

**CEYLON IPO FUND**

**FINANCIAL STATEMENTS**

**31 DECEMBER 2022**

GSM/DS/AD

## INDEPENDENT AUDITORS' REPORT TO THE UNIT HOLDERS OF CEYLON IPO FUND

### Report on the Financial Statements

#### *Opinion*

We have audited the Financial Statements of Ceylon IPO Fund ('the Fund'), which comprise the Statement of Financial Position as at 31 December 2022, and the Statement of Profit or Loss and Other Comprehensive Income, Statement of Movement in Unit Holders' Funds and Statement of Cash Flows for the year then ended, and Notes to the Financial Statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Fund as at 31 December 2022 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 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.

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

The Manager, Ceylon Asset Management Company Limited is responsible for the preparation of these financial statements that give a true and fair view in accordance with Sri Lanka Accounting Standards and for such internal control as Manager 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, the Manager is responsible for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Fund or to cease operations, or has no realistic alternative but to do so.

The Manager is responsible for overseeing the Fund's financial reporting process.

#### *Auditor's responsibilities for the audit of the financial statements*

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SLAuSs will always detect a material misstatement when it exists.



(Contd...2/)

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

Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

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

**Report on other legal and regulatory requirements**

The financial statements are prepared and presented in accordance with and comply with the requirements of the Unit Trust Deed and Unit Trust Code of the Securities and Exchange Commission of Sri Lanka.



19 April 2023  
Colombo

## STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 December 2022

	Notes	2022 Rs.	2021 Rs.
<b>INVESTMENT INCOME</b>			
Interest Income	4.1	8,116,125	111,360
Dividend Income		845,023	13,240
Realised Gain/(Loss) on Financial Assets Fair value through Profit or Loss		(2,688,070)	408,208
Unrealised Gain/(Loss) on Financial Assets Fair value through Profit or Loss		(41,060,492)	4,413,477
Total Investment Income/(Loss)		(34,787,414)	4,946,284
<b>EXPENSES</b>			
Management Fees		(1,052,259)	(34,062)
Trustee Fees		(232,685)	(8,021)
Audit Fees		(213,209)	(131,000)
Professional Fees		(53,919)	(29,016)
Other Expenses		(1,360,119)	(13,306)
		(2,912,191)	(215,406)
<b>NET PROFIT/(LOSS) BEFORE TAX</b>		(37,699,605)	4,730,878
Income Tax Expense	5	-	-
<b>NET PROFIT/(LOSS) AFTER TAX FOR THE YEAR</b>		(37,699,605)	4,730,878
<b>INCREASE/(DECREASE) IN NET ASSETS ATTRIBUTABLE TO UNIT HOLDERS</b>		(37,699,605)	4,730,878

The accounting policies and notes on pages 07 through 20 form an integral part of the Financial Statements.



## STATEMENT OF FINANCIAL POSITION

As at 31 December 2022

	Notes	2022 Rs.	2021 Rs.
<b>ASSETS</b>			
Cash and Cash Equivalents	7	25,000	25,000
Financial Assets - Debt Instruments at Amortised Cost	8	3,047,304	42,595,252
Financial Assets at Fair Value Through Profit or Loss	9	59,755,014	7,777,892
Income Tax Receivable	6	-	-
Other Receivable		9,588	8,358,672
		<u>62,836,906</u>	<u>58,756,816</u>
<b>LIABILITIES</b>			
Accrued Expenses	10	242,273	1,992,865
		<u>242,273</u>	<u>1,992,865</u>
<b>NET ASSETS</b>		<u>62,594,633</u>	<u>56,763,951</u>
<b>UNIT HOLDERS' FUNDS</b>			
Net Assets Attributable to Unit Holders		<u>62,594,633</u>	<u>56,763,951</u>

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

  
Director  
Management Company

  
Trustee

The accounting policies and notes on pages 07 through 20 form an integral part of the Financial Statements.



