

**CEYLON TOURISM FUND  
FINANCIAL STATEMENTS  
FOR THE YEAR ENDED  
31ST DECEMBER 2024**



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## INDEPENDENT AUDITORS' REPORT

### TO THE SHAREHOLDERS OF CEYLON TOURISM FUND

#### Report on the Audit of the Financial Statements

##### Opinion

We have audited the financial statements of Ceylon Tourism Fund ("the Fund"), which comprise the statement of financial position as at 31<sup>st</sup> December 2024, and the statement of profit or loss and other comprehensive income, the statement of changes in net assets attributable to Unit holders and statement of cash flows for the year then ended, and notes to the financial statements, including material accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Fund as at 31<sup>st</sup> December 2024, and of its financial performance and its cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

##### Basis for Opinion

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

##### Other Matters

The financial statements of the Fund as at and for the year ended 31<sup>st</sup> December 2023 were audited by another auditor who expressed an unmodified opinion on those statements on 25<sup>th</sup> April 2024.

##### Other Information

Management is responsible for the other information. These financial statements does not include the other information.

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

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

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

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

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Ms. P.M.K. Sumanasekara FCA

T.J.S. Rajakarier FCA  
W.K.D.C. Abeyrathne FCA  
Ms. B.K.D.T.N. Rodrigo FCA  
Ms. C.T.K.N. Perera ACA  
R.W.M.O.W.D.B. Rathnadiwakara FCA

W.W.J.C. Perera FCA  
G.A.U. Karunaratne FCA  
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A.M.R.P. Alahakoon ACA

Principals: S.R.I. Perera FCMA (UK), LLB, Attorney-at-Law, H.S. Goonewardene ACA, Ms. F.R. Ziyad FCMA (UK), FCIT, K. Somasundaram ACMA (UK), R. G. H. Raddella ACA, Ms. D. Corea Dharmaratne



## **INDEPENDENT AUDITORS' REPORT (CONTINUED)**

### **TO THE SHAREHOLDERS OF CEYLON TOURISM FUND (CONTINUED)**

#### **Report on the Audit of the Financial Statements (continued)**

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

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

As part of an audit in accordance with SLAuS, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Fund to cease to continue as a going concern.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

**CHARTERED ACCOUNTANTS**

Colombo, Sri Lanka

30<sup>th</sup> April 2025

**CEYLON TOURISM FUND**  
**STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**

*For the year ended 31<sup>st</sup> December,*

|  | Note | 2024<br>Rs.      | 2023<br>Rs.      |
|--|------|------------------|------------------|
| Investment income  | 5    | 205,007          | 133,015          |
| Net gain on financial assets held at fair value through profit or loss | 12.2 | 4,273,771        | 1,617,115        |
| <b>Total revenue</b>   |      | <b>4,478,778</b> | <b>1,750,130</b> |
| <b>Expenses</b>  |      |                  |                  |
| Management fees  | 6    | (155,240)        | (123,040)        |
| Trustee fees   | 7    | (37,576)         | (29,025)         |
| Audit fee and reimbursement  |      | (485,007)        | (311,405)        |
| Professional fees  | 8    | (159,079)        | (135,381)        |
| Other expenses   | 9    | (3,763)          | (35,004)         |
| Brokerage fee  |      | (47,336)         | (38,616)         |
| <b>Total operating expenses</b>  |      | <b>(888,001)</b> | <b>(672,471)</b> |
| <b>Increase in net assets attributable to unit holders before tax</b>  |      | <b>3,590,777</b> | <b>1,077,659</b> |
| Income tax expense   | 10   | -                | -                |
| <b>Increase in net assets attributable to unit holders after tax</b>   |      | <b>3,590,777</b> | <b>1,077,659</b> |
| <b>Increase in net assets attributable to unit holders</b>             |      | <b>3,590,777</b> | <b>1,077,659</b> |

The notes form an integral part of these financial statements

Figures in brackets indicate deductions.

**CEYLON TOURISM FUND**  
**STATEMENT OF FINANCIAL POSITION**

*As at 31<sup>st</sup> December,*

|  | Note | 2024<br>Rs.       | 2023<br>Rs.       |
|--|------|-------------------|-------------------|
| <b>Assets</b>  |      |                   |                   |
| Cash and cash equivalents  | 11   | 25,000            | 25,000            |
| Financial assets held at fair value through profit or loss                   | 12   | 20,139,030        | 12,938,726        |
| Financial assets held at amortised cost                                      | 13   | 2,573,643         | 2,650,363         |
| Other receivables  | 14   | 22,981            | -                 |
| <b>Total assets</b>  |      | <b>22,760,654</b> | <b>15,614,089</b> |
| <b>Liabilities</b>   |      |                   |                   |
| Accrued expenses and other payables  | 16   | 756,360           | 4,953,571         |
| <b>Total liabilities (excluding net assets attributable to unit holders)</b> |      | <b>756,360</b>    | <b>4,953,571</b>  |
| <b>Net assets attributable to unit holders</b>                               |      | <b>22,004,294</b> | <b>10,660,518</b> |
| <b>Total equity and liabilities</b>  |      | <b>22,760,654</b> | <b>15,614,089</b> |

The notes form an integral part of these financial statements

The Manager is responsible for these Financial Statements and these Financial Statements were approved by the Manager.  
Signed for and on behalf of the Manager by;

  
.....  
Director  
Management Company  
30<sup>th</sup> April 2025  
Colombo, Sri Lanka

  
.....  
Director  
Management Company  
30<sup>th</sup> April 2025  
Colombo, Sri Lanka

  
.....  
Trustee  
30<sup>th</sup> April 2025  
Colombo, Sri Lanka



**CEYLON TOURISM FUND**  
**STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO UNIT HOLDERS**

*For the year ended 31<sup>st</sup> December,*

|  | 2024<br>Rs.       | 2023<br>Rs.        |
|--|-------------------|--------------------|
| <b>Balance at 1<sup>st</sup> January</b>                   | <b>10,660,518</b> | <b>11,558,279</b>  |
| Increase in net assets attributable to unit holders        | 3,590,777         | 1,077,659          |
| <b>Contributions and redemptions by unit holders</b>       |                   |                    |
| Issue of units during the year                             | 11,459,875        | 4,053,574          |
| Redemption of units during the year                        | (3,706,876)       | (6,028,994)        |
| <b>Total contributions and redemptions by unit holders</b> | <b>7,752,999</b>  | <b>(1,975,420)</b> |
| <b>Balance at 31<sup>st</sup> December</b>                 | <b>22,004,294</b> | <b>10,660,518</b>  |

The notes form an integral part of these financial statements

Figures in brackets indicate deductions.

