the asset or liability.

**Notes to the financial statements****For the year ended 31 March 2017****(In the notes all amounts are shown in Sri Lanka Rupees thousands unless otherwise stated)***(i) Classification of financial assets and financial liabilities -(contd)*

The determination of what constitutes 'observable' requires significant judgement by the responsible entity. The responsible entity considers observable data to be that market data that is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market.

The tables below set out the trust's financial assets and liabilities (by class) measured at fair value according to the fair value hierarchy at 31 March 2017.

<b>As at 31 March 2017</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<b><i>Financial assets held for trading:</i></b>				
- Equity shares	4,503,818	-	-	4,503,818
<b>Total</b>	<b>4,503,818</b>	<b>-</b>	<b>-</b>	<b>4,503,818</b>
<b>As at 31 March 2016</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<b><i>Financial assets held for trading:</i></b>				
- Equity shares	4,509,056	-	-	4,509,056
<b>Total</b>	<b>4,509,056</b>	<b>-</b>	<b>-</b>	<b>4,509,056</b>

Investments whose values are based on quoted market prices in active markets, and therefore classified within level 1, include active listed equities, certain unlisted unit trusts, exchange traded derivatives.

Financial instruments that trade in markets that are not considered to be active but are valued based on quoted market prices, dealer quotations or alternative pricing sources supported by observable inputs are classified within level 2. These include; investment-grade corporate bonds, certain non-US sovereign obligations, certain listed equities, certain unlisted unit trusts, and over-the-counter derivatives. As level 2 investments include positions that are not traded in active markets and/or are subject to transfer restrictions, valuations may be adjusted to reflect illiquidity and/or non-transferability, which are generally based on available market information.

Investments classified within level 3 have significant unobservable inputs, as they are infrequently traded. Level 3 instruments include corporate debt securities and certain unlisted unit trusts. As observable prices are not available for these securities, the responsible entity has used valuation techniques to derive fair value.



## Notes to the financial statements

For the year ended 31 March 2017

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

## 4. Interest income from financial assets - loans &amp; receivables

	2017	2016
Interest on repurchase agreements	14,405	18,803
Interest Income on Bank (Call) Deposits	99	375
Interest on commercial papers	6,809	610
	<b>21,313</b>	<b>19,789</b>

## 5. Net realized gain on financial assets held at fair value through profit or loss

Proceeds on sale of investments	518,556	544,114
Average cost of investments sold	(392,652)	(336,445)
	<b>125,904</b>	<b>207,669</b>

## 6. Income tax expense

The trust does not have an income tax liability for the year due to taxable losses incurred.

Reconciliation between tax expense and the accounting profit is as follows.

Accounting profit before tax	134,966	(589,668)
Profits on dividend	(161,234)	(108,541)
Gain/(loss) related to the fair value through profit or loss financial assets		
Net change in unrealised (gain)/loss	86,538	820,696
Net realised gain	(125,904)	(207,669)
Transaction cost	9,417	8,900
Write off of long outstanding ESC receivable		6,320
Loss from business	(56,217)	(69,961)
Income tax expense	-	-

## 7. Cash and cash equivalents

	31.03.2017	31.03.2016
Cash at bank - Bank of Ceylon	8,647	25,195
	<b>8,647</b>	<b>25,195</b>

## Notes to the financial statements

For the year ended 31 March 2017

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

## 8. Financial assets held at fair value through profit or loss

	31.03.2017	31.03.2016
<b>Held for trading</b>		
Investment in equity shares (note 8 (a))	4,503,818	4,509,056
	<b>4,503,818</b>	<b>4,509,056</b>

