

CEYLON DOLLAR BOND FUND

FINANCIAL STATEMENTS

31 DECEMBER 2023

GSM/DE/PE

**INDEPENDENT AUDITORS' REPORT
TO THE UNIT HOLDERS OF CEYLON DOLLAR BOND FUND**

Report on the audit of financial statements

Opinion

We have audited the Financial Statements of Ceylon Dollar Fund ('the Fund'), which comprise the Statement of Financial Position as at 31 December 2023, 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 material accounting policy information.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Fund as at 31 December 2023 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.

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. 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.

(Contd...2/)

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 the 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.



08 May 2024
Colombo

Ceylon Dollar Bond Fund

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 December 2023

	Notes	2023 USD	2022 USD
INVESTMENT INCOME			
Interest Income	5	1,412,668	2,268,936
Unrealised Gain/ (Loss) on Financial Assets at Fair Value Through Profit or Loss		4,803,640	(8,109,136)
Net realized Gain/(Loss) on Financial Assets Held at Fair Value Through Profit or Loss		(163,786)	-
Total Investment Income		<u>6,052,522</u>	<u>(5,840,200)</u>
EXPENSES			
Management Fees		(52,307)	(49,874)
Trustee Fees		(26,441)	(23,794)
Audit Fees		(900)	(594)
Sovereign Bond Purchase Premium Amortization		(32,888)	(32,888)
Other expenses		(620)	(1,757)
Professional Fee		(200)	(220)
Subscription Fees		(1,791)	(3,582)
SLISB Impairment Provision	9	<u>511,560</u>	<u>(511,560)</u>
		<u>396,414</u>	<u>(624,269)</u>
NET PROFIT/(LOSS) BEFORE TAX FOR THE YEAR		6,448,935	(6,464,469)
Income Tax Expense	6	-	-
NET PROFIT/(LOSS) AFTER TAX FOR THE YEAR		<u>6,448,935</u>	<u>(6,464,469)</u>
INCREASE/(DECREASE) IN NET ASSETS ATTRIBUTABLE TO UNIT HOLDERS		6,448,935	(6,464,469)

The accounting policies and notes on pages 07 through 18 form an integral part of these Financial Statements.



Ceylon Dollar Bond Fund

STATEMENT OF FINANCIAL POSITION

As at 31 December 2023

	Notes	2023 USD	2022 USD
ASSETS			
Cash and Cash Equivalents	7	353,258	2,095,947
Financial Assets - at Fair Value Through Profit or Loss	8	16,789,210	9,457,864
Receivable on matured SLISB	9	-	388,440
Other Receivables		301	301
		<u>17,142,770</u>	<u>11,942,552</u>
LIABILITIES			
Accrued Expenses and Other Payables	10	9,786	8,481
		<u>9,786</u>	<u>8,481</u>
NET ASSETS			
		<u>17,132,985</u>	<u>11,934,071</u>
UNIT HOLDERS' FUNDS			
Net Assets Attributable to Unit Holders		<u>17,132,985</u>	<u>11,934,071</u>

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



 Director
 Management Company



 Director
 Management Company

DEUTSCHE BANK AG
 Colombo Branch


 Authorized Trustee

The accounting policies and notes on pages 07 through 18 form an integral part of these Financial Statements.



Ceylon Dollar Bond Fund

STATEMENT OF MOVEMENT IN UNIT HOLDERS' FUNDS

Year ended 31 December 2023

	2023 USD	2022 USD
UNIT HOLDERS' FUNDS AS AT THE BEGINNING OF YEAR	11,934,071	18,591,672
Increase/(Decrease) in net assets attributable to Unit holders	6,448,935	(6,464,469)
Received on Creation of Units	300,996	31,849
Paid on Redemption of Units	(1,551,017)	(224,981)
Net Increase / (Decrease) due to Unit holders' Transactions	(1,250,022)	(193,132)
UNIT HOLDERS' FUNDS AS AT THE END OF YEAR	<u>17,132,985</u>	<u>11,934,071</u>

The accounting policies and notes on pages 07 through 18 form an integral part of these Financial Statements.