**CEYLON TOURISM FUND**  
**STATEMENT OF CASH FLOWS**

*For the year ended 31<sup>st</sup> December,*

|  | Note | 2024<br>Rs.        | 2023<br>Rs.        |
|--|------|--------------------|--------------------|
| <b>Cash flows from operating activities</b>                |      |                    |                    |
| Interest income received                                   |      | 207,349            | 135,482            |
| Management fees and trustee fees paid                      |      | (182,986)          | (159,159)          |
| Other expenses paid  |      | (468,910)          | (392,204)          |
| Net investment from money market saving                    |      | 74,377             | 228,931            |
| Sale proceeds from sale of equity securities               |      | 1,490,239          | 4,985,799          |
| Purchase of equity securities                              |      | (4,240,361)        | (1,796,002)        |
| <b>Net cash flows (used in)/ from operating activities</b> |      | <b>(3,120,292)</b> | <b>3,002,848</b>   |
| <b>Cash flows from financing activities</b>                |      |                    |                    |
| Cash received on creation of units                         |      | 11,459,875         | 4,053,574          |
| Cash paid on redemption of units                           |      | (8,339,583)        | (7,059,622)        |
| <b>Net cash from/(used in) financing activities</b>        |      | <b>3,120,292</b>   | <b>(3,006,048)</b> |
| Net decrease in cash and cash equivalents                  |      | -                  | (3,200)            |
| Cash and cash equivalents at the beginning of the year     | 11   | 25,000             | 28,200             |
| <b>Cash and cash equivalents at the end of the year</b>    |      | <b>25,000</b>      | <b>25,000</b>      |

The notes form an integral part of these financial statements

Figures in brackets indicate deductions.

**CEYLON TOURISM FUND**  
**NOTES TO THE FINANCIAL STATEMENTS**

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**Reporting entity**

**1. General information**

Ceylon Tourism Fund is an Index Fund that was launched on 27<sup>th</sup> July 2010 by a Trust Deed executed between Ceylon Asset Management Company Limited as Fund Manager and the Deutsche Bank AG as the Trustee. Consequently, on 1<sup>st</sup> April 2021 Hatton National Bank was appointed with a revised trust deed executed on 1<sup>st</sup> April 2021.

The Fund is managed by Ceylon Asset Management Company Limited which is incorporated and domiciled in Sri Lanka. The registered office of the management company is located at Ground Floor, The Parkland 1, No 33, Park Street, Colombo 02. The Trustee of the Fund is Hatton National Bank having its place of business at Level 15, HNB Tower, Colombo 01.

The main investment objective of the Fund is to invest in 10 of the high-performing companies in the hotels and travels sector listed on the Colombo Stock Exchange.

In accordance with the Unit Trust Deed, all assets of the Fund are controlled by the trustee, and investment decisions are approved by the trustee.

**2. Basis of preparation**

**2.1 Basis of preparation**

The financial statements have been prepared on the historical cost basis unless otherwise indicated. The financial statements are presented in Sri Lankan Rupees. The statement of financial position is presented on a liquidity basis.

**2.1.1 Statement of Compliance**

The financial statements which comprise the statement of financial position as at 31 December 2024, statement of profit or loss and other comprehensive income, statement of changes in net assets attributable to unit holders and cash flows statement for the year then ended, and a summary of material accounting policies and other explanatory information have been prepared and presented in accordance with Sri Lanka Accounting Standards.

**2.1.2 Going Concern**

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



**CEYLON TOURISM FUND**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

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**3. Material accounting policies (Continued)**

**3.1 Summary of material accounting policies (Continued)**

**3.1.1 Financial assets and financial liabilities (Continued)**

**3.1.1.1 Recognition and initial measurement**

The Fund initially recognizes regular-way transactions in financial assets and financial liabilities at FVTPL on the trade date, which is the date on which the Fund becomes a party to the contractual provisions of the instrument. Other financial assets and financial liabilities are recognized on the date on which they are originated.

A financial asset or financial liability is measured initially at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue.

**3.1.1.2 Classification and subsequent measurement**

**a. Classification of financial assets**

On initial recognition, the Fund classifies financial assets as measured at amortised cost or FVTPL.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are SPPI.

All other financial assets of the Fund are measured at FVTPL.

**b. Business model assessment**

In making an assessment of the objective of the business model in which a financial asset is held, the Fund considers all of the relevant information about how the business is managed, including:

- the documented investment strategy and the execution of this strategy in practice. This includes whether the investment strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realising cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Fund's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how the investment manager is compensated: e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

**CEYLON TOURISM FUND**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

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**3. Material accounting policies (Continued)**

**3.1 Summary of material accounting policies (Continued)**

**3.1.2 Financial assets and financial liabilities (Continued)**

**3.1.1.1 Recognition and initial measurement (Continued)**

**3.1.1.2 Classification and subsequent measurement (Continued)**

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, consistent with the Fund's continuing recognition of the assets.

**c. Assessment whether contractual cash flows are SPPI**

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are SPPI, the Fund considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Fund considers.

Contingent events that would change the amount or timing of cash flows;

- leverage features;
- prepayment and extension features;
- terms that limit the Fund's claim to cash flows from specified assets (e.g. non-recourse features); and
- features that modify consideration of the time value of money (e.g. periodical reset of interest rates).

**3.1.1.3 Subsequent measurement of financial assets**

**Financial assets at FVTPL** - These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income and expense and foreign exchange gains and losses, are recognized in profit or loss in 'net gains (losses) from financial instruments at FVTPL' in the statement of profit or loss and other comprehensive income. Debt securities, equity investments, investments in unlisted open-ended investment funds, unlisted private equities and derivative financial instruments are included in this category.

**Financial assets at amortised cost** - These assets are subsequently measured at amortised cost using the effective interest method. Interest income is recognized in 'interest income calculated using the effective interest method', foreign exchange gains and losses are recognized in 'net foreign exchange loss' and impairment is recognized in 'impairment losses on financial instruments' in the statement of profit or loss and other comprehensive income. Any gain or loss on derecognition is also recognized in profit or loss.

**CEYLON TOURISM FUND**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

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**3. Material accounting policies (Continued)**

**3.1 Summary of material accounting policies (Continued)**

**3.1.3 Financial assets and financial liabilities (Continued)**

**3.1.1.1 Recognition and initial measurement (Continued)**

**3.1.1.4 Financial liabilities – Classification, subsequent measurement and gains and losses**

Financial liabilities are classified as measured at amortised cost or FVTPL.

A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains or losses, including any interest, are recognized in profit or loss.

Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognized in profit or loss. Any gain or loss on derecognition is also recognized in profit or loss.