## a) Investment in equity shares

31 March 2017 Company	Number of shares	Market value	Percentage of total net assets
<b>Banks Finance &amp; Insurance</b>			
Commercial Bank of Ceylon PLC	106,599	13,900	0.29%
Merchant Bank of Sri Lanka & Finance PLC	10,796,141	116,598	2.47%
Nations Trust Bank PLC	4,000	296	0.01%
Pan Asia Banking Corporation PLC	1,466,940	22,591	0.48%
Peoples Leasing Company PLC	3,000	47	0.00%
Sampath Bank PLC	15,020	3,890	0.08%
Seylan Bank PLC	22,000	1,203	0.03%
The Finance Co PLC	5,706,601	26,821	0.57%
The Finance Co PLC - Non Voting	1,494,345	3,288	0.07%
Union Bank of Colombo PLC	1,622,560	23,040	0.49%
		<b>211,675</b>	<b>4.48%</b>
<b>Beverages Food &amp; Tobacco</b>			
Lucky Lanka Milk Processing Company	1,800,000	1,980	0.04%
		<b>1,980</b>	<b>0.04%</b>
<b>Diversified Holdings</b>			
Adam Investments PLC	3,859,024	2,315	0.05%
Expolanka Holdings PLC	166,643	1,000	0.02%
John Keells Holdings PLC	25,501	3,517	0.07%
Softlogic Holdings PLC	2,708,229	32,228	0.68%
Vallibel One PLC	10,211,380	178,699	3.79%
		<b>217,759</b>	<b>4.61%</b>

## Notes to the financial statements

For the year ended 31 March 2017

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

## a) Investment in equity shares (Continued)

As at 31.03.2017	Number of shares	Market value	Percentage of total net assets
<b>Health Care</b>			
The Lanka Hospitals Corporation PLC	2,823,787	173,663	3.68%
		<b>173,663</b>	<b>3.68%</b>
<b>Hotels &amp; Travels</b>			
Asian Hotels & Properties PLC	9,917,073	550,398	11.66%
Aitken Spence Hotel Holdings PLC	190,848	6,718	0.14%
Amaya Leisure PLC	7,689	491	0.01%
The Kingsbury PLC	8,045,877	124,711	2.64%
Trans Asia Hotels PLC	5,371,248	403,381	8.55%
		<b>1,085,699</b>	<b>23.00%</b>
<b>Information Technology</b>			
PC House PLC	3,355,382	336	0.01%
		<b>336</b>	<b>0.01%</b>
<b>Land &amp; Property</b>			
Colombo Land & Development Company PI	16,670,176	411,753	8.72%
CT land Development PLC	1,000	44	0.00%
Equity Two PLC	2,236,814	133,538	2.83%
		<b>545,335</b>	<b>11.55%</b>
<b>Manufacturing</b>			
Lanka Walltile PLC	84,689	7,876	0.17%
Royal Ceramics Lanka PLC	93,819	11,164	0.24%
Textured Jersey Lanka PLC	35,600	1,317	0.03%
Tokyo Cement Co PLC	2,588	158	0.00%
Tokyo Cement Co Non Voting	12,000	636	0.01%
Kelani Tyres PLC	8,037,911	442,085	9.37%
		<b>463,236</b>	<b>9.81%</b>
<b>Plantations</b>			
Kahawatte Plantations PLC	6,760,113	252,152	5.34%
Kelani Valley Plantations PLC	2,139,927	175,474	3.72%
		<b>427,626</b>	<b>9.06%</b>
<b>Power and Energy</b>			
Laugfs Gas PLC	122,600	3,445	0.07%
Laugfs gas PLC (Non voting)	12,175	302	0.01%
Lanka IOC Limited PLC	6,650,354	192,860	4.09%
		<b>196,607</b>	<b>4.17%</b>

## Notes to the financial statements

For the year ended 31 March 2017

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

## a) Investment in equity shares (Continued)

As at 31.03.2017 Company	Number of shares	Market value	Percentage of total net assets
<b>Telecommunications</b>			
Dialog Axiata PLC	596,469	6,740	0.14%
Sri Lanka Telecom PLC	18,089,587	602,383	12.76%
		<b>609,123</b>	<b>12.90%</b>
<b>Trading</b>			
Singer (Sri Lanka) PLC	4,079,908	570,779	12.09%
		<b>570,779</b>	<b>12.09%</b>
<b>Total</b>		<b>4,503,818</b>	<b>95.41%</b>

