



## ***ANNUAL REPORT***

2012

“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.”

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**CEYBANK SAVINGS PLUS MONEY MARKET FUND**  
**Annual Report & Accounts 2012**  
**CORPORATE INFORMATION**

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**TRUSTEE**

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

**FUND MANAGERS & REGISTRAR**

Ceybank Asset Management Ltd  
Reg. No PV 3326  
No 54/C 1, Ward Place, Colombo -7  
Tel : 011 760 2000-2, Fax : 2683095  
E.mail : ceybank@slt.lk

**DIRECTORS OF THE  
MANAGEMENT COMPANY**

Mr. K. L. Hewage  
Chairman

Mr. M Selvanathan  
Deputy Chairman

Mr. C. Sathkumara  
CEO/Executive Director

Mr. K. Dharmasiri  
(Nominee - Bank of Ceylon)

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

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

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

Mr. A.M.M.de Alwis  
(Nominee - Sri Lanka Insurance)

Mr. Ajith weeratunge  
(Alternate to Mr. M Selvanathan)

Mr. P.A.Lionel  
(Alternate to Mr. K. Dharmasiri)

Mr. U. D. Liyanagamage  
(Alternate to Mr. A.M.M.de Alwis)

**MEMBERS OF  
THE INVESTMENT ADVISORY PANEL**

Deshamanaya Chandi Chanmugam  
Financial Consultant

Mr. Hari Selvanathan  
Deputy Chairman  
Carson Cumberbatch PLC

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

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

**AUDITORS**  
Pricewaterhouse Coopers  
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

# CEYBANK SAVINGS PLUS MONEY MARKET FUND - Annual Report 2012

## REPORT OF THE MANAGER

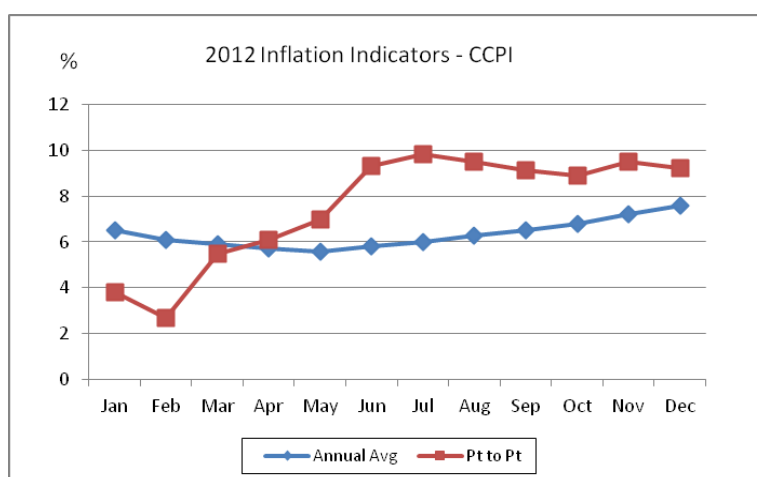
We have great pleasure in presenting the Annual Report and Audited Accounts of the Ceybank Saving Plus Money Market Fund for the period 1<sup>st</sup> January 2012 to 31<sup>st</sup> December 2012.

The Net Asset Value per unit of your Fund appreciated by 11.49% during the period and the Fund distributed tax free dividends of Rs 0.75 (75cts per unit). The Fund will distribute dividends in January and July each year.

### Economy

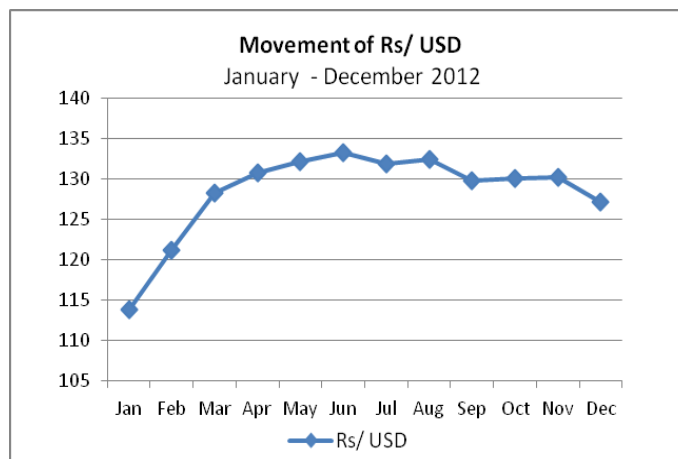
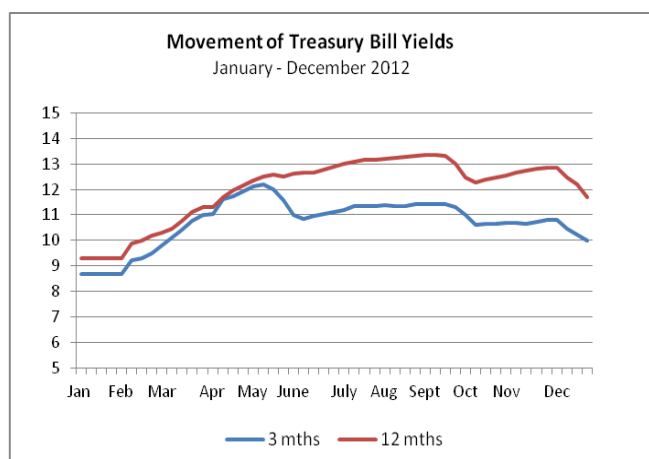
The Sri Lankan Economy recorded a GDP growth of 6.4% for the year 2012. Sector wise Agriculture grew by 5.8% up from 1.4% the previous year, Industry remained flat at 10.3% while growth in the Services sector slowed down to 4.6% from the previous year's 8.6%.