# Ceylon IPO Fund

## STATEMENT OF MOVEMENT IN UNIT HOLDERS' FUNDS

Year ended 31 December 2022

	2022 Rs.	2021 Rs.
<b>UNIT HOLDERS' FUNDS AS AT 01 JANUARY</b>	56,763,951	510,305
Total Comprehensive Profit/(Loss) for the Year	(37,699,605)	4,730,878
Received on Creation of Units	182,129,834	52,700,590
Paid on Redemption of Units	(138,599,547)	(1,177,822)
Net Increase/(Decrease) due to Unit Holders' Transactions	43,530,287	51,522,768
<b>UNIT HOLDERS' FUNDS AS AT 31 DECEMBER</b>	<b>62,594,633</b>	<b>56,763,951</b>

The accounting policies and notes on pages 07 through 20 form an integral part of the Financial Statements.



## STATEMENT OF CASH FLOWS

Year ended 31 December 2022

	Note	2022 Rs.	2021 Rs.
<b>Cash Flows from/(used in) Operating Activities</b>			
Interest Received		2,442,780	81,040
Dividend Income		845,023	13,240
Debenture Interest Received		1,185,260	-
Management Fees and Trustee Fees Paid		(1,251,892)	(8,779)
Other Expenses		(1,950,894)	144,174
Net Investments from/(in) Treasury Bill Repurchase Agreements		30,000,000	(30,010,603)
Net Investments from/ (in) Money Market Savings		9,538,210	(12,275,663)
Investments from/(in) Corporate Debentures		(57,233,886)	366,578
Purchase of Equity Securities		(65,457,871)	(4,182,301)
Equity IPO Subscription		-	(7,469,000)
Sale proceeds from Sale of Equity Securities		39,812,983	360,774
<b>Net Cash Flow from/(Used in) Operating Activities</b>		<u>(42,070,287)</u>	<u>(52,980,540)</u>
<b>Cash Flows from/(used in) Financing Activities</b>			
Cash Received on Creation of Units		180,669,834	52,700,590
Creation in Advance		-	1,460,000
Cash Paid on Redemption of Units		<u>(138,599,547)</u>	<u>(1,177,822)</u>
<b>Net Cash from/(Used) in Financing Activities</b>		<u>42,070,287</u>	<u>52,982,768</u>
Net decrease in Cash and Cash Equivalents		-	2,228
Cash and Cash Equivalents at the beginning of the year		25,000	22,772
<b>Cash and Cash Equivalents at the end of the year</b>	7	<u>25,000</u>	<u>25,000</u>

The accounting policies and notes on pages 07 through 20 form an integral part of the Financial Statements.



**1. GENERAL INFORMATION**

Ceylon IPO Fund is a specialized IPO Fund that invests in selected IPOs, under the trust deed dated 27 June 2011 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 PLC was appointed with a revised trust deed executed on 1<sup>st</sup> April 2021. In the absence of IPOs the Fund will invest in fixed-income investments and secondary market equity shares.

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 PLC having its place of business at Level 15, HNB Tower, Colombo 01.





## **2. ACCOUNTING POLICIES**

### **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 2022, statement of profit or loss and comprehensive income, statement of movement in unit holders' Funds and cash flows statement for the year then ended, and a summary of significant accounting policies and other explanatory information have been prepared and presented in accordance with Sri Lanka Accounting Standards and the requirements of the Unit Trust Deed and Unit Trust Code of the Securities and Exchange Commission of Sri Lanka.

#### **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.

## **2.2 Summary of significant accounting policies**

### **2.2.1 Financial instruments**

#### **2.2.1.1 Initial recognition**

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

#### **2.2.1.2 Initial measurement of financial instrument**

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

#### **2.2.1.3 Measurement categories of financial assets and liabilities**

The Fund classifies all of its financial assets in the following measurement categories:

- those to be measured at amortised cost
- those to be measured at fair value through profit or loss

Financial liabilities of the Fund are measured at amortised cost, and includes all financial liabilities, other than those measured at fair value through profit or loss. The financial liabilities of the Fund include accrued expenses.



#### 2.2.1.4 Subsequent measurement

**Amortised cost:** A debt instrument is measured at amortised cost if it is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and its contractual terms give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Debt Instruments at amortised cost in the statement of financial position generally comprise of investments in treasury bill repurchase agreements, fixed deposits and money market savings accounts. As of 31 December 2021, the Fund has investments only in Money Market Savings Deposits.

Any gain or loss arising on derecognition is recognised directly in the Statement of Profit or Loss and presented as realised gain/(loss) on debt Instruments held at amortised cost.