As at 31.03.2016	Number of shares	Market value	Percentage of total net assets
<b>Banks Finance &amp; Insurance</b>			
Commercial Bank of Ceylon PLC	111,666	14,014	0.29%
Merchant Bank of Sri Lanka & Finance PLC	10,757,541	109,727	2.29%
Nations Trust Bank PLC	4,000	297	0.01%
Pan Asia Banking Corporation PLC	863,629	19,863	0.41%
Peoples Leasing Company PLC	3,000	48	0.00%
Sampath Bank PLC	13,902	3,142	0.07%
Seylan Bank PLC	22,000	1,386	0.03%
The Finance Co PLC	5,706,601	45,653	0.95%
The Finance Co PLC - Non Voting	1,494,345	4,483	0.09%
Union Bank of Colombo PLC	1,498,747	24,879	0.52%
		<b>223,492</b>	<b>4.66%</b>
<b>Beverages Food &amp; Tobacco</b>			
Lucky Lanka Milk Processing Company PLC	1,800,000	2,340	0.05%
		<b>2,340</b>	<b>0.05%</b>
<b>Diversified Holdings</b>			
Adam Investments PLC	1,929,512	4,438	0.09%
Expolanka Holdings PLC	113,943	798	0.02%
John Keells Holdings PLC	15,626	2,313	0.05%
John Keells Holdings - Warrant 2	15,110	141	0.00%
Softlogic Holdings PLC	4,322,784	57,493	1.20%
Vallibel One PLC	8,850,404	157,537	3.28%
		<b>222,719</b>	<b>4.64%</b>

## Notes to the financial statements

For the year ended 31 March 2017

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

## a) Investment in equity shares (Continued)

	Number of shares	Market value	Percentage of total net assets
<b>Health Care</b>			
The Lanka Hospitals Corporation PLC	1,952,388	99,572	2.08%
Nawaloka Hospitals PLC	4,241,898	14,847	0.31%
		<b>114,418</b>	<b>2.38%</b>
<b>Hotels &amp; Travels</b>			
Asian Hotels & Properties PLC	9,688,818	463,126	9.65%
Aitken Spence Hotel Holdings PLC	190,848	10,115	0.21%
Amaya Leisure PLC	7,476	452	0.01%
The Kingsbury PLC	4,874,855	73,123	1.52%
Trans Asia Hotels PLC	5,321,007	425,148	8.86%
		<b>971,964</b>	<b>20.26%</b>
<b>Information Technology</b>			
PC House PLC	3,355,382	336	0.01%
		<b>336</b>	<b>0.01%</b>
<b>Land &amp; Property</b>			
Colombo Land & Development Company Pl	12,489,929	267,284	5.57%
CT land Development PLC	947,904	43,035	0.90%
Equity Two PLC	2,213,530	143,879	3.00%
		<b>454,199</b>	<b>9.47%</b>
<b>Manufacturing</b>			
Lanka Walltile PLC	84,689	8,367	0.17%
Royal Ceramics Lanka PLC	1,638,908	164,055	3.42%
Textured Jersey Lanka PLC	40,000	1,268	0.03%
Tokyo Cement Co PLC	2,588	96	0.00%
Tokyo Cement Co Non Voting	12,000	388	0.01%
Kelani Tyres PLC	8,037,911	514,426	10.72%
		<b>688,600</b>	<b>14.35%</b>
<b>Plantations</b>			
Kahawatte Plantations PLC	6,726,662	253,595	5.28%
Kelani Valley Plantations PLC	2,109,777	137,136	2.86%
		<b>390,731</b>	<b>8.14%</b>
<b>Power and Energy</b>			
Laugfs Gas PLC	122,600	4,475	0.09%
Laugfs gas PLC (Non voting)	12,175	431	0.01%
Lanka IOC Limited PLC	5,850,862	190,153	3.96%
		<b>195,059</b>	<b>4.06%</b>

## Notes to the financial statements

For the year ended 31 March 2017

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

## a) Investment in equity shares (Continued)

As at 31.03.2016 Company	Number of shares	Market value	Percentage of total net assets
<b>Tele communications</b>			
Dialog Axiata PLC	542,022	5,529	0.12%
Sri Lanka Telecom PLC	17,520,963	679,813	14.17%
		<b>685,342</b>	<b>14.28%</b>
<b>Trading</b>			
Singer (Sri Lanka) PLC	4,756,646	559,857	11.67%
		<b>559,857</b>	<b>11.67%</b>
<b>Total</b>		<b>4,509,056</b>	<b>93.97%</b>

An overview of the risk exposures and fair value measurements relating to financial assets at fair value through profit or loss is included in note 3.