Average Annual Inflation measured by the CCPI, which declined during the first half of the year began to increase in June and moved up steadily to close the year higher at 7.6% as at end December 2012.



Market interest rates moved up continuously until September before easing off gradually until December and dropped sharply at the end of the year. The benchmark 12 month Treasury bill rate which was at 9.31% p.a. at the beginning of the year increased to peak at 13.36% p.a. in September but dropped thereafter to close at 11.69% p.a. by the end of the year. Yields on long term Treasury bonds moved in tandem. Corporate paper yields however continued to provide investors with attractive premiums, at times offering returns approximately 3-4% above Treasury yields during this period.

Overnight call money rates generally traded within a range of 9.0% and 10.50% p.a. breaching the range occasionally. The exchange rate which was at 113.95 (Rs/US\$) at the beginning of the year moved up sharply during the first half, but settled down to close at 127.19(Rs/US\$) at the end of December 2012.



(Source: CBSL)

Central Bank revised key policy rates three times during the year. Twice increasing the rates during the first quarter of the year and reducing the rates in December. The net change being an upward revision of the repo by 0.50% and the reverse repo by 1.00%. The repo and reverse repo rates as at 31<sup>st</sup> December 2012 stood at 7.5% and 9.5% respectively. The Statutory Reserve Requirement (SRR) for Commercial Banks remained unchanged at 8%.

### ***Fund Performance***

The Net Asset Value per unit of your Fund appreciated by 11.49% during the period under review.

The Fund generated a net operating profit of Rs 40.74 million and declared tax free dividends totaling Rs 0.75 per unit to the unit holders for the period under review. The Fund was mainly invested in a mix of Treasury bills, Repurchase Agreements and Corporate paper with maturities less than 12 months.

### ***Future Outlook***

The Central Bank has projected the economy to grow at around 7.0% in 2013 up from 6.4% for 2012. The easing of monetary policy is expected to spur lending and stimulate growth. Growth is expected across all sectors with the Agriculture sector, Tourism, along with infrastructure being key drivers. Large foreign investments needed to boost growth are however still to materialize.

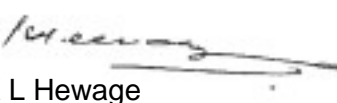
The shrinking of export markets due to the continued recession in the US and Europe remain a concern as much as the cost of crude oil. Local weather conditions too will be an important determinant of the level of growth that will be finally achieved.

Interest rates are expected to edge up after the first quarter on rising inflation. The Fund is currently invested in Treasury bills, Repurchase Agreements and a mix of Securities issued by Corporate entities. The objective of the Fund is to provide liquidity and a stable regular income for the investor. The Managers will change the asset allocation of the Fund in this context in order to fulfill these objectives.

### ***Management***

We take this opportunity to thank our valued unit holders for the confidence placed in us, which has been a great source of encouragement. We believe we will be able to provide a consistent return to the unit holders. We also place on record our appreciation for the unstinted support and cooperation extended by the Securities and Exchange Commission of Sri Lanka and the Trustee, National Savings Bank.

Our sincere appreciation is also due to the stakeholders, the Board of Directors and the members of the Investment Advisory Panel for their support. Our achievements would not have been possible without the skills and commitment of the Management Team. We take great pleasure in thanking them for their contribution and dedication throughout the year and look forward to their support in the coming year too.



K L Hewage  
Chairman  
15<sup>th</sup> May 2013

## **Independent auditor's report To the unitholders of Ceybank SavingsPlus Fund**

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

1 We have audited the accompanying financial statements of Ceybank SavingsPlus Fund, which comprise the statement of financial position as at 31 December 2012, and the statement of comprehensive income, statement of changes in unitholders' funds and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes as set out in pages 3 to 18.

#### **Management's Responsibility for the Financial Statements**

2 Management of Ceybank Asset Management Limited is responsible for the preparation and fair presentation of these financial statements in accordance with Sri Lanka Accounting Standards (SLFRS's and LKAS's). This responsibility includes: designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of Financial statements that are free from material misstatement, whether due to fraud or error: selecting and applying appropriate accounting policies: and making accounting estimates that are reasonable in the circumstances.

#### **Scope of Audit and Basis of Opinion**

3 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 plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

4 An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

5 We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit. We therefore believe that our audit provides a reasonable basis for our opinion.

Independent auditor's report continued on page 2.

**Independent auditor's report  
To the unitholders of Ceybank SavingsPlus Fund (Contd)**

**Report on the Financial Statements (Contd)**

Opinion

6 In our opinion, so far as appears from our examination, the management of Ceybank Asset Management Limited maintained proper books of account for the year ended 31 December 2012, and to the best of our information and according to the explanations given to us, the said statement of financial position and related statement of comprehensive income and statement of cash flows and the accounting policies and notes thereto, which are in agreement with the said books and have been prepared and presented in accordance with the Sri Lanka Accounting Standards (SLFRS's and LKAS's), the Unit Trust Deed and the Unit Trust Code of the Securities and Exchange Commission of Sri Lanka. Further, the financial statements give a true and fair view of Ceybank SavingsPlus Fund's state of affairs as at 31 December 2012 and of its profit from operations and its cash flows for the year then ended.

