



NDB | WEALTH

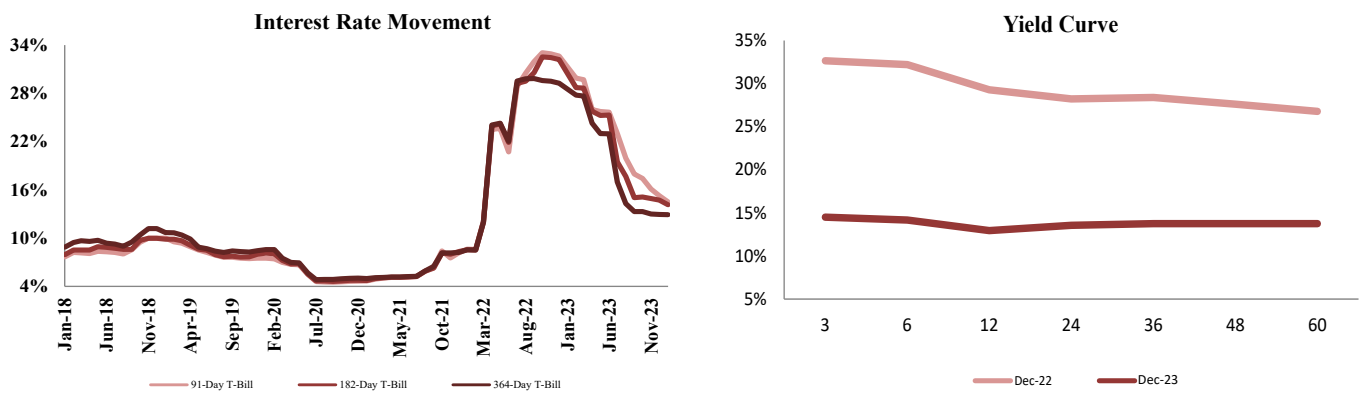
NDB WEALTH INCOME FUND

Financial statements for the period
ended 31st December 2023

Fund Review 2023 - NDB Wealth Income Fund

Interest rates saw a sharp decrease in 2023 with the Central Bank of Sri Lanka (CBSL) relaxing its monetary policy stance considerably, slashing policy rates by 6.50% to spur economic activity with inflation having contained to single-digit levels. Accordingly, the Standing Lending Facility Rate (SLF) and the Standing Deposit Facility Rate (SDF) were brought down to 10% and 9% respectively during the year. On this backdrop, interest rates declined across the yield curve with the benchmark 364-day Treasury bill rate falling to 12.93% by end December 2023 from 27.78% seen at the beginning of the year (Source: Central Bank of Sri Lanka).

The country as a whole went through painful reforms to come out of its worst economic crisis with significant fiscal consolidation measures undertaken to contain budget deficits. Thus, overall deficit for 2023 is expected to be within the budget, owing to significant tax collections, yielding from revenue enhancing measures that were carried out by the government on top of expenditure rationalization strategies. Given the economy returning to stability, foreign investors were net buyers on rupee denominated government securities to the value of LKR 91.87 bn (Source: CBSL).



Source: Central Bank of Sri Lanka

Private sector credit growth turned positive after twelve months of contraction on the back of the steep decline in interest rates. Further, inflation fell considerably during 2023 to close the year at 4% on a year-on-year basis from 51.7% levels seen in January backed by the appreciation of the Sri Lankan Rupee and easing global commodity prices as well as the base effect. (Source: Central Bank of Sri Lanka).

During the year under review the NDB Wealth Income Fund yielded the following returns commensurate with the risk parameters and the objective of the Fund:

| | NDB Wealth Income Fund | *Average Weighted Fixed Deposit Rate (AWFDR) *12-month avg. |
|--------------------|------------------------|---|
| Performance - 2023 | 41.89% (after fees) | 18.23% |

*Source: Central Bank of Sri Lanka

With inflation under control, the Central Bank is expected to implement further monetary easing measures, to foster economic recovery thus, a further decline in interest rates can be anticipated during 2024.