Ceylon Dollar Bond Fund

STATEMENT OF CASH FLOWS

Year ended 31 December 2023

	2023 USD	2022 USD
Cash Flows from Operating Activities		
Interest Received	1,412,668	638,040
Management, Trustee Fees Paid	(77,670)	(74,875)
Other Expenses Paid	475,388	(38,920)
Net Investments in Sri Lanka Sovereign Bonds	(2,303,053)	2,237,074
Impairment on SLISB	-	(511,560)
Net Cash from/(Used in) Operating Activities	<u>(492,667)</u>	<u>2,249,759</u>
Cash Flows from Financing Activities		
Cash Received on Creation of Units	300,996	31,849
Cash Paid on Redemption of Units	(1,551,017)	(224,981)
Net Cash generated from/(used in) Financing Activities	<u>(1,250,022)</u>	<u>(193,132)</u>
Net Increase/(decrease) in Cash and Cash Equivalents	(1,742,689)	2,056,627
Cash and Cash Equivalents at the beginning of the year	2,095,947	39,320
Cash and Cash Equivalents at the end of the year	<u><u>353,258</u></u>	<u><u>2,095,947</u></u>

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The accounting policies and notes on pages 07 through 18 form an integral part of these Financial Statements.



1. GENERAL INFORMATION

The Ceylon Dollar Bond Fund is an open-ended Fund which was launched on 02 July 2014 by a Trust Deed executed between Ceylon Asset Management Company Limited as Fund Manager and the Deutsche Bank AG Corporation Limited as the Trustee.

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 No. 281, Union Place, Colombo 02. The Trustee of the Fund is Deutsche Bank AG having its place of business at Level 21, One Galle Face Tower, No 1A, Centre Road, Galle Face, Colombo 02, Sri Lanka.

The Fund aims to provide US Dollar returns by investing in Sri Lankan sovereign bonds, bank and corporate dollar bonds, rated and listed on recognised global stock exchanges.



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 US Dollar. 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 2023, statement of profit or loss and comprehensive income, statement of movement in unit holders' Funds and Statement of cash flows 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.

The Manager of the Fund has assessed the potential impact of current economic conditions on the Fund's operations, and is confident that it will not impact the going concern ability of the Fund.

2.1.3 Comparative Information

Previous year's figures and phrases are same as of the last year. Previous year's figures and phrases have been rearranged whenever necessary to conform to the current presentation.

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

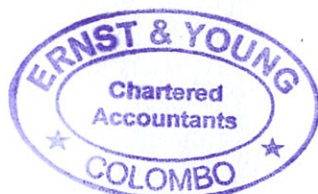
2.2.1 Financial instruments

2.2.1.1 Financial assets

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 and other payables.

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.

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. As of 31 December 2023, the Fund does not have such investments.

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 comprise of investment in Sri Lanka Sovereign Bonds as of 31 December 2023.

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

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

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

Derecognition

A financial asset is derecognised when,

- a. The rights to receive cash flows from the asset have expired,
- b. 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.

2.2.2 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

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

(ii) 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 changes in fair value of financial assets held at fair value through profit or loss as at the reporting date.

(iii) 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 financial assets held at fair value through profit or loss as at the reporting date.



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

As per the provision of the Inland Revenue Act No. 24 of 2017, and subsequent amendments an Eligible Unit Trust would not be liable for Income Tax on any Income which is a pass through to its unit holders. Accordingly, the Fund has considered all income as being a pass through to its unit holders.

2.2.5 Expenses

The management fee, trustee fee and custodian fee of the Fund as per the Trust Deed is as follows,

Management fee	-	0.35% p.a of net asset value of the Fund
Trustee fee and custodian fee	-	0.15% p.a of net asset value of the Fund

2.2.6 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.

3. FINANCIAL RISK MANAGEMENT

The Fund's activities expose it to a variety of financial risks: market risk, credit risk and liquidity risk.

The Fund's overall risk management programme focuses on ensuring compliance with the Fund's Trust Deed and seeks to maximise the returns derived for the level of risk to which the Fund is exposed. Financial risk management is carried out by the Management Company.

Fund is allowed to make investments in Dollar denominated government securities issued by the government of Sri Lanka, Dollar denominated securities issued by incensed commercial banks or corporate bonds rated by an international rating agencies and Dollar deposits in licensed commercial banks for the purpose of generating a return on the investment made by unit holders.

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.



3.1 Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices.

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.