Report on other legal and regulatory requirements

7 These financial statements also comply with the requirements of Sections 151(2) of the Companies Act, No. 07 of 2007.

20 May 2013  
**COLOMBO**

**SGD. PRICEWATERHOUSECOOPERS  
CHARTERED ACCOUNTANTS**

**CEYBANK SAVINGSPLUS FUND****Statement of comprehensive income**

(all amounts in Sri Lanka Rupees)

	Note	<b>Year ended 31 December</b>	
		<b>2012</b>	<b>2011</b>
<b>Investment income</b>			
Net gains on financial instruments held at fair value through profit or loss	4	44,105,394	33,532,714
<b>Total investment income</b>		<b>44,105,394</b>	<b>33,532,714</b>
<b>Expenses</b>			
Management fee		(2,340,649)	(2,749,842)
Trustee fee		(468,129)	(549,968)
Audit fee		(68,500)	(74,400)
Professional fee		(60,000)	(59,770)
Other expenses		(426,432)	(474,594)
		<b>(3,363,710)</b>	<b>(3,908,574)</b>
<b>Net operating profit</b>		<b>40,741,684</b>	<b>29,624,140</b>
<b>Finance costs</b>			
Interest expense		(232,418)	Nil
Distributions to unitholders	6	(19,383,143)	(32,968,511)
<b>Profit/ (loss) after deductions and before tax</b>		<b>21,126,123</b>	<b>(3,344,371)</b>
Income tax expense		(4,084,365)	(2,986,199)
<b>Increase/(decrease) in net assets attributable to unitholders</b>	5	<b>17,041,758</b>	<b>(6,330,570)</b>

The above statement of comprehensive income should be read in conjunction with the accompanying notes

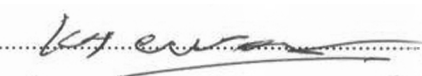
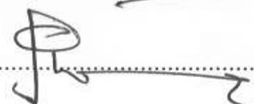
# CEYBANK SAVINGSPLUS FUND

## Statement of financial position

(all amounts in Sri Lanka Rupees)

	Note	31 December	
		2012	2011
<b>Assets</b>			
Cash and cash equivalents	7	3,732,687	140,395
Receivables	8	162,798	162,799
Financial assets held at fair valued through profit or loss	9	433,156,551	221,302,830
Income tax receivable		2,472,806	1,687,820
<b>Total assets</b>		<b>439,524,842</b>	<b>223,293,844</b>
<b>UNITHOLDERS' FUNDS AND LIABILITIES</b>			
<b>Liabilities</b>			
Accrued expenses	10	232,418	Nil
Other payables	11	1,060,955	453,293
Money Payable on Unit redemption		2,676,254	Nil
Borrowings		40,000,000	Nil
<b>Total liabilities (excluding net assets attributable to unitholders)</b>		<b>43,969,627</b>	<b>453,293</b>
<b>Net assets attributable to unitholders – liability</b>	5	<b>395,555,215</b>	<b>222,840,551</b>
<b>Total Unit Holders' funds and Liabilities</b>		<b>439,524,842</b>	<b>223,293,844</b>

These financial statements were approved by the Board of Directors of the Management Company and the Trustee on 24.04.2013. and on 29.04.2013 respectively.

 ) Directors of Ceybank Asset  
 Management Limited  
 ) (Managers of Fund)

The above statement of financial position should be read in conjunction with the accompanying notes.

**CEYBANK SAVINGSPLUS FUND****Statement of changes in Unitholders' funds**

(all amounts in Sri Lanka Rupees)

	Note	<b>Year ended 31 December</b>	
		<b>2012</b>	<b>2011</b>
<b>Unitholders' funds at beginning of the year</b>		222,840,551	425,231,392
Increase/ (Decrease) in net assets attributable to unit holders		17,041,758	(6,330,570)
Received on unit creations		368,197,613	5,808,490
Paid on unit redemptions		(212,524,707)	(201,868,761)
<b>Unitholders' funds at end of the year</b>	<b>5</b>	<b>395,555,215</b>	<b>222,840,551</b>

The above statement of changes in unitholders' funds should be read in conjunction with the accompanying notes.