**FVPL:** A financial asset is measured at fair value through profit or loss if:

- (a) Its contractual terms do not give rise to cash flows on specified dates that are solely payments of principal and interest on the principal amount outstanding

Or

- (b) It is not held within a business model whose objective is either to collect contractual cash flows or to both collect contractual cash flows and sell.

Or

- (c) At initial recognition, it is irrevocably designated as measured at FVPL when doing so eliminate or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases.

A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in profit or loss and presented net within unrealised gains/(losses) in the period in which it arises. Financial assets at fair value through profit or loss of the Fund comprise of investment in quoted equity securities and corporate debentures as of 31 December 2022.

#### 2.2.1.5 Impairment

The Fund assesses on a forward looking basis, the expected credit losses associated with its debt instruments carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Fund expects to receive, discounted at an approximation of the original effective interest rate.

ECLs are recognized in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures from which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL). The Fund uses the ratings from either Fitch Rating Lanka Limited or ICRA Lanka Limited as applicable to determine the significant deterioration in credit risk and to estimate the ECLs.

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

Further, movements within the ratings of the investment grade stipulate significant deterioration of credit risk. Significant deterioration is measured through a two notches downgrade of the external credit rating of the counterparty since the origination of the instrument.



For debt instruments at amortized cost issued by Sovereign, the Fund applies the low risk simplification.

Investment in Treasury bill repurchase agreements that are obtained from primary dealers with a collateral of either treasury bills or bonds that are graded in the top investment category- AAA rating and, therefore, are considered to be low risk investments.

#### 2.2.1.6 Derecognition

A financial asset is derecognised when,

The rights to receive cash flows from the asset have expired,

The Fund has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either,

- The Fund has transferred substantially all the risks and rewards of the asset or
- The Fund has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset

#### 2.2.1.7 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.

#### 2.2.2 Recognition of income

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

##### (i) Interest Income

Subsequent to the enactment of the new Inland Revenue Act No. 24 of 2017, effective 01 April 2018, an Eligible Unit Trust would not be liable for Income Tax on any Income which is a pass through to its unit holders. Accordingly, post 31 March 2018, the Fund has considered all income as being a pass through to its unit holders. Effective 01 January 2020, withholding tax was abolished in respect of interest received by resident persons. Accordingly, total gross interest has been recognized as investment income. (Refer Notes 2.2.5 and 4.1.1).

##### (ii) Dividend Income

Dividend income is recognized when the Fund's right to receive payment is established. Effective 01 January 2020, withholding tax was abolished in respect of dividend received by resident persons. Accordingly, total gross dividend has been recognized as investment income.

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

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

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

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



### 2.2.3 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.

### 2.2.4 Distributions

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

### 2.2.5 Income tax

Until 31 March 2018 the Fund is liable to pay income tax at the rate of 10% in accordance with the Inland Revenue Act No.10 of 2006. Thereafter, current tax assets and liabilities for the current year are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date.

Subsequent to the enactment of the new Inland Revenue Act No. 24 of 2017, effective 01 April 2018, an Eligible Unit Trust would not be liable for Income Tax on any Income which is a pass through to its unit holders. Accordingly, post 31 March 2018, the Fund has considered all income as being a pass through to its unit holders.

### 2.2.6 Expenses

The management fee and trustee fee 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

### 2.2.7 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.

## 3. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

### (a) Financial Instruments

The Fund's principal financial assets comprise the investments in quoted equity securities (investments in initial public offerings), treasury bill/bond repurchase agreements, fixed deposits, money market savings accounts and cash at bank. The main purpose of these financial instruments is to generate a return on the investment made by Unit Holders. The Fund's financial liabilities comprise accrued expenses and other payables which arise directly from its operations.



In accordance with SLFRS 9 Financial Instruments: Recognition and Measurement, the Fund's financial investments in debt securities are classified as 'financial assets at amortised cost'. Investments in Quoted Equity securities are classified as 'fair value through profit or loss', meaning they are valued at fair value. Amounts attributable to Unit Holders are classified as 'Unit Holders Funds' and are carried at the redemption amount being net asset value. Payables are designated as 'Accrued expenses' at amortized cost.