Financial liabilities at FVTPL:

- Held for trading: securities sold short and derivative financial instruments.

Financial liabilities at amortised cost

- This includes audit fee payables, management fee payables, trustee fee payables, balance due to brokers.

**3.1.1.5 Fair value measurement**

Fair value' is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Fund has access at that date. The fair value of a liability reflects its non-performance risk.

When available, the Fund measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as 'active' if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. The Fund measures instruments quoted in an active market at a mid-price, because this price provides a reasonable approximation of the exit price.

If there is no quoted price in an active market, then the Fund uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

The Fund recognizes transfers between levels of the fair value hierarchy as at the end of the reporting period during which the change has occurred.

**CEYLON TOURISM FUND**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

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**3. Material accounting policies (Continued)**

**3.1 Summary of material accounting policies (Continued)**

**3.1.4 Financial assets and financial liabilities (Continued)**

**3.1.1.1 Recognition and initial measurement (Continued)**

**3.1.1.6 Amortised cost measurement**

The 'amortised cost' of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured on initial recognition minus the principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount and, for financial assets, adjusted for any loss allowance.

**3.1.1.7 Impairment**

The Fund recognises loss allowances for ECLs on financial assets measured at amortised cost.

The Fund measures loss allowances at an amount equal to lifetime ECLs, except for the following, which are measured at 12-month ECLs:

- financial assets that are determined to have low credit risk at the reporting date; and
- other financial assets for which credit risk (i.e. the risk of default occurring over the expected life of the asset) has not increased significantly since initial recognition.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Fund considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Fund's historical experience and informed credit assessment and including forward-looking information.

The Fund assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

The Fund considers a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the Fund in full, without recourse by the Fund to actions such as realising security (if any is held); or
- the financial asset is more than 90 days past due.

The Fund considers a financial asset to have low credit risk when the credit rating of the counterparty is equivalent to the globally understood definition of 'investment grade'. The Fund considers this to be BBB- or higher per Lanka Rating Limited or an equivalent rating per Fitch Rating Lanka Limited.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

**3. Material accounting policies (Continued)**

**3.1 Summary of material accounting policies (Continued)**

**3.1.5 Financial assets and financial liabilities (Continued)**

**3.1.1.1 Recognition and initial measurement (Continued)**

**3.1.1.7 Impairment (Continued)**

The maximum period considered when estimating ECLs is the maximum contractual period over which the Fund is exposed to credit risk.

**a. Measurement of ECLs**

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Fund expects to receive).

ECLs are discounted at the effective interest rate of the financial asset.

**b. Credit-impaired financial assets**

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

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

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or being more than 90 days past due; or
- it is probable that the borrower will enter bankruptcy or other financial reorganisation.

**c. Presentation of allowance for ECLs in the statement of financial position**

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

**d. Write-off**

The gross carrying amount of a financial asset is written off when the Fund has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof.

**3.1.1.8 Derecognition**

The Fund derecognises regular-way sales of financial assets using trade-date accounting. A financial asset is derecognised when the contractual rights to the cash flows from the asset expire, or the Fund transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Fund neither transfers nor retains substantially all of the risks and rewards of ownership and does not retain control of the financial asset.

On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset that is derecognised) and the consideration received

**CEYLON TOURISM FUND**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

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**3 Material accounting policies (Continued)**

**3.1 Summary of material accounting policies (Continued)**

**3.1.6 Financial assets and financial liabilities (Continued)**

**3.1.1.8 Derecognition (Continued)**

(including any new asset obtained less any new liability assumed) is recognised in profit or loss. Any interest in such transferred financial assets that is created or retained by the Fund is recognised as a separate asset or liability.

The Fund enters into transactions whereby it transfers assets recognised on its statement of financial position, but

retains either all or substantially all of the risks and rewards of the transferred assets or a portion of them. If all or substantially all of the risks and rewards are retained, then the transferred assets are not derecognised. Transfers of assets with retention of all or substantially all of the risks and rewards include sale and repurchase transactions.

The Fund derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

The Fund derecognises a derivative only when it meets the derecognition criteria for both financial assets and financial liabilities. Where the payment or receipt of variation margin represents settlement of a derivative, the derivative, or the settled portion, is derecognized.

**3.1.1.9 Offsetting of financial instruments**

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

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

**3.1.2 Recognition of income**

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. The following specific criteria must also be met before revenue is recognized.

**(i) Interest income**

Interest income is recognized in the Income Statement using the Effective Interest Rate (EIR) method, including interest income on financial assets measured at amortised cost (AC), calculated using the EIR method.

**CEYLON TOURISM FUND**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

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**3 Material accounting policies (Continued)**

**3.1 Summary of material accounting policies (Continued)**

**3.1.2 Recognition of income (Continued)**

**(ii) Dividend income**

Dividend income is recognized when the Fund's right to receive payment is established.

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

The unrealised gain represents the difference between the carrying amount of the financial instrument at the beginning of the period (or transaction price if it was purchased in the current reporting period) and its carrying amount at the reporting date (or transaction consideration received if it was disposed of in the current reporting period) less any unrealised gains(losses) which have been realised in the current period.

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

The realised gain from financial instruments at FVTPL represents the difference between the transaction price when it was purchased and the consideration received on disposal. It also includes interest and dividends paid or received in cash.

**3.1.3 Cash and cash equivalents**

Cash and cash equivalents in the statement of financial position comprise cash at bank. For the purpose of the statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above.

**3.1.4 Distributions**

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

**3.1.5 Expenses**

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

|                |   |   |
|----------------|---|---|
| Management fee | - | 1% p.a of net asset value of the Fund   |
| Trustee fee    | - | 0.2% p.a of net asset value of the Fund |

**3.1.6 Unit holders' funds**

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

Units can be issued and redeemed based on the Fund's net asset value per unit, calculated by dividing the net assets of the Fund as described in the Trust Deed and directives issued by the Securities and Exchange Commission of Sri Lanka, by the number of units in issue. Income not distributed is included in net assets attributable to unit holders.

**CEYLON TOURISM FUND**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

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**4. New accounting standards issued but not yet effective as at the reporting date .**

A number of new standards and amendments to standards are effective for annual financial periods beginning on or after 1<sup>st</sup> January 2025 and early adoption for annual financial periods beginning after 1<sup>st</sup> January 2024 is permitted, however the Fund has not early adopted to them in preparing these Financial Statements is permitted, however the Fund has not early adopted to them in preparing these financial statements.

- Lack of Exchangeability – Amendments to LKAS 21.
- Classification and measurement of financial instruments – Amendments to SLFRS 9 and SLFRS 7.
- SLFRS 18 presentation and disclosure in financial statements.