**CEYBANK SAVINGSPLUS FUND****Statement of cash flows**

(all amounts in Sri Lanka Rupees)

	Note	<b>Year ended 31 December</b>	
		<b>2012</b>	<b>2011</b>
<b><i>Cash flows from operating activities</i></b>			
Interest received		44,105,394	33,659,397
Net investment in financial assets held at fair value through profit or loss		(211,853,721)	200,984,401
Bank charges		(92,052)	(123,241)
Management fees and Trustee fees paid		(2,663,995)	(3,510,097)
Income tax paid		(4,869,351)	(1,964,229)
<b><i>Net cash (outflow)/inflow from operating activities</i></b>		<b><u>(175,373,725)</u></b>	<b><u>229,046,231</u></b>
<b><i>Cash flows from financing activities</i></b>			
Proceeds from applications by unitholders	5	368,197,613	5,808,490
Payments for redemptions by unitholders		(209,848,453)	(201,910,287)
Distributions paid from operating activities	6	(19,383,143)	(32,968,511)
Reverse repurchase capital		40,000,000	Nil
<b><i>Net cash inflow/(outflow) from financing activities</i></b>		<b><u>178,966,017</u></b>	<b><u>(229,070,308)</u></b>
<b><i>Net increase/(decrease) in cash and cash equivalents</i></b>		<b>3,592,292</b>	<b>(24,077)</b>
Cash and cash equivalents at the beginning of the year		140,395	164,472
<b><i>Cash and cash equivalents at the end of the year</i></b>	<b>7</b>	<b><u>3,732,687</u></b>	<b><u>140,395</u></b>

The above statement of cash flows should be read in conjunction with the accompanying notes.

# CEYBANK SAVINGSPLUS FUND

## Notes to the financial statements

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

### 1 General information

Under Section 31 of the Securities and Exchange Commission of Sri Lanka, Act No.36 of 1987 as amended by the Act No.26 of 1991 and the Act No. 18 of 2003, the Securities and Exchange Commission of Sri Lanka granted a license to operate the Fund to Ceybank Asset Management Limited on 02 June 2009. The Fund commenced its commercial operations on 22 June 2009. The registered office of the Management Company is located at 54/C1, Ward place,colombo 7.

The Fund is an Open-Ended Unit Trust and invests mainly on money market in Sri Lanka to maximise short term current income while ensuring ease of liquidity by investing in a portfolio of Money Market Instruments and to provide a regular stream of dividend income bi-annually. The Fund also invests in government securities, bank deposits and corporate debt instruments with maturities less than one year.

### 2 Summary of significant accounting policies

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

#### (a) Basis of preparation

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

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

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

#### (b) Statement of compliance

These financial statements have been prepared in accordance with Sri Lanka Accounting Standards (SLFRSs and LKASs) which are effective from 01 January 2012.

#### (c) Financial Instruments

The Fund's principal financial assets comprise investments in trading securities and cash at bank. The main purpose of these financial instruments is to generate a return on the investment made by Unitholders. The Funds's principal financial liabilities comprise amounts attributable to Unitholders, which are the amounts owed to Unitholders of the Fund. The Fund also has various 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 Fund's receivables are classified as 'loans and receivables'. Trading securities are classified as 'held for trading', meaning they are valued at fair value through profit or loss. The amount attributable to Unitholders is classified as a financial liability and is carried at the redemption amount being net asset value. Payables are designated as 'other financial liabilities' at amortized cost.

#### (i) Classification

The Fund's investments are classified as at fair value through profit or loss. They comprise:

- Financial instruments held for trading

Derivative financial instruments such as futures, forward contracts, options and interest rate swaps are included under this classification. The Fund does not designate any derivatives as hedges in a hedging relationship.

## CEYBANK SAVINGSPLUS FUND

### Notes to the financial statements (Contd)

## 2 Summary of significant accounting policies (Contd)

### (c) Financial Instruments (Contd)

#### (i) Classification (Contd)

The Fund makes short sales in which a borrowed security is sold in anticipation of a decline in the market value of that security, or it may use short sales for various arbitrage transactions. Short sales are classified as financial liabilities at fair value through profit or loss.

- Financial instruments designated at fair value through profit or loss upon initial recognition

These include financial assets that are not held for trading purposes and which may be sold. These are investments in exchange traded debt and equity instruments, unlisted trusts and commercial paper.

Financial assets designated at fair value through profit or loss at inception are those that are managed and their performance evaluated on a fair value basis in accordance with the Fund's documented investment strategy. The Fund's policy is for the responsible entity to evaluate the information about these financial instruments on a fair value basis together with other related financial information.

#### (ii) Recognition/derecognition

The Fund recognises financial assets and financial liabilities on the date it becomes party to the contractual agreement (trade date) and recognises changes in fair value of the financial assets or financial liabilities from this date.

Investments are derecognised when the right to receive cash flows from the investments have expired or the Fund has transferred substantially all risks and rewards of ownership.

Financial liabilities at fair value through profit or loss are derecognized when the obligation specified in the contract is discharged or expired.

Realized gains and realized losses on derecognition are determined using the weighted average method and are included in the profit or loss in the period in which they arise. The realized gain is the difference between an instrument's weighted average cost and disposal amount.

#### (iii) Measurement

##### Financial assets and liabilities held at fair value through profit or loss

At initial recognition, the fund measures a financial assets and liabilities at its fair value. Transaction costs of financial assets carried at fair value through profit or loss are expensed in the statement of comprehensive income.

The fair value of financial assets and liabilities traded in active markets is subsequently based on their quoted market prices at the end of the reporting period without any deduction for estimated future selling costs. The quoted market price used for financial assets held by the Fund is the current bid price and the quoted market price for financial liabilities is the current asking price.

The fair value of financial assets and liabilities that are not traded in an active market are determined using valuation techniques. Accordingly, there may be a difference between the fair value at initial recognition and amounts determined using a valuation technique. If such a difference exists, the Fund recognises the difference in profit or loss to reflect a change in factors, including time that market participants would consider in setting a price.