**NDB WEALTH INCOME FUND
COLOMBO - 04**

**FINANCIAL STATEMENTS FOR THE
YEAR ENDED 31ST DECEMBER 2023**



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INDEPENDENT AUDITOR'S REPORT TO THE UNITHOLDERS OF NDB WEALTH INCOME FUND

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of NDB Wealth Income Fund ("the Fund"), which comprise the statement of financial position as at 31st December 2023 and the statement of profit or loss and other comprehensive income, the statement of changes in unitholders' fund and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of material accounting policies as set out on pages 05 to 16.

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

Other Information

Management is responsible for the other information. The other information comprises the information included in the Annual Report. The Annual Report is expected to be made available to us after the date of this auditor's report.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or whether it appears to be materially misstated.

When we read the Annual Report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

Responsibilities of the Fund Management Company and the Trustee for the Financial Statements

The Fund Management Company 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, the Fund Management Company 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 Trustee 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 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 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 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 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 the Trustee 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

These financial statements also comply with the requirements of Rule 27(3) of the Unit Trust Code of September 2011 issued by the Securities and Exchange Commission of Sri Lanka under Act No. 36 of 1987 and the trust deed.

BDO Partners

CHARTERED ACCOUNTANTS

Colombo

24th April 2024

HSR/cc

NDB WEALTH INCOME FUND
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31ST DECEMBER 2023

Page 1

| | Note | 2023 LKR | 2022 LKR |
|--|------|--------------------|---------------------|
| Investment income | | | |
| Interest income | 4 | 78,810,642 | 54,611,909 |
| Realised gain/(loss) on sale of financial assets | | 49,030,383 | 5,311,402 |
| | | <u>127,841,025</u> | <u>59,923,311</u> |
| | | | |
| Operating expenses | 5 | (3,856,574) | (3,955,222) |
| | | | |
| Profit before tax | | <u>123,984,451</u> | <u>55,968,089</u> |
| | | | |
| Income tax expense | 6 | - | - |
| | | | |
| Profit for the year | | <u>123,984,451</u> | <u>55,968,089</u> |
| | | | |
| Other comprehensive income/ (expense) | | | |
| | | | |
| Items that will not be re-classified to profit or loss | | | |
| Fair value loss on financial assets at fair value through other comprehensive income | 8 | 34,369,543 | (24,533,270) |
| Total other comprehensive income/(expense) | | <u>34,369,543</u> | <u>(24,533,270)</u> |
| | | | |
| Total comprehensive income for the year | | <u>158,353,994</u> | <u>31,434,819</u> |
| | | | |
| Increase in net assets attributable to unitholders | | <u>158,353,994</u> | <u>31,434,819</u> |

Figures in brackets indicate deductions.

The accounting policies and notes from pages 05 to 16 form an integral part of these financial statements.

Colombo
24th April 2024



NDB WEALTH INCOME FUND
STATEMENT OF FINANCIAL POSITION
AS AT 31ST DECEMBER 2023

Page 2

| | Notes | As at 31.12.2023 LKR | As at 31.12.2022 LKR |
|---|-------|----------------------------|----------------------------|
| Assets | | | |
| Cash at bank | | 495,376 | 297,611 |
| Financial assets at amortised cost | 7 | 188,774,719 | 305,121,013 |
| Financial assets at fair value through other comprehensive income | 8 | 353,800,946 | 84,699,348 |
| Income tax receivable | 9 | - | - |
| Other receivables | | 41,154 | 41,156 |
| Total assets | | 543,112,195 | 390,159,129 |
| Liabilities | | | |
| Accrued expenses | 10 | 726,627 | 530,221 |
| Total liabilities | | 726,627 | 530,221 |
| Net assets attributable to unitholders | | 542,385,568 | 389,628,908 |
| Unitholders' funds | | | |
| Unit capital | | 211,363,338 | 214,914,145 |
| Fair value reserve | | 6,321,546 | (28,047,997) |
| Retained earnings | | 324,700,684 | 202,762,760 |
| Net assets attributable to unitholders | 11 | 542,385,568 | 389,628,908 |


Figures in brackets indicate deductions.

The accounting policies and notes from pages 05 to 16 form an integral part of these financial statements.

The Fund Management Company and the Trustee are responsible for the preparation and presentation of these financial statements in accordance with Sri Lanka Accounting Standards.

These financial statements were approved by the Fund Management Company and the Trustee on 24th April 2024.