**CEYLON TOURISM FUND**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

For the year ended 31<sup>st</sup> December,

| <b>5 Investment income</b>   | <b>2024</b>    | <b>2023</b>    |
|--|----------------|----------------|
|  | <b>Rs.</b>     | <b>Rs.</b>     |
| Dividend income  | 5,693          | 3,795          |
| Interest income on financial assets at amortised cost ( Note 5.1 ) | 199,314        | 129,220        |
|  | <b>205,007</b> | <b>133,015</b> |

**5.1 Interest income on financial assets at amortised cost**

|                               |                |                |
|-------------------------------|----------------|----------------|
| Money market savings deposits | 199,314        | 129,220        |
|                               | <b>199,314</b> | <b>129,220</b> |

**6 Management fees**

|                 |                |                |
|-----------------|----------------|----------------|
| Management fees | 155,240        | 123,040        |
|                 | <b>155,240</b> | <b>123,040</b> |

Management fees are charged by Ceylon Asset Management Company Limited, the Fund Manager, for investment management services provided to the Fund in accordance with the terms and conditions set out in the trust deed.

| <b>7 Trustee fees</b> | <b>2024</b>   | <b>2023</b>   |
|-----------------------|---------------|---------------|
|                       | <b>Rs.</b>    | <b>Rs.</b>    |
| Trustee fees          | 37,576        | 29,025        |
|                       | <b>37,576</b> | <b>29,025</b> |

Trustee fees are charged by Hatton National Bank PLC for trustee and custodial services provided to the Fund, in accordance with the terms of the trust deed.

| <b>8 Professional fees</b> | <b>2024</b>    | <b>2023</b>    |
|----------------------------|----------------|----------------|
|                            | <b>Rs.</b>     | <b>Rs.</b>     |
| Tax consultancy fee        | 159,079        | 135,381        |
|                            | <b>159,079</b> | <b>135,381</b> |

**9 Other expenses**

|                |              |               |
|----------------|--------------|---------------|
| CDS fees       | 2,103        | 4,388         |
| Bank charges   | 1,660        | 10,999        |
| Other expenses | -            | 19,617        |
|                | <b>3,763</b> | <b>35,004</b> |

**10 Taxation**

In accordance with Section 57 of the Inland Revenue Act, No. 24 of 2017 (as amended), the Fund has treated all income as having been passed through to its unit holders. Therefore, the Fund is not subject to income tax on such income under the provisions of the Inland Revenue Act and its subsequent amendments.

As at 31<sup>st</sup> December,

| <b>11 Cash and cash equivalents</b>                                | <b>2024</b>   | <b>2023</b>   |
|--|---------------|---------------|
|  | <b>Rs.</b>    | <b>Rs.</b>    |
| Favorable cash and cash equivalents balances                       |               |               |
| Cash at bank   | 25,000        | 25,000        |
| Total cash and cash equivalents for purpose of cash flow statement | <b>25,000</b> | <b>25,000</b> |

CEYLON TOURISM FUND  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

As at 31<sup>st</sup> December,

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

| <b>12.1 Non-derivative financial assets</b>                                     | <b>2024</b>       | <b>2023</b>       |
|---|-------------------|-------------------|
|   | <b>Rs.</b>        | <b>Rs.</b>        |
| Cost as at 31 <sup>st</sup> December  | 15,744,679        | 12,537,772        |
| Appreciation of market value of quoted equity securities                        |                   |                   |
| Appreciation of market value of quoted equity securities - prior financial year | 400,954           | (1,208,595)       |
| Unrealised gains from equity investments at FVTPL - current financial year      | 3,993,397         | 1,609,549         |
| <b>Total appreciation of market value of quoted equity securities</b>           | <b>4,394,351</b>  | <b>400,954</b>    |
| <b>Equity investments, listed</b>   | <b>20,139,030</b> | <b>12,938,726</b> |

| <b>12.1.1 Quoted equity securities</b>                           | <b>2024</b>         |                     |                                  | <b>2023</b>         |                     |                                  |
|--|---------------------|---------------------|----------------------------------|---------------------|---------------------|----------------------------------|
|  | <b>Holdings</b>     |                     |                                  | <b>Holdings</b>     |                     |                                  |
| <b>Company</b>   | <b>No of shares</b> | <b>Market Value</b> | <b>As a % of Net Asset Value</b> | <b>No of shares</b> | <b>Market Value</b> | <b>As a % of Net Asset Value</b> |
|  |                     | <b>Rs.</b>          |                                  |                     | <b>Rs.</b>          |                                  |
| <b>Tourism</b>   |                     |                     |                                  |                     |                     |                                  |
| Asian Hotels & Properties PLC                                    | 47,685              | 3,027,998           | 13%                              | 50,505              | 2,929,290           | 27%                              |
| Aitken Spence Hotel Holdings PLC                                 | 36,309              | 3,075,372           | 14%                              | 27,589              | 1,738,107           | 16%                              |
| John Keells Hotels PLC   | 147,175             | 3,031,805           | 13%                              | 90,177              | 1,695,328           | 16%                              |
| Kingsbury Hotels PLC   | 102,163             | 1,225,956           | 5%                               | 92,163              | 995,360             | 9%                               |
| Renuka City Hotel PLC  | 8,300               | 1,037,500           | 5%                               | 7,590               | 635,283             | 6%                               |
| Galadhari Hotels PLC   | 105,446             | 1,919,117           | 8%                               | 95,886              | 1,534,176           | 14%                              |
| Jetwing Symphony PLC   | 124,878             | 1,523,512           | 7%                               | 95,968              | 806,131             | 8%                               |
| EDEN Hotel Lanka PLC   | 182,619             | 3,031,475           | 13%                              | 134,278             | 1,356,208           | 13%                              |
| Serendib Hotels PLC  | 63,400              | 1,382,120           | 6%                               | -                   | -                   | 0%                               |
| Ceylon Hotels Corporation PLC                                    | 37,307              | 884,175             | 4%                               | 28,097              | 533,843             | 5%                               |
| Serendib Hotels PLC  | -                   | -                   | 0%                               | 57,200              | 715,000             | 7%                               |
| <b>Total value of quoted equity securities (at market value)</b> |                     | <b>20,139,030</b>   | <b>88%</b>                       |                     | <b>12,938,726</b>   | <b>121%</b>                      |

| <b>12.2 Net gains from financial instruments at FVTPL</b>     | <b>2024</b>      | <b>2023</b>      |
|---|------------------|------------------|
|   | <b>Rs.</b>       | <b>Rs.</b>       |
| Non-derivative financial assets mandatorily measured at FVTPL |                  |                  |
| Equity investments  | 4,273,771        | 1,617,115        |
|   | <b>4,273,771</b> | <b>1,617,115</b> |

| <b>12.2.1 Net gains from equity investments at FVTPL</b> |                  |                  |
|--|------------------|------------------|
| Realised gains from equity investments at FVTPL          | 280,374          | 7,566            |
| Unrealised gains from equity investments at FVTPL        | 3,993,397        | 1,609,549        |
|  | <b>4,273,771</b> | <b>1,617,115</b> |