**(b) Financial risk management objectives, policies and processes**

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

Financial instruments of the Fund comprise investments in quoted equity securities and treasury bill/bond repurchase agreements for the purpose of generating a return on the investment made by Unit holders, in addition to cash at bank and other financial instruments such as receivables and payables, which arise directly from its operations.

Risk arising from holding financial instruments is inherent in the Fund's activities, and is managed through a process of ongoing identification, measurement and monitoring. The Manager is responsible for identifying and controlling the risk arising from the financial instruments held in the Fund and has policies for managing each of the risks identified below.

The Manager also monitors information about the total fair value of financial instruments exposed to risk, as well as compliance with established investment mandate and regulatory limits. These mandate limits reflect the investment strategy and market environment of the Fund, as well as the level of risk that the Fund is willing to accept. This information is prepared and reported to relevant parties within the Management Company on a regular basis as deemed appropriate, including the Fund Manager, Risk and Investment Personnel and ultimately the Trustees of the Fund.

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 and other price risks and ratings analysis for credit risk.

Concentration of risk arises when a number of financial instruments or contracts are entered in to with the same counterparty, or where a number of counterparties are engaged in similar business activities. The Securities and Exchange Commission of Sri Lanka as Regulator has stipulated the level of concentration permitted per counter party. The Fund itself applies and adheres to stringent internal limits.

Further, the Manager has appointed an investment committee which meets weekly to review, evaluate and reassess the investment policies and risk.

**(c) Market risk**

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





**(d) Price risk**

Price risk is the risk that the fair value of the Fund's investment in trading securities in 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.

	2022	2021
	Increase/ (decrease) of (loss)/profit before tax and amounts attributable to Unit Holders Rs.	Increase/ (decrease) of (loss)/profit before tax and amounts attributable to Unit Holders Rs.
Change in price of the Fund's investments in financial assets held at fair value through profit or loss		
+10%	5,975,501	777,789
-10%	(5,975,501)	(777,789)

**(e) 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.

According to the Trust Deed, the Fund can hold fixed income investments and secondary market equity shares. Due to the nature of the instruments, 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.

31 December 2022	Floating interest rate Rs.	Fixed interest rate Rs.	Non- interest bearing Rs.	Total Rs.
<b>Financial assets</b>				
Cash and cash equivalents	-	-	25,000	25,000
Financial Assets- Debt Instruments at Amortised Cost	-	3,047,304	-	3,047,304
Financial Assets- Held at Fair Value Through Profit or Loss	59,755,014	-	-	59,755,014
Other Receivable	-	-	9,588	9,588
<b>Total Exposure</b>	<b>59,755,014</b>	<b>3,047,304</b>	<b>34,588</b>	<b>62,836,906</b>



31 December 2021	Floating interest rate Rs.	Fixed interest rate Rs.	Non- interest bearing Rs.	Total Rs.
<b>Financial assets</b>				
Cash and cash equivalents	-	-	25,000	25,000
Financial Assets- Debt Instruments at Amortised Cost	-	42,595,252	-	42,595,252
Financial Assets- Held at Fair Value Through Profit or Loss	7,777,892	-	-	7,777,892
Other Receivable	-	-	8,358,672	8,358,672
<b>Total Exposure</b>	<b>7,777,892</b>	<b>42,595,252</b>	<b>8,358,352</b>	<b>58,756,816</b>

**(f) Credit risk**

Credit risk is the risk that the counterparty to the financial instruments will fail to discharge an obligation and cause the Fund to incur a financial loss of interest and/or principal.

The Fund's exposure to credit risk from its financial assets arises from default of the counterparty, with the current exposure equal to the carrying amount of financial assets as at the reporting date. It is the Fund's policy to enter into financial instruments with reputable counterparties.

The Fund is also subject to credit risk on its bank balance and receivables. The credit risk exposure on these instruments is not deemed to be significant.

**(g) 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. Due to the nature of a unit trust, it is unlikely that a significant number of unit holders would exit at the same time. However, to control liquidity risk, it primarily holds investments that are traded in an active market and can be readily disposed.