.....
Director
NDB Wealth Management Ltd
Fund Management Company

FOR BANK OF CEYLON
 
.....
Authorised Signatories
Bank of Ceylon
Trustee


.....
Director
NDB Wealth Management Ltd
Fund Management Company

Colombo
24th April 2024
HSR/cc



NDB WEALTH INCOME FUND
STATEMENT OF CHANGES IN UNITHOLDERS' FUND
FOR THE YEAR ENDED 31ST DECEMBER 2023

Page 3

| | Unit capital LKR | Fair value reserve LKR | Retained earnings LKR | Total LKR |
|---|------------------------|------------------------------|-----------------------------|--------------------|
| Balance as at 01st January 2022 | 389,771,714 | (3,514,727) | 267,413,297 | 653,670,285 |
| Net increase due to creations and redemptions of units | (174,857,569) | - | (120,618,627) | (295,476,196) |
| Increase in net assets attributable to unitholders | - | - | 55,968,089 | 55,968,089 |
| Other comprehensive income | | | | |
| Valuation loss on financial assets at fair value through other comprehensive income | - | (24,533,270) | - | (24,533,270) |
| Balance as at 31st December 2022 | 214,914,145 | (28,047,997) | 202,762,759 | 389,628,908 |
| Net decrease due to creations and redemptions of units | (3,550,807) | - | (2,046,526) | (5,597,333) |
| Increase in net assets attributable to unitholders | - | - | 123,984,451 | 123,984,451 |
| Other comprehensive income | | | | |
| Valuation loss on financial assets at fair value through other comprehensive income | - | 34,369,543 | - | 34,369,543 |
| Balance as at 31st December 2023 | 211,363,338 | 6,321,546 | 324,700,684 | 542,385,569 |

Figures in brackets indicate deductions.

The accounting policies and notes from pages 05 to 16 form an integral part of these financial statements.

Colombo
24th April 2024



**NDB WEALTH INCOME FUND
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31ST DECEMBER 2023**

Page 4

| | 2023 LKR | 2022 LKR |
|---|--------------------|----------------------|
| Cash flows from operating activities | | |
| Interest income received | 60,434,469 | 56,186,105 |
| Management fees paid | (2,917,131) | (3,294,659) |
| Other expenses paid | (743,033) | (946,686) |
| Net investment in/(disposal of) lease securitisation | 10,000,000 | (20,000,000) |
| Net disposal of/(investment in) TBills | 147,135,320 | - |
| Net disposal of/(investment in) fixed deposits | (75,000,000) | 238,700,044 |
| Net disposal of/(investment in) buy and sell back financial instruments | 20,533,886 | 175,384,279 |
| Net disposal of/(investment in) debentures | 27,013,965 | - |
| Net realised gain on security sales | 49,030,383 | (142,200,670) |
| Net (investment in) treasury bonds | (238,104,556) | (6,704,165) |
| Net cash (used in)/generated from operating activities | (2,616,697) | 297,124,248 |
| Cash flows from financing activities | | |
| Amount received on creation of units | 18,824,290 | 20,461,504 |
| Amount paid on redemption of units | (24,421,623) | (315,937,698) |
| Net cash used in financing activities | (5,597,333) | (295,476,194) |
| Net (decrease)/increase in cash and cash equivalents | (8,214,030) | 1,648,054 |
| Cash and cash equivalents at the beginning of the year | 35,876,441 | 34,228,387 |
| Cash and cash equivalents at the end of the year | 27,662,411 | 35,876,441 |
| Cash and cash equivalents at the end of the year comprise: | | |
| Cash at bank | 495,376 | 297,611 |
| Money market savings accounts | 27,167,035 | 35,578,830 |
| | 27,662,411 | 35,876,441 |

Figures in brackets indicate deductions.

The accounting policies and notes from pages 05 to 16 form an integral part of these financial statements.

Colombo
22nd April 2024



1. GENERAL INFORMATION

1.1 General

NDB Wealth Income Fund (“the Fund”) is an open ended unit trust fund licensed by the Securities and Exchange Commission of Sri Lanka and established under trust deed signed on 17th November 1997. The Fund which invests mainly in government securities and corporate debt securities is domiciled in Sri Lanka.

The Fund is managed by NDB Wealth Management Limited while Bank of Ceylon acts as the Trustee of the Fund. The registered office of the Fund manager is located at No. 40, Nawam Mawatha, Colombo 02, Sri Lanka and the principal place of business is located at Level G, NDB Capital Building, No.135, Bauddhaloka Mawatha, Colombo 04, Sri Lanka.