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 8, with all other variables held constant:

	2023 Increase/ (decrease) on (loss)/profit before tax and amounts attributable to Unit Holders USD
Change in price of the Fund's investments in financial assets held at fair value through profit or loss	
+0.1%	(46,559)
-0.1%	14,039
+1%	(315,079)
-1%	295,919
+2%	(600,694)
-2%	622,192
+4%	(1,136,912)
-4%	1,320,295
+6%	(1,629,597)
-6%	2,963,521

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 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 2023	Floating interest rate USD.	Fixed interest rate USD	Non- interest bearing USD	Total USD
<i>Financial asset</i>				
Cash and cash equivalents	-	-	353,253	353,253
Financial assets held at FVTPL	-	-	16,789,210	16,789,210
Other Receivables	-	-	301	301
Total Exposure	-	-	17,142,764	17,142,764



31 December 2022	Floating interest rate USD.	Fixed interest rate USD	Non- interest bearing USD.	Total USD
<i>Financial asset</i>				
Cash and cash equivalents	-	-	2,095,947	2,095,947
Finance assets held at FVTPL	-	-	9,457,864	9,457,864
Other Receivables	-	-	301	301
Advances towards Investments	-	-	388,440	388,440
Total Exposure	-	-	11,942,552	11,942,552

The management company has ceased the recognition of interest on SLISB's effective from 6th September 2022. Refer Note 11.

3.2 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. Refer Note 11.

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

3.3 Liquidity risk

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

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

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

The time frame for return of cash to investors is six business days in which time equities may be liquidated to realize cash for redemption payouts. In addition, the Fund and Security and Exchange Commission of Sri Lanka 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 year.

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.)



NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2023

31 December 2023	Less than 1 month USD	1-6 months USD	6-12 months USD	1-2 years USD	Total USD
Receivables	-	-	301	-	301
Payables	8,337	1,448	-	-	9,786

31 December 2022	Less than 1 month USD	1-6 months USD	6-12 months USD	1-2 years USD	Total USD
Receivables	301	-	-	388,440	388,741
Payables	7,060	1,421	-	-	8,481

4. CAPITAL RISK MANAGEMENT

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

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

The Company has the discretion to reject an application for units.

Following being the disclosures of Unit holders' Funds;

The movement in the Unit holder's Funds as at 31 December 2023

I. In term of Value

	USD
Unit Holders' Funds as at 1 January 2023	11,934,071
Creations during the year	300,996
Redemptions during the year	(1,551,017)
Increase in net assets attributable to Unit Holders	6,448,935
Unit Holders' Funds as at 31 December 2023	17,132,985

II. In term of No of units

Opening no of units as at 1 January 2023	27,219,551
Unit creations during the year	483,789
Unit redemptions during the year	(2,288,467)
Closing no of units as at 31 December 2023	25,414,873

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.



Ceylon Dollar Bond Fund

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2023

5. INVESTMENT INCOME	2023 USD	2022 USD
5.1 Interest on,		
Savings Deposits	23,987	64,563
Sri Lanka Sovereign Bond	-	84,615
Sovereign Bond Purchase Discount Amortization	1,388,681	2,119,758
	<u>1,412,668</u>	<u>2,268,936</u>

6. TAXATION

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.

7. CASH AND CASH EQUIVALENTS	2023 USD	2022 USD
Cash at Bank	345,807	1,512,433
Dollar Saving Account	7,452	583,515
	<u>353,258</u>	<u>2,095,947</u>

8. FINANCIAL ASSETS - HELD AT FAIR VALUE THROUGH PROFIT OR LOSS

	2023 USD	2022 USD
Sri Lanka Sovereign Bonds (SLISB)	16,789,210	9,457,864
	<u>16,789,210</u>	<u>9,457,864</u>

9. RECEIVABLE-MATURED SRI LANKA SOVERIGN BONDS (SLISB)

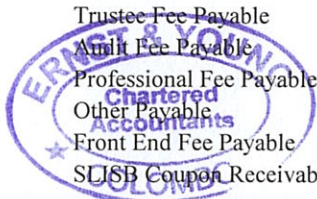
	2023 USD	2022 USD
Receivable-matured SLISB	-	900,000
Less-Impairment Provision	-	(511,560)
	<u>-</u>	<u>388,440</u>

As of 31 December 2022, the SLISB's which were matured (i.e. with a face value of USD 900,000) were fair valued as of such reporting date and reflected as a receivable. The related impairment of USD 511,560 was charged to the Statement of Profit or Loss.

However, as of 31 December 2023, the Management Company having considered all matured SLISB's, (i.e with a face value of USD 10.5 Mn) being available for trading have determined that the related investment amounts be reflected under Financial Assets – Held at Fair Value Through Profit or Loss (Refer note 8). Consequentially, the impairment provision accounted for in the last financial year has been reversed in the current year.