# CEYBANK SAVINGSPLUS FUND

## Notes to the financial statements (Contd)

### 2 Summary of significant accounting policies (Contd)

#### (iii) Measurement (Contd)

##### Financial assets and liabilities held at fair value through profit or loss (Contd)

##### Loans and receivables

Loan assets are measured initially at fair value plus transaction costs and subsequently amortised using the effective interest rate method, less impairment losses if any. Such assets are reviewed at the end of each reporting period to determine whether there is objective evidence of impairment.

If evidence of impairment exists, an impairment loss is recognised in profit or loss as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the original effective interest rate.

If in a subsequent period the amount of an impairment loss recognised on a financial asset carried at amortised cost decreases and the decrease can be linked objectively to an event occurring after the write-down, the write-down is reversed through profit or loss.

#### (d) Unitholders' funds and net assets attributable to unit holders

Unitholders' funds has been calculated as the difference between the carrying amounts of the assets and the carrying amounts of the liabilities, other than those due to Unitholders, as at the statement of financial position 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 approved by the Securities and Exchange Commission of Sri Lanka, by the number of units in issue.

Dividend to unit holders is declared according to the explanatory memorandum. Distribution to unit holders is recognized in the statement of comprehensive income as finance costs. Income not distributed is included in net assets attributable to unit holders.

#### (e) Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise cash at bank and interest accrued on cash held in bank.

For the purpose of the statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above.

Payments and receipts relating to the purchase and sale of investment securities are classified as cash flows from operating activities, as movements in the fair value of these securities represent the Fund's main income generating activity.

#### (f) Income

Interest income is recognised in profit or loss for all financial instruments that are not held at fair value through profit or loss using the effective interest method. Interest income on assets held at fair value through profit or loss is included in the net gains/(losses) on financial instruments. Other changes in fair value for such instruments are recorded in accordance with the policies described in note 2(c).

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts throughout the expected life of the financial instrument, or a shorter period where appropriate, to the net carrying amount of the financial asset or liability. When calculating the effective interest rate, the Fund estimates cash flows considering all contractual terms of the financial instrument (for example, prepayment options) but does not consider future credit losses. The calculation includes all fees paid or received between the parties to the contract that are an integral part of the effective interest rate, including transaction costs and all other premiums or discounts.

# CEYBANK SAVINGSPLUS FUND

## Notes to the financial statements (Contd)

### 2 Summary of significant accounting policies (Contd)

**(g) Expenses**

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

**(h) Income tax**

The charge for taxation is based on the results for the year as adjusted for disallowable items. The current tax liabilities is provided for in accordance with the provisions of the Inland Revenue Act, No. 10 of 2006 and subsequent amendments thereto.

**(i) Distributions**

In accordance with the trust deed, the Fund distributes income adjusted for amounts determined by the Ceybank Asset Management Limited, to unitholders by cash or reinvestment. The distributions are recognised in profit or loss as finance costs attributable to unitholders.

**(j) Increase/decrease in net assets attributable to unitholders**

Income not distributed is included in net assets attributable to unitholders. Movements in net assets attributable to unitholders are recognised in profit or loss as finance costs.

**(k) Receivables**

Receivable are recognized and carried at amortized cost, less a provision for any uncollectable debts. An estimate for doubtful debt is made when collection of an amount is no longer probable.

Collectability of receivable is reviewed on an ongoing basis at an individual portfolio level, Individual debts that are known to be uncollectable are written off when identified. An impairment provision is recognized when there is objective evidence that the Fund will not be able to collect the receivable. Financial difficulties of the debtor, default payments are considered objective evidence of impairment. The amount of the impairment loss is the receivable carrying amount compared to the present value of estimated future cash flows, discounted at the original effective interest rate.

**(l) Payables**

Payables include liabilities and accrued expenses owing by the Fund which are unpaid as at the end of the reporting period.

The distribution amount payable to unitholders as at the end of each reporting period is recognised separately in the statement of financial position when unitholders are presently entitled to the distributable income under the Trust Deed.

**(m) Applications and redemptions**

Applications received for units in the Fund are recorded net of any entry fees payable prior to the issue of units in the Fund. Redemptions from the Fund are recorded gross of any exit fees payable after the cancellation of units redeemed.

**(n) Significant judgements and estimates**

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.

**(o) Fair value of securities not quoted in an active market and over the-counter derivative instruments**

Management uses its judgment in determining the appropriate valuation technique for financial instruments that are not quoted in an active market. Valuation techniques commonly used by market practitioners are applied. Other financial instruments are valued using a discounted cash flow analysis based on the assumptions supported, where possible, by observable market prices or rates.

# CEYBANK SAVINGSPLUS FUND

## Notes to the financial statements (Contd)

### 3 Financial risk management

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

The Fund's overall risk management programme focuses on ensuring compliance with the Fund's Product Disclosure Statement and seeks to maximise the returns derived for the level of risk to which the Fund is exposed. Financial risk management is carried out by the management company.

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

#### 3.1 Market risk

##### (i) Cash flow and fair value interest rate risk

The Fund is exposed to cash flow interest rate risk on financial instruments with variable interest rates. Financial instruments with fixed rates expose the Fund to fair value interest rate risk.

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.