The Trustee’s principal place of business is located at Head office, Bank of Ceylon Mawatha, Colombo 01, Sri Lanka.

1.2 Date of authorisation for issue

The financial statement of the Fund for the year ended 31st December 2023 were authorised for issue by the Fund Management Company and the Trustee on 24th April 2024.

2. PREPARATION OF FINANCIAL STATEMENTS

2.1 Basis of preparation

The financial statements are prepared and presented in accordance with and comply with the relevant Sri Lanka Accounting Standards issued by the Institute of Chartered Accountants of Sri Lanka. The statement of financial position is presented on a liquidity basis and assets and liabilities are presented in decreasing order of liquidity and are not distinguished between current and non-current. The financial statements have been prepared on the historical cost basis, except as noted below. Historical cost is generally the fair value of the consideration given in exchange of assets. The financial statements are presented in Sri Lankan rupees (LKR).

2.2 Statement of compliance

The financial statements which comprise the statement of financial position as at 31st December 2023, statement of profit or loss and other comprehensive income, statement of changes in unitholders’ funds and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory 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.

2.3 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.

Management of the Fund has continuously assessed the potential impact of economic crisis on the business’s operations and is confident that it will not impact the going concern’s ability of the Fund.





2.4 Significant accounting judgments, estimates and assumptions

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

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised if the revision affects only that period or in the period of the revision and future periods as well, if the revision affects both current and future periods.

Management considers credit, liquidity and market risk and assesses the impact on valuation of investments when determining the fair value.

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

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 techniques.

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2: Techniques which use inputs other than quoted prices included within level 1, that are observable, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3: Techniques which use inputs that have a significant effect on the recorded fair value that are not based on observable market data

2.5 Summary of significant accounting policies

Accounting policies set out below have been applied consistently to all periods presented in these financial statements.

2.5.1 Financial instruments

(i) Recognition and initial measurement

All financial assets are initially recognised on the date 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.

(ii) Classification

On initial recognition, a financial asset is classified as measured at: amortised cost or FVOCI. Financial assets are not reclassified subsequent to their initial recognition unless the Fund changes its business model for managing financial assets in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.



NDB WEALTH INCOME FUND
SIGNIFICANT ACCOUNTING POLICIES TO THE FINANCIAL STATEMENTS

A financial asset is measured at amortised cost if it meets both of the following conditions:

- It is held within a business model whose objective is to hold assets to collect contractual cash flows
- Its contractual terms give rise on specified dates to cash flows that are solely the payments of principal and interest on the principal amount outstanding

The Fund's financial assets classified under amortised cost include treasury bills under repurchase agreements and term deposits and asset backed securities.

A debt investment is measured at FVOCI if it meets both of the following conditions:

- It is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- Its contractual terms give rise on specified dates to cash flows that are solely the payments of principal and interest on the principal amount outstanding.

(iii) Subsequent measurement and gains and losses

| | |
|------------------------------------|--|
| Financial assets at amortised cost | These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses, if any. Interest income and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss. |
| Debt investments at FVOCI | These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, and impairment is recognised in profit or loss. The changes in fair value of FVOCI debt instruments are recognised in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss. |

(iv) Impairment

The Fund recognises loss allowances for expected credit losses (ECLs) on financial assets measured at amortised cost. The Fund measures loss allowances at an amount equal to lifetime ECL, except for bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition which are measured as 12-month ECL.

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

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
- The restructuring of a loan or advance by the Fund on terms that the Fund would not consider otherwise
- It is probable that the borrower will enter bankruptcy or other financial reorganisation

As of the date of the statement of financial position the Fund has not observed any of the above, therefore, no impairment provision has been recognised in the financial statements.

Presentation of allowance for ECL 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.

Write-offs

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery.

2.5.2 Financial liabilities - Classification, subsequent measurement and gains and losses

Financial liabilities are classified as measured at amortised cost. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Any gain or loss on derecognition is also recognised in profit or loss. Financial liabilities measured at amortised cost include accrued expenses and other payables.

2.5.3 Derecognition

Financial assets

The Fund derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it 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 it does not retain control of the financial asset.