**13 Financial assets held at amortised cost**

**Money market savings account deposits**

|                          |                  |                  |
|--------------------------|------------------|------------------|
| Hatton National Bank PLC | 2,570,357        | 2,646,527        |
| Seylan Bank PLC          | 3,286            | 3,836            |
|                          | <b>2,573,643</b> | <b>2,650,363</b> |

**14 Other receivables**

|                           |               |          |
|---------------------------|---------------|----------|
| Receivable on share sales | 22,981        | -        |
|                           | <b>22,981</b> | <b>-</b> |

**CEYLON TOURISM FUND**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

As at 31<sup>st</sup> December,

**15 Financial assets and financial liabilities not carried at fair value**

For financial assets and financial liabilities that have a short term maturity (original maturities less than a year), it is assumed that the carrying amounts approximate their fair values.

Accordingly, the following is a list of financial assets and liabilities whose carrying amount is a reasonable approximation of fair value.

| <b>Assets</b>                           | <b>Liabilities</b>                  |
|---|-------------------------------------|
| Cash and cash equivalents               | Accrued expenses and other payables |
| Other receivables                       |                                     |
| Financial assets held at amortised cost |                                     |

| <b>16 Accrued expenses and other payables</b> | <b>2024</b>    | <b>2023</b>      |
|---|----------------|------------------|
|   | <b>Rs.</b>     | <b>Rs.</b>       |
| Management fee payable                        | 17,117         | 9,248            |
| Trustee fee payable                           | 4,143          | 2,182            |
| Audit fee payable                             | 407,099        | 244,844          |
| Other payable                                 | 226            | 512              |
| Tax consultancy fee payable                   | 66,683         | 50,000           |
| Payable on redemption                         | 30             | 4,632,707        |
| Front end fee payable                         | 20,467         | 14,078           |
| Payable on share purchases                    | 240,595        | -                |
|   | <u>756,360</u> | <u>4,953,571</u> |

**17 Contingencies**

There are no material contingencies existing as at the reporting date that require adjustments to or disclosure in the Financial Statements.

**18 Subsequent events**

There have been no material events occurring after the reporting date that require adjustments to or disclosure in the Financial Statements.

**19 Capital commitments**

There were no material capital and financial commitments as at the reporting date which would require any adjustments to or disclosure in the Financial Statements.

| <b>20 Units in issue and unit price</b>                      | <b>2024</b> | <b>2023</b> |
|--|-------------|-------------|
|  | <b>Rs.</b>  | <b>Rs.</b>  |
| Units in issue and deemed to be in issue as at 31st December | 3,835,904   | 2,364,639   |
| Unit creation price as at 31st December                      | 5.92        | 4.73        |
| Unit redemption price at at 31st December                    | 5.68        | 4.52        |

**21 Related party disclosure**

**21.1 Management company and trustee**

The Management Company of the fund is Ceylon Asset Management Company Limited. The Trustee of the fund is Hatton National Bank PLC.

**CEYLON TOURISM FUND**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

As at 31<sup>st</sup> December,

**21 Related party disclosure (continued)**

**21.2 Key management personnel**

Key management personnel are those persons who have the authority and responsibility for planning, directing and controlling the activities of the fund – directly or indirectly. The definition of key management personnel includes directors (both executive and non-executive). In our view, the term also includes directors of any of the fund's parents to the extent that they have authority and responsibility for planning, directing and controlling the fund's activities.

**i) Directors**

Mr. Rajeendra Shashika Ranasinghe - Chairman  
 Mr. Dulindra Thulsith Fernando - Managing Director  
 Dr. Ravindra Ajith Fernando - Director  
 Mrs. Manjula Cleone Senevirathne - Director

**ii) Other key management personnel**

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

Mr. Waruna Kumarage - Investment Committee Member  
 Mr. Chaminda Vinodh Silva - Investment Committee Member  
 Mr. Thilina Withanage - Senior Consultant (Operations)

**21.3 Key management personnel compensation**

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

**21.4 Other transactions within the Fund**

Apart from those details disclosed in note 21.5, 21.6 and 21.7 key management personnel have not entered any other transactions involving the Fund during the financial year.

**21.5 Related party unit holding and other transactions**

The following are the related party holdings of the Ceylon Tourism Fund.

| Related party                                  | Relationship                                       | No of units    | Value of units holding | Interest held |
|--|--|----------------|------------------------|---------------|
|  |  |                | Rs.                    | %             |
| <b>As at 31<sup>st</sup> December 2024</b>     |  |                |                        |               |
| <b>Ceylon Asset Management Company Limited</b> | <b>Management Company</b>                          | <b>177,305</b> | <b>1,007,092</b>       | <b>4.42%</b>  |
| <b>Mr. Dulindra Fernando</b>                   | <b>Managing Director of the Management Company</b> | <b>188,858</b> | <b>1,072,715</b>       | <b>4.71%</b>  |
| <b>As at 31<sup>st</sup> December 2023</b>     |  |                |                        |               |
| Ceylon Asset Management Company Limited        | Management Company                                 | 177,304        | 801,418                | 7.40%         |
| Mr. Michael Preiss                             | Director of the Management Company                 | 108,909        | 492,267                | 4.54%         |
| Ms. Sachini Amalka Mallamaarachchi             | Relationship Manager                               | 831            | 3,757.02               | 0.03%         |

CEYLON TOURISM FUND  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

As at 31st December,

**21 Related party disclosure (continued)**

**21.6 Transactions with and amounts due to related parties**

The fees were 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 ended |         | Payable as at             |        |
|---|---------------------------|---------|---------------------------|--------|
|   | 31 <sup>st</sup> December |         | 31 <sup>st</sup> December |        |
|   | 2024                      | 2023    | 2024                      | 2023   |
|   | Rs.                       | Rs.     | Rs.                       | Rs.    |
| Management fees - Ceylon Asset Management Company Limited | 155,240                   | 123,040 | 17,117                    | 9,248  |
| Front-end fees - Ceylon Asset Management Company Limited  | -                         | -       | 20,467                    | 14,078 |
| Trustee fees - Hatton National Bank PLC                   | 37,576                    | 29,025  | 4,143                     | 2,182  |

