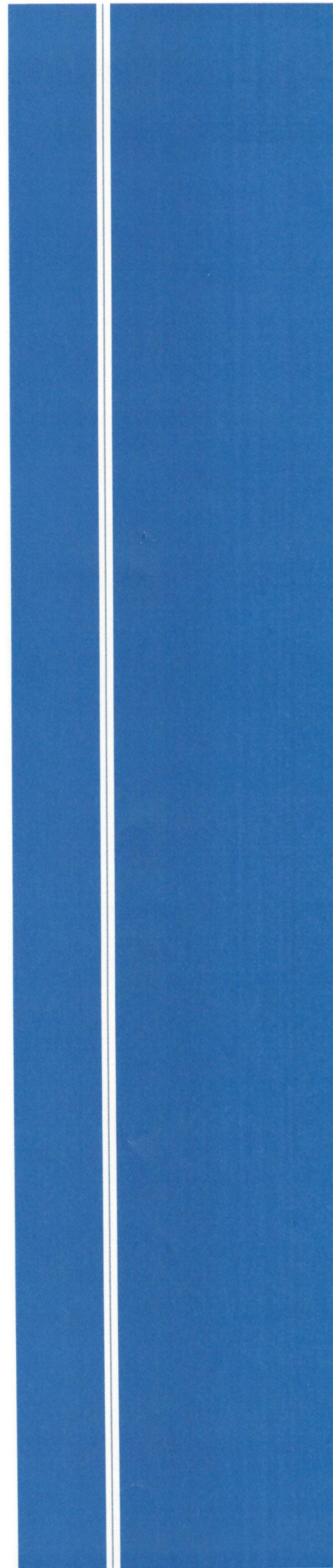


NDB Wealth Income Fund

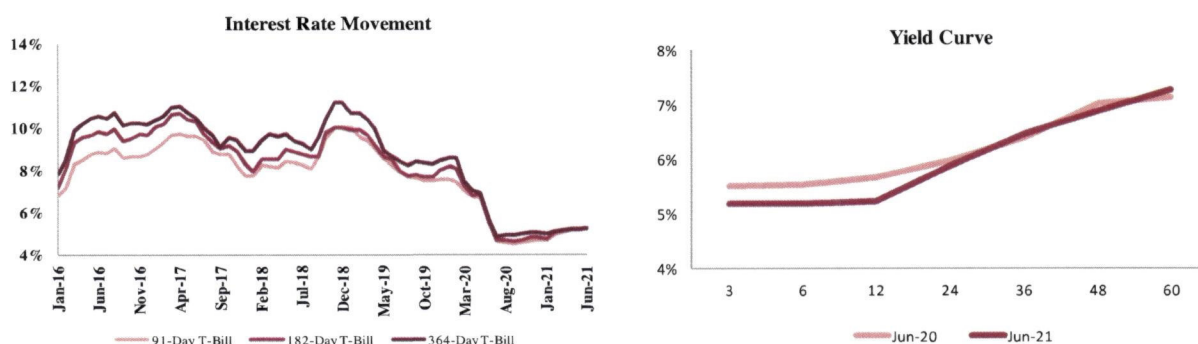
Financial Statements for the Period
Ended 30th June 2021



Fund Review 1st Half 2021 - NDB Wealth Income Fund

The Central Bank of Sri Lanka (CBSL) held its policy rates stable during the period under review, with a view of maintaining an accommodative monetary policy stance, to support the ongoing recovery of the economy hampered by the Covid-19 pandemic. Accordingly, the Standing Lending Facility Rate (SLF) and the Standing Deposit Facility Rate (SDF) were maintained at 5.50% and 4.50% respectively while the Statutory Reserve Ratio (SRR) was maintained at 2.00% during the first half of the year. However, interest rates saw upward pressure across the yield curve with the benchmark 364-day Treasury bill rate edging up to 5.23% by the end of June 2021 from lows of 4.98% seen at the beginning of the year (Source: Central Bank of Sri Lanka).

Overall, macro-economic weakness, the depreciating rupee and the heavy external debt servicing burden continued to deter foreign investors from the local market, with foreign investors continuing to exit out of Rupee denominated government securities and foreign holding of local Treasury bills and bonds declining to a historic low of LKR 2.49 bn as of 30th June 2021 (Source: Central Bank of Sri Lanka).



Source: Central Bank of Sri Lanka

Credit to the private sector recovered considerably during the period under review on the back of Central Bank's loose monetary policy stance, leading to historically low lending rates driving private sector demand for credit. On the fiscal front, overall budget deficit for 2021 is expected to expand significantly, amidst the continued impact of the pandemic leading to slower growth, fragile revenue collections and the escalation of expenditure.

During the period 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) ^{*6-month avg.}
Performance - 1 st Half 2021	3.84% (after fees)	N/A
Annualized Performance - 1 st Half 2021	7.68% (after fees)	6.26%

*Source: Central Bank of Sri Lanka

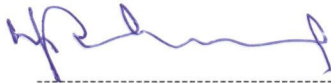
We expect interest rates to see upward pressure during the second half of the year owing to fiscal slippage, the high debt servicing burden and the increasing demand for credit from the private sector. Further, inflationary pressures stemming from rising global commodity prices, the Rupee depreciation and demand side factors may prompt policymakers to engage in appropriate policy action in terms of monetary tightening.