The Fund enters into transactions whereby it transfers assets recognised in its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognised.

Financial liabilities

The Fund derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire. The Fund also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid is recognised in profit or loss.

2.5.4 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.

2.5.5 Cash and cash equivalents

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



2.5.6 Payables and provisions

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

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

2.5.7 Recognition of income

Income 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 interest income is recognised.

(i) Interest income

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

2.5.8 Recognition of expenses

All expenses including the management fees, registrar fees, trustee fees and custodian fees, are recognised in profit or loss on accrual basis.

The management participation fees of the Fund are as follows:

| | | |
|----------------|---|-----------------------------------|
| Management fee | - | 0.65% net asset value of the Fund |
| Trustee fee | - | 0.10% net asset value of the Fund |
| Custodian fee | - | Nil |

2.5.9 Unitholders' funds and net assets attributable to unitholders

Unitholders' funds have been calculated as the difference between the carrying amounts of the assets and the carrying amounts of the liabilities, other than those due to unitholders, as at the date of the statement of financial position.

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

3. TAXATION

The fund was liable to pay income tax at the rate of 10% until 31st March 2018 in accordance with the Inland Revenue Act No. 10 of 2006. Subsequent to the enactment of the new Inland Revenue Act No. 24 of 2017 effective from 01st April 2018, Unit Trusts that conduct eligible investment business are treated as pass through to its unitholders and tax will be payable by unitholders.



| | | 2023 LKR | 2022 LKR |
|---|----------|-------------------|-------------------|
| 4. INTEREST INCOME | | | |
| Income from financial assets at amortised cost | Note 4.1 | 51,333,833 | 43,096,794 |
| Income from financial assets at fair value through other comprehensive income | | 27,476,809 | 11,515,115 |
| | | <u>78,810,642</u> | <u>54,611,909</u> |
| 4.1 Income from financial assets at amortised cost | | | |
| Fixed deposits | | 23,709,030 | 10,863,944 |
| Asset backed securities | | 6,916,129 | 3,777,858 |
| Money market savings accounts | | 2,841,939 | 6,007,864 |
| Treasury bills under repurchase agreements | | 40,246 | 95,868 |
| Buy and sell back financial instruments | | 1,553,051 | 10,841,102 |
| GOSL treasury bills | | 16,273,438 | 10,742,291 |
| GOSL treasury bonds | | - | 609,259 |
| Other income | | - | 158,608 |
| | | <u>51,333,833</u> | <u>43,096,794</u> |
| 5. OPERATING EXPENSES | | | |
| Management fees | | 3,003,580 | 3,152,298 |
| Trustee and Custodian fees | | 545,514 | 538,325 |
| Auditor's remuneration | | 366,520 | 134,981 |
| Tax consultancy fee | | (116,263) | 92,680 |
| Bank charges | | 57,223 | 36,938 |
| | | <u>3,856,574</u> | <u>3,955,222</u> |
| 6. INCOME TAX | | | |

Following the enactment of the new Inland Revenue Act No. 24 of 2017 effective from 01st April 2018, the Fund is deemed as conducting an eligible investment business and is treated as a tax pass through vehicle. Hence, no provision for income tax was made in the financial statements for the period ended 31st December 2023.

| | 31.12.2023 LKR | As a % of net assets value | 31.12.2022 LKR | As a % of net assets value |
|--|--------------------|-------------------------------|--------------------|-------------------------------|
| 7. FINANCIAL ASSETS AT AMORTISED COST | | | | |
| Fixed deposits (Note 7.1) | 141,290,923 | 26.05% | 50,417,018 | 12.94% |
| Asset backed securities (Note 7.2) | 20,247,260 | 3.73% | 30,927,878 | 7.94% |
| Money market savings accounts (Note 7.3) | 27,236,536 | 5.02% | 36,060,058 | 9.25% |
| Investment in GOSL TBills- (Note 7.4) | - | - | 157,877,611 | 40.52% |
| Investment in GOSL T Bonds (Note 7.5) | - | - | 6,507,449 | 1.67% |
| Buy and sell back financial instruments (Note 7.6) | - | - | 23,331,000 | 5.99% |
| | <u>188,774,719</u> | <u>34.80%</u> | <u>305,121,013</u> | <u>78.31%</u> |
| 7.1 Fixed deposits | | | | |
| People's Bank | 90,894,756 | 16.76% | - | - |
| Siyapatha Finance PLC | 10,099,597 | 1.86% | 10,104,839 | 2.59% |
| People's Leasing and Finance PLC | 15,016,376 | 2.77% | 15,017,238 | 3.85% |
| HNB Finance PLC | 25,280,194 | 4.66% | 25,294,941 | 6.49% |
| | <u>141,290,923</u> | <u>26.05%</u> | <u>50,417,018</u> | <u>12.94%</u> |