**21.7 Other transaction with related parties**

Investment in the fund's HNB Money Market Savings account has been made in the ordinary course of operations with following related parties. The resulting investment income and outstanding investment balances are given below.

|   | Investment income received during the year |         | Balance as at             |           |
|---|--|---------|---------------------------|-----------|
|   | 31 <sup>st</sup> December                  |         | 31 <sup>st</sup> December |           |
|   | 2024                                       | 2023    | 2024                      | 2023      |
|   | Rs.  | Rs.     | Rs.                       | Rs.       |
| Investment in Money Market Saving with Hatton National Bank PLC (Trustee of the fund) | 201,656                                    | 131,687 | 2,570,357                 | 2,646,527 |
| The Bank balance held at Hatton National Bank PLC                                     | -  | -       | 25,000                    | 25,000    |

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

|   | 2024       | 2023       |
|---|------------|------------|
|   | Rs.        | Rs.        |
| Net asset value as per financial statements | 22,004,294 | 10,660,518 |
| Audit fee & professional fee adjustment     | -          | 167,545    |
| Other expenses                              | -          | 3,200      |
| Published net asset value                   | 22,004,294 | 10,831,263 |
| Number of units outstanding                 | 3,835,904  | 2,364,639  |
| Net asset value per unit                    | 5.74       | 4.58       |

## 23 Financial risk management

### Overview

The Fund has exposure to the following risk via financial instruments.

- Liquidity risk
- Credit risk
- Operational risk
- Market risk
  - ( i ) Interest rate risk
  - ( ii ) Price risk
  - ( iii ) Capital risk management

### 23.1 Risk management framework

The Management has the overall responsibility for the establishment and oversight of the The Fund's risk management framework.

The Fund actively trades financial instruments in line with its investment management strategy. Details of its investment portfolio as of the reporting date are disclosed in the schedule of investments. The Fund's investment activities expose it to various financial and market-related risks, with inherent risk concentrations being a natural part of its operations. The Trustee provides the Fund Manager with investment restrictions and guidelines while overseeing their activities to ensure compliance with the Fund's investment objectives, policies, and restrictions. The Trustee also reviews the Fund's investments and performance. Asset allocation is managed by the Fund Manager, who ensures the distribution of assets aligns with the Fund's investment objectives. Any deviations from target allocations and portfolio composition are closely monitored by both the Fund Manager and the Trustee.

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

#### 23.1 (a) Liquidity risk

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

Management of liquidity risk includes the following elements:

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

#### Maturity analysis of the financial assets and financial liabilities

|   | Carrying<br>Amount<br>Rs. | On<br>Demand<br>Rs. |
|---|---------------------------|---------------------|
| <b>Assets</b>   |                           |                     |
| Cash at bank  | 25,000                    | 25,000              |
| Financial assets recognised through profit or loss - measured at fair value | 20,139,030                | 20,139,030          |
| Financial investments at amortised cost                                     | 2,573,643                 | 2,573,643           |
| <b>Total as at 31<sup>st</sup> December 2024</b>                            | <b>22,737,673</b>         | <b>22,737,673</b>   |
| <br>As at 31 <sup>st</sup> December 2023                                    | <br>15,614,089            | <br>15,614,089      |

23 Financial risk management (continued)

23.1 (b) Credit risk

Credit risk is the risk of financial loss to the Fund if a client or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Fund's advances to clients, investment in corporate debt securities and investment in reverse repo agreements

Management of credit risk includes the following components:

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

23.1 (b) i Credit risk exposure - cash at bank

Credit risk exposure of cash at bank is depicted in the below table using carrying values as at the Statement of Financial Position date.

|                                      | Rating | Rating Agency | 2024<br>Rs.   | 2023<br>Rs.   |
|--------------------------------------|--------|---------------|---------------|---------------|
| Hatton National Bank PLC             | AA-    | Fitch         | 25,000        | 25,000        |
| <b>Total exposure to credit risk</b> |        |               | <b>25,000</b> | <b>25,000</b> |

23.1 (b) ii Credit quality by class of financial assets

As at 31<sup>st</sup> December 2024

|                                  | Carrying<br>amount | 12 Month<br>Expected<br>Credit Loss | Life Time<br>Expected Credit<br>Losses Not<br>Credit Impaired | Life Time<br>Expected Credit<br>Losses Credit<br>Impaired | Total         |
|----------------------------------|--------------------|-------------------------------------|---|---|---------------|
|                                  | Rs.                | Rs.                                 | Rs.   | Rs.   | Rs.           |
| <b>Cash and cash equivalents</b> |                    |                                     |   |   |               |
| Rated AA- to AA+                 | 25,000             | 25,000                              | -   | -   | 25,000        |
| <b>Total</b>                     | <b>25,000</b>      | <b>25,000</b>                       | <b>-</b>  | <b>-</b>  | <b>25,000</b> |

As at 31<sup>st</sup> December 2024

|   | Carrying<br>amount | 12 Month<br>Expected<br>Credit Loss | Life Time<br>Expected Credit<br>Losses Not<br>Credit Impaired | Life Time<br>Expected Credit<br>Losses Credit<br>Impaired | Total            |
|---|--------------------|-------------------------------------|---|---|------------------|
|   | Rs.                | Rs.                                 | Rs.   | Rs.   | Rs.              |
| <b>Financial assets at amortised cost</b> |                    |                                     |   |   |                  |
| Rated AA- to AA+                          | 2,570,357          | 2,570,357                           | -   | -   | 2,570,357        |
| Rated A- to A+                            | 3,286              | 3,286                               | -   | -   | 3,286            |
| <b>Total</b>                              | <b>2,573,643</b>   | <b>2,573,643</b>                    | <b>-</b>  | <b>-</b>  | <b>2,573,643</b> |

As at 31<sup>st</sup> December 2023

|                                  | Carrying<br>amount | 12 Month<br>Expected<br>Credit Loss | Life Time<br>Expected Credit<br>Losses Not Credit<br>Impaired | Life Time<br>Expected Credit<br>Losses Credit<br>Impaired | Total         |
|----------------------------------|--------------------|-------------------------------------|---|---|---------------|
|                                  | Rs.                | Rs.                                 | Rs.   | Rs.   | Rs.           |
| <b>Cash and cash equivalents</b> |                    |                                     |   |   |               |
| Rated A- to A+                   | 25,000             | 25,000                              | -   | -   | 25,000        |
| <b>Total</b>                     | <b>25,000</b>      | <b>25,000</b>                       | <b>-</b>  | <b>-</b>  | <b>25,000</b> |

As at 31<sup>st</sup> December 2023

|   | Carrying<br>amount | 12 Month<br>Expected<br>Credit Loss | Life Time<br>Expected Credit<br>Losses Not Credit<br>Impaired | Life Time<br>Expected Credit<br>Losses Credit<br>Impaired | Total            |
|---|--------------------|-------------------------------------|---|---|------------------|
|   | Rs.                | Rs.                                 | Rs.   | Rs.   | Rs.              |
| <b>Financial assets at amortised cost</b> |                    |                                     |   |   |                  |
| Rated A- to A+                            | 2,650,363          | 2,650,363                           | -   | -   | 2,650,363        |
| <b>Total</b>                              | <b>2,650,363</b>   | <b>2,650,363</b>                    | <b>-</b>  | <b>-</b>  | <b>2,650,363</b> |

CEYLON TOURISM FUND  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

23 Financial risk management (continued)

23.1 (b) Credit risk (continued)

23.1 (b) iii Analysis of concentration risk

The following table shows the risk concentration by sector for the components of the Statement of Financial Position.