The table below summarises the Fund's exposure to interest rate risks. It includes the Fund's assets and liabilities at fair values, categorised by the earlier of contractual repricing or maturity dates.

31-Dec-12	Floating	Fixed interest	Non- interest	Total
<b>Financial assets</b>				
Cash and cash equivalents	Nil	Nil	3,732,687	3,732,687
Receivables	Nil	Nil	2,635,604	2,635,604
Financial assets held at fair value through profit or loss	Nil	433,156,551	Nil	433,156,551
<b>Total exposure</b>	<b>Nil</b>	<b>433,156,551</b>	<b>6,368,291</b>	<b>439,524,842</b>

#### 3.2 Summarised sensitivity analysis

The following table summarises the sensitivity of the funds operating profit and net assets attributable to unitholders to interest rate risk and other price risk. The reasonably possible movements in the risk variables have been determined based on managements best estimate, having regard to a number of factors, including historical levels of changes in interest rates, historical correlation of the funds investment with the relevant benchmark and market volatility. However, actual movements in the risk variables maybe greater or less than anticipated due to a number of factors, including unusually large market shocks resulting from changes in performances and correlation between the performances of the economies, markets and securities in which the fund invests. As a result, historic variations in risk variables should not be used to predict future variations in the risk variables

	Impact on operating profit / Net assets attributable to unitholders
	<i>Interest rate risk</i>
	<b>31 December 2012</b>
Change in interest rate of the Trust's investment in trading securities:	
+1.5%	4,886,610
-1.5%	(4,841,192)

# CEYBANK SAVINGSPLUS FUND

## Notes to the financial statements (Contd)

### 3 Financial risk management (Contd)

#### 3.3 Credit risk

The Fund is exposed to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when they fall due.

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

##### (i) Debt securities

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

			31 December 2012
<b>Treasury bills</b>			
<b>Rating</b>			
Risk free			196,667,333
<b>Repurchase agreements</b>			
<b>Rating</b>			
Risk free			9,707,995
<b>Commercial papers</b>			
<b>Rating</b>	<b>Rating agency</b>		
AA-	Fitch		63,865,128
A-	Fitch		25,220,275
BB+	Fitch		24,090,854
BBB+	RAM		15,238,649
BBB	RAM		33,515,634
BBB-	RAM		31,557,616
Counterparties without external credit rating			33,293,067
<b>Total</b>			<b>433,156,551</b>

##### (ii) Cash and cash equivalents

The exposure to credit risk for cash and cash equivalents is low as all counterparties 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.

#### 3.4 Liquidity risk

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

The Fund is exposed to daily cash redemptions of units. 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 unitholder's option. However, the Board of Directors does 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.

## CEYBANK SAVINGSPLUS FUND

### Notes to the financial statements (Contd)

#### 3.4 Liquidity risk

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.

<b>31 December 2012</b>	<b>Less than 1 month</b>	<b>1-6 months</b>	<b>6-12 months</b>	<b>1-2 years</b>
Accrued expenses	232,418	Nil	Nil	Nil
Other payables	314,924	128,500	283,152	334,379
Money Payable on Unit redemption	2,676,254	Nil	Nil	Nil
Borrowings	40,000,000			
Contractual cash flows (excluding gross settled derivatives)	<b>43,223,596</b>	<b>128,500</b>	<b>283,152</b>	<b>334,379</b>

#### 3.5 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 excluding 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 expensed immediately. 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 recognised in profit or loss.

##### (i) 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.

Investments in other unlisted unit trusts are recorded at the redemption value per unit as reported by the investment managers of such funds.

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.

# CEYBANK SAVINGSPLUS FUND

## Notes to the financial statements (Contd)

### 3 Financial risk management (Contd)

#### 3.6 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 categorised 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 judgement, considering factors specific to the asset or liability.

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 Fund's financial assets and liabilities (by class) measured at fair value according to the fair value hierarchy at 31 December 2012

At 31 December 2012	Level 1	Level 2	Level 3	Total
<b>Financial assets</b>				
Financial assets held for trading:				
- Treasury bills	Nil	196,667,333	Nil	196,667,333
- Repurchase agreements	Nil	9,707,995	Nil	9,707,995
- Commercial papers	Nil	226,781,223	Nil	226,781,223
Receivables	Nil	Nil	2,635,604	2,635,604
Cash and cash equivalents	Nil	Nil	3,732,687	3,732,687
<b>Total</b>	<b>Nil</b>	<b>433,156,551</b>	<b>6,368,291</b>	<b>439,524,842</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 and 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.