| | 31.12.2023 LKR | As a % of net assets value | 31.12.2022 LKR | As a % of net assets value |
|---|---------------------------|-------------------------------|---------------------------|-------------------------------|
| 7. FINANCIAL ASSETS AT AMORTISED COST(CONTD....) | | | | |
| 7.2 Asset backed securities | | | | |
| Siyapatha Finance PLC | 20,247,260 | 3.73% | 30,927,878 | 7.94% |
| | <u>20,247,260</u> | <u>3.73%</u> | <u>30,927,878</u> | <u>7.94%</u> |
| 7.3 Money Market Savings Accounts | | | | |
| DFCC Bank PLC | 13,696 | 0.00% | 1,116,186 | 0.29% |
| Hatton National Bank PLC | 27,222,840 | 5.02% | 34,943,872 | 8.97% |
| | <u>27,236,536</u> | <u>5.02%</u> | <u>36,060,058</u> | <u>0.29%</u> |
| 7.4 Investment in GOSL Tbills | | | | |
| LKA09123C245 | - | - | 46,564,600 | 11.95% |
| LKA36423F231 | - | - | 45,259,100 | 11.62% |
| LKA36423G288 | - | - | 66,053,911 | 16.95% |
| | <u>-</u> | <u>-</u> | <u>157,877,611</u> | <u>40.52%</u> |
| 7.5 Investment in GOSL Tbonds | | | | |
| LKB02023J016 | - | - | 6,507,449 | 1.67% |
| | <u>-</u> | <u>-</u> | <u>6,507,449</u> | <u>1.67%</u> |
| 7.6 Buy and Sell Back Financial Instruments | | | | |
| M Power - Alliance Finance PLC | - | - | 23,331,000 | 5.99% |
| | <u>-</u> | <u>-</u> | <u>23,331,000</u> | <u>5.99%</u> |
| 8. FINANCIAL ASSETS OF FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME | | | | |
| | As at 31.12.2023 | | As at 31.12.2022 | |
| | Amortised value LKR | Market value LKR | Amortised value LKR | Market value LKR |
| Debentures (Note 8.1) | 88,962,000 | 88,008,097 | 111,989,538 | 84,699,348 |
| Treasury bonds (Note 8.2) | 258,517,401 | 265,792,849 | - | - |
| | <u>347,479,401</u> | <u>353,800,946</u> | <u>111,989,538</u> | <u>84,699,348</u> |
| Total unrealised gain/(loss) | | <u>6,321,545</u> | | <u>(27,290,190)</u> |
| Recognised in other comprehensive income/(expense) | | <u>33,611,735</u> | | |

8. FINANCIAL ASSETS OF FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (CONTD....)

| 8.1 Debentures | As at | As a % of net assets value | As at | As a % of net assets value |
|---|--------------------|-------------------------------|-------------------|-------------------------------|
| | 31.12.2023 LKR | | 31.12.2022 LKR | |
| HDFC Bank of Sri Lanka | 47,617,093 | 8.78% | 35,134,151 | 9.02% |
| HNB PLC | - | - | 3,066,363 | 0.79% |
| DFCC Bank PLC | - | - | 3,559,126 | 0.91% |
| Sampath bank PLC | 20,967,590 | 3.87% | - | - |
| Singer Finance (Lanka) PLC | 19,423,414 | 3.58% | 13,243,203 | 3.40% |
| Citizens Development Business Finance PLC | - | - | 29,696,506 | 7.62% |
| | <u>88,008,097</u> | 16.23% | <u>84,699,349</u> | 21.74% |
| 8.1 Treasury bonds | | | | |
| LKB00527E019 | 1,987,073 | 0.37% | - | - |
| LKB00527I150 | 61,631,083 | 11.36% | - | - |
| LKB00827A151 | 20,614,055 | 3.80% | - | - |
| LKB01530E152 | 27,374,799 | 5.05% | - | - |
| LKB01628G019 | 154,185,839 | 28.43% | - | - |
| | <u>265,792,849</u> | 49.00% | <u>-</u> | <u>-</u> |