The time frame for return of cash to investors is six business days in which time equities may be liquidated to realise cash for redemption payouts. In addition, the Securities and Exchange Commission and the Fund require additional business days' notice to the Fund from large investors redeeming over 3% of the Fund and the Fund is also permitted to borrow up to 15% of the deposited property for redemption payouts. No such borrowings have arisen during the period.

Furthermore the Unit Trust Code requires a minimum of 3% of the deposited property to be maintained in cash or near cash. (near cash means investments such as bank/call deposits, repurchase agreements with maturities of less than 3 months, commercial paper endorsed or guaranteed by a Licensed Commercial Bank or Licensed Specialized Bank with maturities of less than 3 months and government securities including government bonds with maturities of less than one year which can be readily convertible into cash.)



**(h) 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 manager. Under the terms of the Unit Trust Code, the manager has the discretion to reject an application for units and to defer redemption of units if the exercise of such discretion is in the best interests of unitholders.

Following being the disclosures of Unit holders' Funds;

The movement in the Unit holder's Funds as at 31 December 2022

**I. In term of Value**

	Rs.
Unit Holders' Funds as at 01 January 2022	<b>56,763,951</b>
Creation during the year	182,129,834
Redemptions during the year	(138,599,547)
Decrease in net assets attributable to Unit Holders during the year	(37,699,605)
Unit Holders' Funds as at 31 December 2022	<b>62,594,633</b>

**II. In term of No of units**

	Rs.
Opening units as at 01 January 2022	
	8,223,866
Creation during the year	25,619,465
Redemptions during the year	(22,232,947)
Closing units as at 31 December 2022	<b>11,610,384</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.





**4. INVESTMENT INCOME**

	2022 Rs.	2021 Rs.
4.1 Interest on		
Money Market Savings Deposits (4.1.1)	819,939	54,714
Corporate Debentures (4.1.1)	5,703,735	23,900
Reverse Repo	536,097	-
Commercial Paper	854,984	-
Trust certificate	201,370	-
	<u>8,116,125</u>	<u>111,360</u>

4.1.1 As detailed under Note 2.2.2 (i), subsequent to the enactment of the new Inland Revenue Act No. 24 of 2017, effective 01 April 2018, interest income from Money Market Savings Deposits and Quoted Debentures interest income has been recognized net of withholding tax as the Fund considers its income to be a pass through to its unit holders. Effective 01 January 2020, withholding tax was abolished in respect of dividend and interest received by resident persons. Accordingly, total gross interest has been recognized as investment income.

**5. TAXATION**

5.1 With effect from 01 April 2018, no income tax is recognised in the financial statements as the fund has considered all income as being passed through to its Unit Holders.

	2022 Rs.	2021 Rs.
5.2 Tax Loss brought Forward	71,169	71,169
Tax Losses Carried Forward	<u>71,169</u>	<u>71,169</u>

The Fund has not recognized a deferred tax asset as at 31 December 2022 due to the Fund being unable to assess with reasonable certainty that taxable profits would be available to recover the asset in the foreseeable future.

**6. INCOME TAX RECEIVABLE**

	2022 Rs.	2021 Rs.
Income Tax Receivable	35,691	35,691
Impairment Provision for Income Tax (6.1)	<u>(35,691)</u>	<u>(35,691)</u>
	<u>-</u>	<u>-</u>

6.1 As of 31 December 2022, the net Income Tax Recoverable comprises of notional tax credit recoverable amounting to Rs. 35,691/-. The Notional Tax credit recoverable will be carried forward as per section 138(2) of the Inland Revenue Act No 10 of 2006 to be set off against future income tax liability if any within three consecutive years of assessment commencing from the year of assessment 2018/2019. However, subsequent to the enactment of the new Inland Revenue Act No 24 of 2017, effective 01 April 2018, an Eligible Unit Trust would not be liable for income tax on any income which is a pass through to its unit holders. Therefore it is highly unlikely that there will be future income tax liability to offset these tax credits. Hence an impairment provision is made against the income tax receivable balance amounting to Rs. 35,691/-

**7. CASH AND CASH EQUIVALENTS**

	2022 Rs.	2021 Rs.
Cash at Bank	<u>25,000</u>	<u>25,000</u>

**8. FINANCIAL ASSETS HELD AT AMORTISED COST**

	2022 Rs.	2021 Rs.
<b>Debt Instruments at Amortised Cost</b>		
Money Market Savings Account (8.1)	3,047,304	12,584,649
Treasury REPO Investment (8.2)	<u>-</u>	<u>30,010,603</u>
	<u>3,047,304</u>	<u>42,595,252</u>