## 9. Loans and receivables

	31.03.2017	31.03.2016
Repurchase agreements (note 09 (a))	188,177	225,869
Commercial papers (note 09 (b))	-	60,120
Fixed deposits (note 09 (c))	25,099	-
	<b>213,276</b>	<b>285,989</b>

## a) Investment in repurchase agreements

31.03.2017	Yield	Investment date	Maturity date	Cost	Carrying Value
Union Bank of Colombo	9.20%	27-Mar-17	3-Apr-17	76,101	76,197
Bank of Ceylon	4.85%	31-Mar-17	3-Apr-17	10,800	10,801
First Capital Treasuries	9.20%	28-Mar-17	4-Apr-17	35,779	35,815
First Capital Treasuries	9.20%	30-Mar-17	6-Apr-17	65,331	65,364
				<b>188,011</b>	<b>188,177</b>
31.03.2016	Yield	Investment date	Maturity date	Cost	Carrying Value
Entrust Securities Ltd	7.15%	28-Mar-16	1-Apr-16	49,000	49,038
Commercial Bank	8.00%	29-Mar-16	5-Apr-16	82,752	82,806
Commercial Bank	7.90%	30-Mar-16	1-Apr-16	93,983	94,024
				<b>225,735</b>	<b>225,869</b>

## Notes to the financial statements

For the year ended 31 March 2017

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

## b) Investment in commercial papers

31.03.2016	Yield	Investment date	Maturity date	Cost	Carrying Value
First Capital Holdings - PLC	12.00%	31-Mar-16	2-May-16	19,979	19,986
Janashakthi Limited	11.25%	18-Mar-16	18-Apr-16	39,962	40,134
				<b>59,941</b>	<b>60,120</b>

## c) Investment in Fixed Deposits

As at 31.03.2017	Yield	Investment date	Maturity date	Cost	Carrying value
Valibel Finance PLC	13.11%	21/03/2017	21/04/2017	25,000	25,099

10.	Income tax recoverable	31.03.2017	31.03.2016
	Withholding tax recoverable	3,346	2,707
	Notional tax receivable	13,936	12,495
		<b>17,282</b>	<b>15,202</b>

11.	Payables	31.03.2017	31.03.2016
	Management fee, trust fee and custodian fee	23,901	24,756
	Other payables	11,260	10,989
	Accrued expenses	299	271
	Unclaimed dividends	8	8
	Payable on equity share purchases	2,419	4,396
		<b>37,887</b>	<b>40,419</b>

## 12. Net assets attributable to unit holders

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

	31.03.2017		31.03.2016	
	Units	LKR	Units	LKR
Opening capital balance	198,849,163	4,798,596	185,131,146	5,369,752
Applications	1,889,390	45,799	16,034,541	467,652
Redemptions	(2,454,656)	(61,507)	(2,316,523)	(66,091)
Distributions to unit-holders	-	(197,467)	-	(383,050)
Increase in net assets attributable to unit holders	-	134,966	-	(589,668)
<b>Closing balance</b>	<b>198,283,897</b>	<b>4,720,387</b>	<b>198,849,163</b>	<b>4,798,596</b>
			<b>31.03.2017</b>	<b>31.03.2016</b>
Net assets attributable to unit holders			4,720,387	4,798,596
			<b>4,720,387</b>	<b>4,798,596</b>

## Notes to the financial statements

For the year ended 31 March 2017

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

**Distributions to unit-holders**

Distributions during the year,

	<b>2016/17</b>		<b>2015/16</b>	
	<b>No of Units</b>	<b>Rs '000</b>	<b>No of units</b>	<b>Rs '000</b>
Distributions	197,467,296	197,467	191,524,769	383,050

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

**13. Related party transactions****a) Management entity**

The management entity of Ceybank Unit Trust is Ceybank Asset Management Limited.

**b) Key management personnel****i) Directors**

Key management personnel includes persons who are directors of Ceybank Asset Management Limited at any time during the financial year.

- Mr. P. S. C. Pelpola (Chairman)
- Mr. M. Selvanathan (Deputy Chairman)
- Mr. C. Sathkumara (CEO/ Executive Director)
- Mr. D. M. Gunasekara
- Mr. M. S. P. R. Perera
- Mr. B. Babu Rao
- Mr. P. A. Liyanamana
- Mr. A. P. Weeratunge (Alternate Director to Mr. M. Selvanathan)
- Mr. G. A. Jayashantha (Alternate to Mr. D. M. Gunasekera)
- Mr. U. D. Liyanagamage (Alternate Director to Mr. P. A. Liyanamana)
- Mr. M. D. C Nilantha - (Alternate Director to Mr. D. M. Gunasekara )
- Mr. S.M. S. C. Jayasuriya resigned with effect from 31.03.2017
- Mr. W. P. R. P. H. Fonseka appointed with effect from 31/03/2017

**ii) Other key management personnel**

There were no other persons with responsibility for planning, directing and controlling the activities of the fund, directly or indirectly during the financial year.