As at 31<sup>st</sup> December 2024

|                              | Cash at Bank  | Financial Assets Recognised through Profit or Loss - Measured at Fair Value | Financial Investments at Amortised Cost | Total Financial Assets |
|------------------------------|---------------|---|---|------------------------|
|                              | Rs.           | Rs.   | Rs.                                     | Rs.                    |
| <b>Sector Wise Breakdown</b> |               |   |   |                        |
| Corporate                    | 25,000        | 20,139,030  | 2,573,643                               | 22,737,673             |
| <b>Total</b>                 | <b>25,000</b> | <b>20,139,030</b>   | <b>2,573,643</b>                        | <b>22,737,673</b>      |

As at 31<sup>st</sup> December 2023

|                              | Cash at bank  | Financial Assets Recognised through Profit or Loss - Measured at Fair Value | Financial Investments at Amortised Cost | Total Financial Assets |
|------------------------------|---------------|---|---|------------------------|
|                              | Rs.           | Rs.   | Rs.                                     | Rs.                    |
| <b>Sector Wise Breakdown</b> |               |   |   |                        |
| Corporate                    | 25,000        | 12,938,726  | 2,650,363                               | 15,614,089             |
| <b>Total</b>                 | <b>25,000</b> | <b>12,938,726</b>   | <b>2,650,363</b>                        | <b>15,614,089</b>      |

23.1 (c) Operational risk

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

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

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

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

Compliance with the Fund's internal controls and procedures is supported by periodic reviews undertaken by management or external parties. The results of these reviews are discussed with the management of the business units, and summaries of the findings are presented to the relevant senior management oversight



23 Financial risk management (continued)

23.1 (d) Market risk

Market risk is the risk that changes in market prices, such as interest rates will affect the Fund's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

Management of market risk includes the following elements:

- The operational authority for managing market risk is vested with the Investment Committee.
- Interest rate risk is managed within the approved limits by the Investment Committee.

(i) 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 investments 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.

The management of interest rate risk against interest rate gap limits is supplemented by monitoring the sensitivity of the Fund's financial assets and financial liabilities to various interest rate scenarios.

| As at 31 <sup>st</sup> December 2024 | Up to 3 months | 3 to 12 months | 1 to 3 years | Non-sensitive | Total      |
|--------------------------------------|----------------|----------------|--------------|---------------|------------|
|                                      | Rs.            | Rs.            | Rs.          | Rs.           | Rs.        |
| <b>Financial assets</b>              |                |                |              |               |            |
| Cash and cash equivalents            | -              | -              | -            | 25,000        | 25,000     |
| Financial assets at amortized cost   | -              | 2,573,643      | -            | -             | 2,573,643  |
| Financial assets measured at FVTPL   | -              | -              | -            | 20,139,030    | 20,139,030 |
| <b>Interest rate gap</b>             | -              | 2,573,643      | -            | 20,164,030    | 22,737,673 |

  

| As at 31 <sup>st</sup> December 2023 | Up to 3 months | 3 to 12 months | 1 to 3 years | Non-sensitive | Total      |
|--------------------------------------|----------------|----------------|--------------|---------------|------------|
|                                      | Rs.            | Rs.            | Rs.          | Rs.           | Rs.        |
| <b>Financial assets</b>              |                |                |              |               |            |
| Cash and cash equivalents            | -              | -              | -            | 25,000        | 25,000     |
| Financial assets at amortized cost   | -              | 2,650,363      | -            | -             | 2,650,363  |
| Financial assets measured at FVTPL   | -              | -              | -            | 12,938,726    | 12,938,726 |
| <b>Interest rate gap</b>             | -              | 2,650,363      | -            | 12,963,726    | 15,614,089 |

*Fair value sensitivity analysis for fixed rate instruments*

The Fund holds fixed-rate financial assets classified as fair value through profit or loss (FVTPL). Changes in interest rates at the reporting date may affect the fair value of these assets and, consequently, the Fund's profit or loss. However, during the reporting period, no material changes in interest rates occurred.

*Fair value sensitivity analysis for variable rate instruments*

A reasonably possible 2% change interest rates at the reporting date would have increased or decreased equity and profit or loss by the amounts shown below. The analysis assumes that all other variables, in particular foreign currency exchange rates remain constant.

| Fixed rate instruments                | Profit or loss |             | Equity, net of tax |             |
|---------------------------------------|----------------|-------------|--------------------|-------------|
|                                       | 2% Decrease    | 2% Increase | 2% Decrease        | 2% Increase |
|                                       | Rs.            | Rs.         | Rs.                | Rs.         |
| <b>Financial assets</b>               |                |             |                    |             |
| Money market savings account deposits | (51,473)       | 51,473      | (51,473)           | 51,473      |

**23 Financial risk management (continued)**

**23.1 (d) Market risk ( continued)**

**( ii ) Price risk**

Price risk is the risk that the fair value of the Fund's investment in trading securities fluctuates 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 Fund is exposed to equity securities price risk. This arises from investments held by the Fund for which prices in the future are uncertain. Paragraph below sets out how this component of price risk is managed and measured. Investments are classified in the statement of financial position at fair value through profit or loss. All securities investments present a risk of loss of capital, the maximum risk resulting from financial instruments is determined by the fair value of the financial instruments.

The Management Company mitigates price risk through diversification and a careful selection of securities within specified limits set by the management company. Maximum limit of 97% of the net assets attributable to unit holders are invested in equity securities and remaining amount is invested in short term investments such as repurchase agreements.