## CEYBANK SAVINGSPLUS FUND

### Notes to the financial statements (Contd)

#### 4 Net gains on financial instruments held at fair value through profit or loss

Net gains recognised in relation to financial assets and financial liabilities held at fair value through profit or loss:

	<b>Note</b>	<b>31 December 2012</b>	<b>31 December 2011</b>
<b>Financial assets</b>			
Net gains on financial assets held for trading	4 (a)	44,105,394	33,688,970
Net unrealised loss on financial assets held at fair value through profit or loss		Nil	(156,256)
<b>Net gains on financial assets held at fair value through profit or loss</b>		<b>44,105,394</b>	<b>33,532,714</b>

#### 4(a) Net gains on financial assets held for trading

	<b>31 December 2012</b>	<b>31 December 2011</b>
Interest received on		
- Commercial papers	25,264,207	17,347,991
- Repurchase agreements	6,633,956	12,747,997
- Bank deposits	1,125,416	687,649
- Treasury bills	11,081,815	2,905,333
	<b>44,105,394</b>	<b>33,688,970</b>

#### 5 Net assets attributable to unitholders

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

	<b>31-Dec 2012 Number</b>	<b>31-Dec 2011 Number</b>	<b>31-Dec 2012</b>	<b>31-Dec 2011</b>
Opening capital balance	21,338,260.0	40,321,012.2	222,840,551	425,231,392
Applications	34,861,846.7	564,093.0	368,197,613	5,808,490
Redemptions	(19,849,465.5)	(19,546,846.0)	(212,524,707)	(201,868,761)
Increase/(decrease) in net assets attributable to unitholders	Nil	Nil	17,041,758	(6,330,570)
<b>Closing balance</b>	<b>36,350,641.2</b>	<b>21,338,259.2</b>	<b>395,555,215</b>	<b>222,840,551</b>

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

#### Capital risk management

The Fund considers its net assets attributable to unitholders as capital, notwithstanding net assets attributable to unitholders are classified as a liability. The amount of net assets attributable to unitholders can change significantly on a daily basis 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 on a daily basis by the management company. Under the terms of the Trust Deed, the responsible entity has the discretion to reject an application for units and to defer or adjust a redemption of units if the exercise of such discretion is in the best interests of unitholders.

# CEYBANK SAVINGSPLUS FUND

## Notes to the financial statements (Contd)

### 6 Distributions to unitholders

The distributions for the year were as follows:

#### 31 December 2011

Dividend for the period	Date of dividend declaration	Dividend paid in number of units	Dividend paid in rupees
01 July 2010 to 31 December 2010	21-Jan-11	40,163,842.2	16,065,537
01 January 2011 to 30 June 2011	26-Jul-11	37,562,164.9	16,902,974
<b>Total</b>		<b>77,726,007.1</b>	<b>32,968,511</b>

#### 31 December 2012

Dividend for the period	Date of dividend declaration	Dividend paid in number of units	Dividend paid in rupees
01 July 2011 to 31 December 2011	30-Jan-12	21,474,658	8,589,863
01 January 2012 to 30 June 2012	19-Jul-12	30,837,943	10,793,280
<b>Total</b>		<b>52,312,601</b>	<b>19,383,143</b>

### 7 Cash and cash equivalents

	31 December 2012	31 December 2011
Cash at bank	3,732,687	140,395
	<b>3,732,687</b>	<b>140,395</b>

### 8 Receivables

	31 December 2012	31 December 2011
Sundry debtors	162,798	162,799
	<b>162,798</b>	<b>162,799</b>

### 9 Financial assets held at fair value through profit or loss

	31 December 2012	31 December 2011
<b>Held for trading</b>		
Investment in treasury bills	196,667,333	Nil
Investment in repurchase agreements	9,707,995	31,972,501
Investment in commercial papers	226,781,223	117,924,263
Investment in bank deposits	Nil	71,406,066
<b>Total held for trading</b>	<b>433,156,551</b>	<b>221,302,830</b>
<b>Total designated at fair value through profit or loss</b>	<b>433,156,551</b>	<b>221,302,830</b>

# CEYBANK SAVINGSPLUS FUND

## Notes to the financial statements (Contd)

### 9 Financial assets held at fair value through profit or loss (Contd)

Comprising:

a) Investment in treasury bills

ISIN Number	Yield	Investment date	Maturity date	Cost	Market value
LKA18213A254	12.75%	27-Jul-2012	25-Jan-2013	47,003,550	49,604,864
LKA18213A254	12.80%	27-Jul-2012	25-Jan-2013	46,992,500	49,603,407
LKA36413G263	13.15%	27-Jul-2012	26-Jul-2013	22,094,575	23,355,722
LKA18213B229	13.00%	24-Aug-2012	22-Feb-2013	46,948,350	49,128,100
LKA18213A049	12.70%	25-Jul-2012	4-Jan-2013	23,654,725	24,975,240
<b>Total value of treasury bills</b>				<b>186,693,700</b>	<b>196,667,333</b>

b) Investment in repurchase agreements

Company	Yield	Investment date	Maturity date	Cost	Market value
Bank Of Ceylon	7.50%	28-Dec-2012	2-Jan-2013	9,700,000	9,707,995
<b>Total value of repurchase agreements</b>				<b>9,700,000</b>	<b>9,707,995</b>