**c) Key management personnel unit holdings**

The key management personnel of Ceybank Asset Management Ltd held units in the fund as follows.

**31 March 2017**

	<b>No of units held opening</b>	<b>No of units held closing</b>	<b>Fair value of investment Rs.'000</b>	<b>Distribution paid by the fund Rs.'000</b>
Mr.Chitra Sathkumara	6,598.8	7686.4	182	7



**Notes to the financial statements****For the year ended 31 March 2017****(In the notes all amounts are shown in Sri Lanka Rupees thousands unless otherwise stated)****d) Key management personnel compensation**

Key management personnel are paid by Ceybank Asset Management Limited. Payments made from the fund to Ceybank Asset Management Limited do not include any amounts directly attributable to the compensation of key management personnel.

**e) Other transactions within the Trust**

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

**f) Related party unit holding**

The management company of Ceybank Unit Trust held units in the fund as follows:

**31 March 2017**

	No of units held opening	No of units held closing	Fair value of investment Rs.'000	Distribution paid by the fund Rs.'000
Ceybank Asset Management Ltd	5,517,938.7	5,749,590.2	135,805	5,518

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

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

	Charge for the year		Balance outstanding	
	2017	2016	31.03.2017	31.03.2016
Management fees	(86,401)	(91,764)	23,901	24,756
Trustee fees	(17,135)	(18,342)	Nil	Nil
	<b>(103,536)</b>	<b>(110,105)</b>	<b>23,901</b>	<b>24,756</b>

**14. Contingent assets and liabilities and commitments**

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

**15. Events occurring after the reporting period**

No significant events have occurred since the end of the reporting period which would impact on the financial position of the trust disclosed in the statement of financial position as at 31<sup>st</sup> March 2017 or on the results and statement of cash flows of the trust for the year ended on that date.



CEYBANK ASSET MANAGEMENT LTD

MANAGEMENT TEAM

**CHAIRMAN**

Palitha Pelpola

**CEO / EXECUTIVE DIRECTOR**

*Chitra Sathkumara*

B.Sc, MBA (Finance)

**General Manager**

W. D. F. Wimalaratne  
FIB (IBSL), Dip. In Bank Mgt. (IBSL),  
Pg.DBFA (ICASL)  
Former Deputy General Manager  
Bank of Ceylon

**Manager – Investment &  
Business Development**

Ian Ferdinands  
Chartered Marketer  
Certified e Marketer  
MBA (Finance)

**Manager – Finance**

Ravindra Hettiarachchi  
Chartered Finalist (ICASL)  
B.Sc (Mgt) Sp. Hons  
MBA

**Registrar**

K. Dorin Sherina

**Assistant Fund Manager**

Kanchana Karannagoda  
B.Sc. B. Admin. Sp. (Finance) Hons  
CIMA,CGMA

**Marketing Manager**

Kumudu Kekirideniya  
Dip.in Marketing (UK),  
MICM (UK)



**DECLARATION BY  
TRUSTEES AND MANAGING COMPANY**

Declaration by Trustees and Management Company as per SEC Circular No 02/2009 on Guidelines for Trustees and Management Companies of Unit Trust Funds.

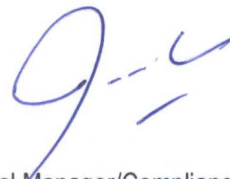
National Savings Bank the Trustee and Ceybank Asset Management Ltd the Managers of Ceybank Unit Trust Funds hereby declare that,

1. the requirements of 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 arm's length basis and on terms which are best available for the Fund, as well as act, at all times, in the best interest of the Fund's unit holders.



Trustee to  
Ceybank Unit Trust Fund

**National Savings Bank**



General Manager/Compliance Officer  
Ceybank Asset Management Ltd





Managers of the Ceybank Unit Trust Fund's

No 85, York Street, Colombo -1

Tel : 011- 760 2000-2, Fax : 011- 2327203 E.mail : [info@ceybank.com](mailto:info@ceybank.com) Web: [www.ceybank.com](http://www.ceybank.com)