9. TAX RECOVERABLE

| | As at 31.12.2023 LKR | As at 31.12.2022 LKR |
|---|----------------------------|----------------------------|
| Notional Tax Recoverable | 58,604 | 58,604 |
| Withholding Tax Credit | 897,269 | 897,269 |
| Impairment provision for Notional Tax Recoverable | (58,604) | (58,604) |
| Impairment provision for WHT Recoverable | (897,269) | (897,269) |
| Balance as at 31st December | <u>-</u> | <u>-</u> |

As of 31st December 2018, the net Income Tax Recoverable comprises of notional tax credit recoverable amounting to Rs.1,489,093/- and WHT of Rs.897,269/-. The Fund Manager intends to claim the WHT recoverable by means of a refund. 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 to 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 unitholders. Therefore, the Fund Manager is unable to assess with reasonable certainty that there will be a future income tax liability to offset this income tax receivable balance. Hence an impairment provision is made against the WHT receivable balance amounting to Rs.897,269/- and an impairment provision is made against the notional tax recoverable amount of Rs.58,604/- relevant to 2018.

The remaining notional tax recoverable amount related to the period prior to year 2018 amounting to Rs.1,430,489/-, has been written off.

10. ACCRUED EXPENSES

| | As at 31.12.2023 LKR | As at 31.12.2022 LKR |
|----------------------------|----------------------------|----------------------------|
| Management fees | 307,041 | 220,592 |
| Trustee and Custodian fees | 54,323 | 39,028 |
| Auditor's remuneration | 340,263 | 129,338 |
| Tax consultancy fee | 25,000 | 141,263 |
| | <u>726,627</u> | <u>530,221</u> |



11. NET ASSETS ATTRIBUTABLE TO UNITHOLDERS

The movement in the number of units and net assets attributable to unitholders during the period were as follows:

| | 31.12.2023 Units | 31.12.2022 Units | 31.12.2023 LKR | 31.12.2022 LKR |
|--|---------------------|---------------------|--------------------|--------------------|
| Opening capital balance | 21,315,940 | 38,660,851 | 389,628,909 | 653,670,285 |
| Units issued during the period | 788,503 | 1,193,531 | 18,824,290 | 20,461,503 |
| Units redeemed during the period | (1,140,730) | (18,538,442) | (24,421,623) | (315,937,698) |
| Increase in net assets attributable to unitholders | - | - | 158,353,994 | 31,434,819 |
| Closing balance | 20,963,712 | 21,315,940 | 542,385,569 | 389,628,909 |

The creation price was at LKR 25.57 (2022 -LKR. 18.38) per unit and the redemption price was at 25.57 (2022- LKR. 18.38) per unit as at 31 December 2023.

12. CONTINGENCIES

There were no significant contingencies existing at the statement of financial position date that require adjustments to, or disclosures in, the financial statements.

13. EVENTS AFTER THE STATEMENT OF FINANCIAL POSITION DATE

No significant events have taken place since the date of the statement of financial position date that require adjustments to or disclosures in these financial statements

14. CAPITAL COMMITMENTS

There were no capital commitments at the statement of financial position date.

15. RELATED PARTY TRANSACTIONS

The following have been identified as related parties to NDB Wealth Income Fund in accordance with the Sri Lanka Accounting Standards LKAS 24, Related Party Disclosures for the reasons stated below.

15.1 Management Company and Trustee

The Management Company is NDB Wealth Management Limited
NDB Wealth Management Ltd is a subsidiary of NDB Capital Holdings Limited. The Fund's ultimate parent entity and controlling party is National Development Bank PLC, which is incorporated and domiciled in Sri Lanka.

The Trustee is Bank of Ceylon PLC

15.2 Key management personnel

Key management personnel includes persons who were directors of NDB Wealth Management Limited at any time during the financial year.