10. ACCRUED EXPENSES AND OTHER PAYABLES

	2023 USD	2022 USD
Fund Manager Payable	5,070	3,560
Trustee Fee Payable	2,889	3,321
Audit Fee Payable	1,063	1,063
Professional Fee Payable	284	358
Other Payable	9	2
Front End Fee Payable	369	76
SLISB Coupon Receivable	101	101
	<u>9,786</u>	<u>8,481</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:

As at 31 December 2023	Level 1 USD	Level 2 USD	Level 3 USD	Total USD
Financial Assets - at Fair Value Through Profit or Loss				
Sri Lanka Sovereign Bonds (SLISB)	-	16,789,210	-	16,789,210
As at 31 December 2022	Level 1 USD	Level 2 USD	Level 3 USD	Total USD
Financial Assets - at Fair Value Through Profit or Loss				
Sri Lanka Sovereign Bonds	-	-	9,457,864	9,457,864

In the year 2022, following the Ministry of Finance letter dated 12th April 2022, announcement of "Interim Policy Regarding the Servicing of Sri Lanka's External Public Debt" declared the external public debt services standstill of the Government of Sri Lanka that was to continue until effecting the restructuring of external public debt. The SLISBs fell under the definition of 'Affected Debts' under the arrangement announced. Accordingly, as of 31 December 2022, the fair value of SLISB's have been derived based on prices in BondEValue. However, considering the inactive market and related concerns mentioned, the related valuation has been established as a Level 3 valuation.

As of 31 December 2023, the fair value of SLISB's have been derived based on prices in BondEValue. The Management Company has determined that the related fair value is reasonable and is reflective of a Level 2 valuation given the market developments and connected consideration of the efforts been taken by the relevant authorities to reach a negotiated settlement with the external private creditors.

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 instruments whose carrying amount is a reasonable approximation of fair value.

Assets

Cash and Cash Equivalents
Other Receivables

Liabilities

Accrued Expenses and Other Payables



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.

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 2023 25,414,873 (2022 - 27,219,551). The unit creation price and redemption price as at this date were USD 0.6775 and USD 0.6741 (2022 - USD 0.4407 and USD 0.4385) respectively.

16. RELATED PARTY DISCLOSURE

16.1 Management Company and Trustee

The Management Company is Ceylon Asset Management Company Limited.
The Trustee is Deutsche Bank AG.

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. Malaka Bandara (Chairman)
Mr. Dulindra Fernando (Managing Director)
Mr. Michael Preiss
Mr. Ravindra Ajith Fernando
Mr. Rajeendra Shashika Ranasinghe
Mr. Dinesh Jamnadas Ambani
Mr. Dhanushka Pabodha Samarasinghe (r.w.e.f.01.07.2023)
Ms. Manjula Cleone Senavirathne (w.e.f.10.07.2023)

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.

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 in to 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 Dollar Bond Fund.

	Relationship	No. of Units	Value of units held USD	Total interest held
31 December 2023				
Sri Lanka Insurance Corporation	Affiliate of the Management Company	10,387,450	7,002,180	40.9%
Mr. Dulindra Fernando	Managing Director of the Management Company	39,722	26,776	0.2%
31 December 2022				
Sri Lanka Insurance Corporation	Affiliate of the Management Company	10,387,450	4,554,897	38.2%
Mr. Dulindra Fernando	Managing Director of the Management Company	29,546	12,956	0.1%
Mr. Danushka Samarasinghe	Director of the Management Company	71,287	31,259	0.3%
Mr. Janethri Gunasinghe	Consultant - Compliance	100	44	0.0004%

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	
	2023 USD	2022 USD	2023 USD	2022 USD
Management fees	52,307	49,874	5,070	3,560
Trustee fees	26,441	23,794	2,889	3,321
The Bank balance held at Deutsche Bank AG as at reporting date	-	-	345,807	1,512,433
Front end fee payable to Ceylon Asset Management Company Limited as at reporting date	-	-	369	76
Sri Lanka Sovereign Bond held at Deutsche bank AG as the Custodian	-	-	16,789,210	9,457,864

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

	2023 USD	2022 USD
Net Asset Value as per Financial Statements	17,132,985	11,934,071
Other adjustments	-	721
Published Net Asset Value	<u>17,132,985</u>	<u>11,934,792</u>
Number of units outstanding	25,414,873	27,219,551
Net Asset Value per Unit	0.6741	0.4385