The table below is the summary of the equity investment in the banks, finance and insurance sector.

| Sector  | Investment as a % of Net Asset value |             |
|---------|--------------------------------------|-------------|
|         | <u>2024</u>                          | <u>2023</u> |
| Tourism | 88%                                  | 121%        |

The table below shows the impact on the statement of profit or loss and other comprehensive income and statement of financial position due to a reasonably possible change in the price of the Fund's investment in financial assets held at fair value through profit or loss in note 12.1.1, with all other variables held constant:

|  | 2024  | 2023  |
|--|---|---|
|  | Increase/ (decrease)<br>of(loss)/profit before tax and<br>amounts attributable to Unit<br>Holders | Increase/ (decrease)<br>of(loss)/profit before tax and<br>amounts attributable to Unit<br>Holders |
| Change in price of the Fund's investments in financial assets<br>held at fair value through profit or loss |   |   |
| +10%   | 2,013,903   | 1,293,873   |
| -10%   | (2,013,903)   | (1,293,873)   |

23 Financial risk management (continued)

23.1 (d) Market risk (continued)

23.1 (d) (iii) Capital risk management

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

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

Following being the disclosures of unit holders' funds;

*The movement in the unit holder's funds as at 31<sup>st</sup> December 2024*

| I. In term of value                                      | Rs.               |
|--|-------------------|
| Unit holders' funds as at 01 <sup>st</sup> January 2024  | 10,660,518        |
| Creations during the year                                | 11,459,875        |
| Redemption during the year                               | (3,706,876)       |
| Increase in net assets attributable to unit holders      | 3,590,777         |
| Unit holders' funds as at 31 <sup>st</sup> December 2024 | <u>22,004,294</u> |
| II. In term of number of units                           |                   |
| Unit holders' funds as at 01 <sup>st</sup> January 2024  | 2,364,639         |
| Creations during the year                                | 2,239,442         |
| Redemption during the year                               | (768,177)         |
| Unit holders' funds as at 31 <sup>st</sup> December 2024 | <u>3,835,904</u>  |

As stipulated within the Trust Deed, each unit represents a right to an individual unit 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.

## 24 Financial instruments - fair value measurement

The Fund measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements.

### Level - 1

Financial instruments that are measured in whole or in part by reference to published quotes in an active market. A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange and those prices represent actual and regularly occurring market transactions on an arm's length basis.

### Level - 2

Financial instruments that are measured at fair value on a recurring basis. As market quotes generally are not readily available or accessible for these securities, their fair value measures are determined using relevant information generated by market transactions involving comparable securities.

### Level - 3

Valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

## 24.1 Fair values versus the carrying amounts

The fair values of financial assets and liabilities, together with the carrying amounts shown in the Statement of Financial Position, are as follows;

|   | As at 31.12.2024       |                   | As at 31.12.2023       |                   |
|---|------------------------|-------------------|------------------------|-------------------|
|   | Carrying Amount<br>Rs. | Fair Value<br>Rs. | Carrying Amount<br>Rs. | Fair Value<br>Rs. |
| <b>Financial assets measured at fair value</b>                              |                        |                   |                        |                   |
| Financial assets recognised through profit or loss - measured at fair value | 20,139,030             | 20,139,030        | 12,938,726             | 12,938,726        |
|   | <u>20,139,030</u>      | <u>20,139,030</u> | <u>12,938,726</u>      | <u>12,938,726</u> |
| <b>Financial assets not measured at fair value</b>                          |                        |                   |                        |                   |
| Cash at bank  | 25,000                 | 25,000            | 25,000                 | 25,000            |
| Financial investments at amortised cost                                     | 2,573,643              | 2,573,643         | 2,650,363              | 2,650,363         |
|   | <u>2,598,643</u>       | <u>2,598,643</u>  | <u>2,675,363</u>       | <u>2,675,363</u>  |
| <b>Total financial assets</b>   | <u>22,737,673</u>      | <u>22,737,673</u> | <u>15,614,089</u>      | <u>15,614,089</u> |

24 Financial instruments- fair value measurement (continued)

24.2 Financial instruments- fair value

The following table shows an analysis of financial instruments at fair value and by level of fair value hierarchy.

As at 31<sup>st</sup> December 2024

|  | Total<br>Carrying<br>Value | Level 1           | Level 2          | Level 3  | Total Fair<br>Value |
|--|----------------------------|-------------------|------------------|----------|---------------------|
|  | Rs.                        | Rs.               | Rs.              | Rs.      | Rs.                 |
| <b>Financial assets measured at fair value</b>   |                            |                   |                  |          |                     |
| <u>Financial assets recognised through profit or loss -<br/>measured at fair value</u> |                            |                   |                  |          |                     |
| Investment in shares   | 20,139,030                 | 20,139,030        | -                | -        | 20,139,030          |
|  | 20,139,030                 | 20,139,030        | -                | -        | 20,139,030          |
| <b>Financial assets not measured at fair value</b>                                     |                            |                   |                  |          |                     |
| Cash at bank   | 25,000                     | -                 | 25,000           | -        | 25,000              |
| Financial assets at amortised cost   | 2,573,643                  | -                 | 2,573,643        | -        | 2,573,643           |
|  | 2,598,643                  | -                 | 2,598,643        | -        | 2,598,643           |
| <b>Total financial assets</b>  | <b>22,737,673</b>          | <b>20,139,030</b> | <b>2,598,643</b> | <b>-</b> | <b>22,737,673</b>   |

As at 31<sup>st</sup> December 2023

|  | Total Carrying<br>Value | Level 1           | Level 2          | Level 3  | Total Fair Value  |
|--|-------------------------|-------------------|------------------|----------|-------------------|
|  | Rs.                     | Rs.               | Rs.              | Rs.      | Rs.               |
| <b>Financial assets measured at fair value</b>   |                         |                   |                  |          |                   |
| <u>Financial assets recognised through profit or loss -<br/>measured at fair value</u> |                         |                   |                  |          |                   |
| Investment in shares   | 12,938,726              | 12,938,726        | -                | -        | 12,938,726        |
|  | 12,938,726              | 12,938,726        | -                | -        | 12,938,726        |
| <b>Financial assets not measured at fair value</b>                                     |                         |                   |                  |          |                   |
| Cash at bank   | 25,000                  | -                 | 25,000           | -        | 25,000            |
| Financial assets at amortised cost   | 2,650,363               | -                 | 2,650,363        | -        | 2,650,363         |
|  | 2,675,363               | -                 | 2,675,363        | -        | 2,675,363         |
| <b>Total financial assets</b>  | <b>15,614,089</b>       | <b>12,938,726</b> | <b>2,675,363</b> | <b>-</b> | <b>15,614,089</b> |

**24 Financial instruments- fair value measurement (continued)**

**24.3 Measurement of fair values**

**24.3 (a) Valuation techniques for specific instruments**

*Listed equity securities*

Listed equity securities for which quoted prices in an active market for an identical instrument are available are valued using those prices (Level 1 measurement).