**8.1 Money Market Savings Deposits**

Seylan Bank PLC	3,047,304	12,584,649
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**8.2 Treasury REPO Investment**

Bank of Ceylon PLC	-	30,010,603
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## 9. FINANCIAL ASSETS HELD AT FAIR VALUE THROUGH PROFIT OR LOSS

	2022		2021	
	Carrying Value Rs.	Holding as a % of Net Asset Value	Carrying Value Rs.	Holding as a % of Net Asset Value
<b>9.1 Corporate debentures</b>				
Ceylon Electricity Board	32,070,389	51%	-	-
LOLC Finance PLC	9,671,822	15%	-	-
	<u>41,742,211</u>	<u>67%</u>	<u>-</u>	<u>-</u>
<b>9.2 Quoted Equity Securities</b>				
			<b>2022</b>	<b>2021</b>
			<b>Rs.</b>	<b>Rs.</b>
Cost as at 31 December			35,665,420	3,364,416
Appreciation/(Depreciation) of Market Value of Quoted Equity Securities			(17,652,617)	4,413,477
Market Value as at 31 December			<u>18,012,803</u>	<u>7,777,892</u>

## 9.2.1 Quoted equity securities

	2022			2021		
	No of shares	Market Value	Holdings as a % of Net Asset Value	No of shares	Market Value	Holdings as a % of Net Asset Value
<b>Company</b>						
<b>Utilities</b>						
Wind force PLC	4,400	65,560	0.10%	4,400	80,080	0.14%
<b>Real Estate</b>						
Prime Land Residencies PLC	8,000	52,000	0.08%	8,000	89,600	0.16%
Myland Developers PLC	5,913	55,582	0.09%	5,913	157,877	0.28%
		<u>107,582</u>	<u>0.17%</u>		<u>247,477</u>	<u>0.44%</u>
<b>Materials</b>						
JAT Holdings PLC	-	-	-	13,500	290,250	0.51%
<b>Transportation</b>						
Expolanka PLC	62,417	11,375,498	18.17%	500	187,625	0.33%
<b>Software &amp; Services</b>						
Hsenid Business Solutions PLC	4,100	69,700	0.11%	4,100	141,860	0.25%
<b>Insurance</b>						
LOLC General Insurance PLC	18,073	146,391	0.23%	333,200	6,830,600	12.03%
<b>Retailing</b>						
Kapruka Holding PLC	72,350	614,975	0.98%	-	-	-
<b>Capital Goods</b>						
ACL Cables PLC	80,358	5,633,096	9.00%	-	-	-
		<u>18,012,803</u>	<u>28.78%</u>		<u>7,777,892</u>	<u>13.70%</u>

## 10. ACCRUED EXPENSES

	2022 Rs.	2021 Rs.
Fund Manager Payable	54,075	27,778
Trustee Fee Payable	12,869	6,113
Audit Fee Payable	172,245	131,281
Tax Consultancy Fee Payable	3,083	35,230
Front Office Fee Payable	-	332,465
Creation of Website	-	1,460,000
	<u>242,273</u>	<u>1,992,868</u>



**11. FAIR VALUE OF FINANCIAL INSTRUMENTS****Determination of fair value and fair value hierarchy**

The Fund uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1 – An investment in a fund is classified in Level 1 of the hierarchy when that investment is quoted in an active market and measured at the unadjusted quoted price at the reporting date.

Level 2 – An investment in a fund is classified in Level 2 of the hierarchy when that investment is measured using inputs that are directly observable at the reporting date.

Level 3 – An investment in a fund is classified in Level 3 of the hierarchy when the investment is measured using unobservable inputs at the reporting date.