c) Investment in commercial papers

Company	Yield	Investment date	Maturity date	Cost	Market value
Merchant Bank	17.65%	8-Oct-2012	8-Jan-2013	22,017,698	22,922,686
Merchant Bank	17.65%	19-Oct-2012	18-Jan-2013	10,323,289	10,692,694
Asia Capital	17.75%	30-Nov-2012	30-Jan-2013	9,970,423	10,125,580
Asia Capital	17.75%	14-Dec-2012	14-Mar-2013	22,966,449	23,167,484
Abans (Pvt) Ltd	18.25%	5-Dec-2012	5-Mar-2013	11,434,796	11,589,166
Abans (Pvt) Ltd	18.25%	12-Dec-2012	12-Mar-2013	13,496,148	13,631,109
People's Merchant Finance PLC	18.25%	22-Nov-2012	22-Feb-2013	23,618,485	24,090,854
People's Leasing PLC	17.00%	11-Dec-2012	11-Jan-2013	29,956,747	30,249,749
Allance Finance Co. PLC	17.65%	19-Oct-2012	18-Jan-2013	21,947,704	22,733,071
Allance Finance Co. PLC	17.75%	30-Oct-2012	30-Jan-2013	10,462,038	10,782,563
Softlogic Finance PLC	18.00%	22-Nov-2012	22-Feb-2013	15,714,103	16,024,080
Mercantile Investments Ltd.	18.00%	17-Dec-2012	18-Mar-2013	15,126,753	15,238,650
Orient Finance PLC	18.25%	3-Dec-2012	4-Mar-2013	15,311,519	15,533,537
<b>Total value of commercial papers</b>				<b>222,346,152</b>	<b>226,781,223</b>
<b>Total financial assets held at fair value through profit or loss</b>				<b>418,739,852</b>	<b>433,156,551</b>

## CEYBANK SAVINGSPLUS FUND

### Notes to the financial statements (Contd)

#### 10 Accrued expenses

	31 December 2012	31 December 2011
Interest payable	232,418	Nil
	<b>232,418</b>	<b>Nil</b>

#### 11 Other payables

	31 December 2012	31 December 2011
Management Fee Payable	314,924	170,141
Other payables (Note 11(a))	746,031	283,152
	<b>1,060,955</b>	<b>453,293</b>

- (a) Other payables include VAT and NBT payable of Rs. 617,531 (2011 - Rs. 283,152) to Unit Trust Management Company Limited.

#### 12 Related party transactions

The following organisations which have shareholdings in the Management Company, Ceybank Asset Management Limited are identified as related parties in accordance with Sri Lanka Accounting Standards, LKAS No. 24, Related Party Disclosures.

Name of organisation	Shareholding %
Bank of Ceylon	43
Carson Cumberbatch PLC	13
Sri Lanka Insurance Corporation Limited	27
Unit Trust of India	17

- (a) Mr Mano Selvanathan Deputy Chairman of the Managing Company is also a Directors of Carsons Cummberbatch PLC and Alternate Director Mr Ajith Weeratunge represent Carsons Cummberbatch PLC which holds shares of the Managing Company.
- (b) Mr K. Dharmasiri (General Manager, Bank of Ceylon), Mr D M Gunasekara (DGM, Retail Banking - Bank of Ceylon) and Mr.P.A.Lionel (Alternate Director, Bank of Ceylon) act as Nominee directors of the Managing Company of which the bank holds shares. The Trust has placed funds on repurchase agreements with the bank in the ordinary course of business. The balance as at 31 December 2012 in respect of repurchase agreement made with the bank amounted to Rs 9.7 Mn.
- (c) Mr A M M de Alwis (CEO - Sri Lanka Insurance Corporation Limited), Mr M S P Ranjith Perera [Senior Deputy General Manager (Finance) - Sri Lanka Insurance Corporation Limited], Mr U D Liyanagamage (Alternative director) representing Sri Lanka Insurance Corporation Limited, which holds shares in the Managing Company.
- (d) Mr Shri B Babu Rao, Senior Vice President of the Administrator of Specified Undertakings of Unit Trust of India, represents specified undertaking of Unit Trust of India which holds shares in the Managing Company.

#### 13 Contingent assets and liabilities and commitments

There were no material contingent liabilities at the balance sheet date.

#### 14 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 Fund disclosed in the balance sheet as at 31 December 2012 or on the results and cash flows of the Fund for the year ended on that date.

CEYBANK SAVINGS PLUS MONEY MARKET FUND  
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REPORT OF THE MANAGER


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**DECLARATION BY  
TRUSTEES AND MANAGING COMPANY**

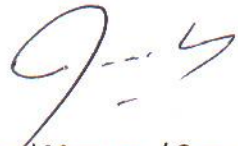
Declaration by Trustees and Management Company as per SEC circular No 02/2009 on Guidelines for Trustees and Management Companies of Unit trust Funds.

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

1. the requirements of 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 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 Funds

National Savings Bank

  
General Manager / Compliance Officer  
Ceybank Asset Management Ltd



CEYBANK SAVINGS PLUS MONEY MARKET FUND  
Annual Report & Accounts 2012  
MANAGEMENT TEAM

CEYBANK ASSET MANAGEMENT LTD

MANAGEMENT TEAM

**CHAIRMAN**

K.L. Hewage  
Bsc. (SL) Msc (UK)

**CEO / EXECUTIVE DIRECTOR**

*Chitra Sathkumara*  
B.Sc, MBA (Finance)

**General Manager**

W. D. F. Wimalaratne  
FIB (IBBSL), 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

**Manager – Finance**

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

**Registrar**

S. Satharasinghe  
B.A.(SL),Dip.Mgt.(USA)

**Fund Manager**

Indika Rajakaruna  
B.Sc. B.Admin Sp. (B. Econ) Hons  
MBA (Finance)

**Marketing Manager**

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

**Assistant Fund Manager**

Kanchana Karannagoda  
B.Sc. B. Admin. Sp. (Finance) Hons