Mr. D.S.P. Wickramanayake
Mr. Bernard
Mr. Sanjaya
Mr. Senaka Kakiriwaragodage
Mr. Dimantha Seneviratne

There is no unitholding by related parties and no purchase and sale of units made by related parties for 2023.



15. RELATED PARTY TRANSACTIONS (CONTD....)

Details of fund management fees and trustee fees paid/payable are as follows:

| Name of the related party | Nature of interest | Particulars of financial dealings | Transaction value LKR | Outstanding value LKR |
|-------------------------------|-------------------------|-----------------------------------|-----------------------|-----------------------|
| NDB Wealth Management Limited | Fund Management Company | Management fee | 3,003,580 | 307,041 |
| Bank of Ceylon | Trustee Custodian | Trustee fees and Custodian fees | 545,514 | 54,323 |

The Fund maintains a current account with the Trustee, Bank of Ceylon, Corporate branch via which all settlement transactions of the Fund were made.

16. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

(a) Financial instruments

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

(b) Financial risk management objectives, policies and processes

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

Financial instruments of the Fund comprise investments in fixed income securities for the purpose of generating a return on the investment made by unitholders, in addition to cash at bank and other financial instruments such as receivables and payables, which arise directly from its operations.

The manager is responsible for identifying and controlling the risks that arise from these financial instruments. The manager agrees policies for managing each of the risks identified below.

The risks are measured using a method that reflects the expected impact on the statement of comprehensive income and statement of financial position of the Fund from reasonably possible changes in the relevant risk variables. Information about these risk exposures at the reporting date, measured on this basis, is disclosed below.

The manager also monitors information about the total fair value of financial instruments exposed to risk, as well as compliance with established investment mandate limits. These mandate limits reflect the investment strategy and market environment of the Fund, as well as the level of risk that the Fund is willing to accept, with additional emphasis on selected industries. This information is prepared and reported to relevant parties within the management on a regular basis as deemed appropriate, including the fund management, other key management, risk and investment committees, and ultimately the trustee of the fund.



16. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTD...)

(b) Financial risk management objectives, policies and processes (contd...)

Concentration of risk arises when a number of financial instruments or contracts are entered into with the same counterparty, or where a number of counterparties are engaged in similar business activities or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economics, political or other conditions.

(i) Credit risk

Credit risk is the risk that the counterparty to the financial instrument will fail to discharge an obligation and cause the Fund to incur a financial loss. The Fund's exposure to credit risk from its financial assets arises from default of the counterparty, with the current exposure equal to fair value of these instruments as detailed below. It is the Fund's policy to enter into financial instruments with reputable counterparties.

Risk concentration of credit risk exposure

Concentration of credit risk is managed by counterparty and by market sector. 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.

| | As at 31.12.2023 LKR | As at 31.12.2022 LKR |
|---|----------------------------|----------------------------|
| Conservative: Treasury bills/bonds and money market savings | 285,753,936 | 201,202,924 |
| Balanced: Fixed deposits/asset backed securities and debentures | 250,500,182 | 189,375,245 |
| | <u>536,254,118</u> | <u>390,578,169</u> |

(ii) Market risk

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

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

(iii) 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 following table demonstrates the sensitivity of the statement of comprehensive income to reasonably possible changes in interest rates, with all other variables held constant.

| Increase / (decrease) in basis points | 2023 LKR | 2022 LKR |
|---|-------------|-------------|
| + 0.25% | 1,254,006 | 1,003,982 |
| - 0.25% | (1,254,006) | (1,003,982) |



16. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTD...)

(iv) Liquidity risk

Liquidity risk is the risk that the Fund will encounter difficulty in raising funds to meet its obligation to pay unitholders.

Due to the nature of a unit trust, it is unlikely that a significant number of unitholders would exit at the same time. However to control liquidity risk, the Fund invests in financial instruments, which under normal market conditions are readily convertible to cash. In addition, the Fund invests within established limits to ensure there is no concentration of risk. The Fund's exposure to liquidity risk can be analysed as follows:

| | As at 31.12.2023 LKR | As at 31.12.2022 LKR |
|--|----------------------------|----------------------------|
| Fixed income securities | | |
| Long-term (1 year or more than 1 year) | 161,538,183 | 104,675,896 |
| Short-term (less than 1 year) | 27,236,536 | 36,060,058 |
| | <u>188,774,719</u> | <u>140,735,954</u> |