The following table shows an analysis of financial instruments recorded at fair value by level of the fair value hierarchy:

<b>As at 31 December 2022</b>	<b>Level 1 Rs.</b>	<b>Level 2 Rs.</b>	<b>Level 3 Rs.</b>	<b>Total Rs.</b>
Financial Assets - Held at fair value through profit or loss				
Quoted Equity Securities	18,012,803	-	-	18,012,803
Corporate debentures		41,742,211	-	41,742,211
<b>As at 31 December 2021</b>				
Financial Assets - Held at fair value through profit or loss				
Quoted Equity Securities	7,777,892	-	-	7,777,892

**12. CONTINGENCIES**

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

**13. EVENTS OCCURRING AFTER THE REPORTING DATE**

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

**14. CAPITAL COMMITMENTS**

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



**15. UNITS IN ISSUE AND UNIT PRICE**

Units in issue and deemed to be in issue as at 31 December 2022 11,610,384.92 (2021 8,223,866). The creation and redemption price as at this date was Rs 5.52(2021- 7.0) and Rs 5.38. (2021 - 6.9) respectively.

**16. RELATED PARTY DISCLOSURE**

**16.1 Management Company and Trustee**

The Management Company is Ceylon Asset Management Company Limited.  
The Trustee is HNB

**16.2 Key management personnel**

Key management personnel includes persons who were directors of Ceylon Asset Management Company Limited at any time during the financial year.

**i) Directors**

Mr. Dulindra Fernando  
Mr. Michael Preiss  
Mr. Ravindra Ajith Fernando  
Mr. Rajeendra Shashika Ranasinghe  
Mr.R.D.M.U.M.M. Bandara  
Mr. Dinesh Jamnadas Ambani  
Mr.Danushka Pabodha Samarasinghe (w.e.f 17/8/2022)

**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. Thilina Withanage (Senior Consultant-Operations)  
Ms. Janethri Gurusinghe (Consultant-Compliance)

**16.3 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.

**16.4 Other transactions within the Fund**

Apart from those details disclosed in note 16.5 and 16.6, key management personnel have not entered any other transactions involving the Fund during the financial year.



**16. RELATED PARTY DISCLOSURE (Contd..)****16.5 Related party unit holding and other transactions**

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

	Relationship	No of units held closing	Value of unit holding	Interest held	Dividend Paid or payable by the Fund
			Rs.		Rs.
<b>31 December 2022</b>					
Mr.Ravindra Ajith Fernando	Director of the Management Company	199	1,077	0.00%	-
Mr.Thilina Withanage	Consultant	9	54	0.00%	-
Mr.Thilanka Geeganage	Chief Operations Officer	792	4,278.91	0.01%	-
<b>31 December 2021</b>					
Mr. Ravindra Ajith Fernando	Director	199	1,379	0.00%	-
Mr. Dulindra fernandor	Managing Director	24,607	170,124	0.30%	-
Ms.Janethri Gurusinghe	Consultant - Compliance	10	69	0.00%	-
Ms.Shermila Perera	General Manager - Sales & Marketing	2,376	16,427	0.03%	-
Mr. Gihan Perera	Fund Manager	10	69	0.00%	-

**16.6 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 31 December		Payable as at 31 December	
	2022	2021	2022	2021
	Rs.	Rs.	Rs.	Rs.
Management fees	1,052,259	34,062	54,075	27,778
Trustee fees	232,685	8,021	12,869	6,113

**16.7 Other transactions with related parties**

Investments in Money Market Saving & Treasury REPO have 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 during the year		Balance as at	
	31 December		31 December	
	2022	2021	2022	2021
	Rs.	Rs.	Rs.	Rs.
Investment in Treasury REPO with Hatton National Bank PLC (trustee of the fund)	-	32,746	-	30,010,603
Investment in Money Market Saving with Hatton National Bank PLC (trustee of the fund)	819,939	26,468	3,047,304	12,584,649
The Bank balance held at Hatton National Bank PLC as at 31 December	-	-	25,000	25,000

**17. RECONCILIATION BETWEEN THE NET ASSET VALUE AS PER FINANCIAL STATEMENTS AND THE PUBLISHED NET ASSET VALUE**

	2022 Rs.	2021 Rs.
Net Asset Value as per Financial Statements	62,594,633	56,763,951
Audit Fee and Professional Fee Adjustments	40,964	92,353
Published Net Asset Value	62,635,597	56,856,304
Chartered Accountants outstanding	11,610,385	8,223,867
Net Asset Value per Unit	5.39	6.91