NDB WEALTH INCOME FUND
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE PERIOD ENDED 30 JUNE 2021

	Notes	2021 LKR	2020 LKR
Investment income			
Interest income	1	21,134,907	21,105,958
Total investment income		<u>21,134,907</u>	<u>21,105,958</u>
Expenses	2	(2,663,454)	(2,274,086)
Profit before tax		<u>18,471,453</u>	<u>18,831,872</u>
Income tax expense	3	-	-
Profit for the year		<u>18,471,453</u>	<u>18,831,872</u>
Other comprehensive income/ (loss)			
Unrealised gain /(loss) on financial assets at fair value through other comprehensive income		(940,400)	3,502,301
Total comprehensive income for the year		<u><u>17,531,053</u></u>	<u><u>22,334,173</u></u>
Increase in net assets attributable to unitholders		<u><u>17,531,053</u></u>	<u><u>22,334,173</u></u>

**NDB WEALTH INCOME FUND
STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2021**

	Notes	30.06.2021 LKR	31.12.2020 LKR
Assets			
Cash at bank		523,540	55,593
Financial assets at amortised cost	4	473,095,205	289,727,700
Financial assets at fair value through other comprehensive income	5	122,202,707	79,515,005
Other receivables		20,241	-
Total assets		<u>595,841,693</u>	<u>369,298,298</u>
Liabilities			
Accrued expenses	6	<u>665,633</u>	<u>596,849</u>
Total liabilities		<u>665,633</u>	<u>596,849</u>
Net assets attributable to unit holders		<u>595,176,061</u>	<u>368,701,449</u>
Unitholders' funds			
Unit capital		365,434,985	237,111,875
Investment in revaluation reserve		2,375,887	3,316,287
Retained earnings		<u>227,365,187</u>	<u>128,273,287</u>
Net assets attributable to unitholders	7	<u>595,176,061</u>	<u>368,701,449</u>



Director
NDB Wealth Management Ltd
Fund Management Company



Director
NDB Wealth Management Ltd
Fund Management Company

NDB WEALTH INCOME FUND
STATEMENT OF MOVEMENT IN UNIT HOLDERS' FUND
FOR THE PERIOD ENDED 30 JUNE 2021

	Unit capital	Investment in revaluation	Retained earnings	Total
	LKR	LKR	LKR	LKR
Balance as at 1 January 2020	239,589,639	399,299	90,922,096	330,911,034
Net increase due to creations and redemptions of units	(2,477,764)	-	(1,231,132)	(3,708,896)
Increase in net assets attributable to unitholders	-	-	38,582,323	38,582,323
Distributions to unitholders	-	-	-	-
<i>Other comprehensive income</i>				
Unrealized gain on financial assets at fair value through other comprehensive income	-	2,916,988	-	2,916,988
			-	-
Balance as at 31 December 2020	<u>237,111,875</u>	<u>3,316,287</u>	<u>128,273,287</u>	<u>368,701,452</u>
Net decrease due to creations and redemptions of units	128,323,111	-	80,620,448	208,943,558
Increase in net assets attributable to unitholders	-	-	18,471,453	18,471,453
<i>Other comprehensive loss</i>				
Unrealized loss on financial assets at fair value through other comprehensive income	-	(940,400)	-	(940,400)
Balance as at 30 June 2021	<u>365,434,985</u>	<u>2,375,887</u>	<u>227,365,187</u>	<u>595,176,061</u>

**NDB WEALTH INCOME FUND
STATEMENT OF CASH FLOWS
FOR THE PERIOD ENDED 30 JUNE 2021**

	2021	2020
	LKR	LKR
Cash flows from operating activities		
Interest income received	25,361,686	21,566,169
Management fees paid	(1,970,055)	(1,395,486)
Other expenses paid	(624,616)	(479,536)
Net disposal of/ (investment in) lease securitization	22,336,203	(18,874,186)
Net disposal of commercial papers	(22,780,866)	5,139,486
Net disposal of/ (investment in) debentures	(39,197,617)	-
Net investment in fixed deposits	(177,523,490)	(850,722)
Net cash generated from / (used in) operating activities	<u>(194,398,755)</u>	<u>5,105,725</u>
Cash flows from financing activities		
Amount received on creation of units	216,339,993	19,454,263
Amount paid on redemption of units	(7,396,435)	(17,915,086)
Net cash generated from / (used in) financing activities	<u>208,943,558</u>	<u>1,539,177</u>
Net increase in cash and cash equivalents	14,544,804	6,644,902
Cash and cash equivalents at the beginning of the year	<u>14,415,321</u>	<u>4,371,731</u>
Cash and cash equivalents at the end of the year	<u><u>28,960,125</u></u>	<u><u>11,016,633</u></u>
Cash and cash equivalents at the end of the year comprises		
Cash at bank	523,540	613,168
Money market savings accounts	28,436,585	10,403,464
	<u><u>28,960,125</u></u>	<u><u>11,016,633</u></u>

NDB WEALTH INCOME FUND
NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2021

	2021	2020
	LKR	LKR
1. Interest income		
Income from financial assets at amortised cost <i>(Note 1.1)</i>	16,408,782	16,113,431
Income from financial assets at fair value through other comprehensive income	4,726,125	4,992,527
	<u>21,134,907</u>	<u>21,105,958</u>
1.1 Income from financial assets at amortised cost		
Fixed deposits	3,640,715	3,143,395
Asset backed securities	8,564,525	9,190,132
Commercial papers	3,264,111	3,414,738
Treasury bills under repurchase agreements	227,021	-
Money market saving accounts	712,410	365,166
	<u>16,408,782</u>	<u>16,113,431</u>
2. Expenses		
Management fees	2,073,906	1,698,690
Trustee fees	335,982	275,195
Custodian fees	111,994	106,963
Auditor's remuneration	56,430	120,893
Tax consultancy fee	56,542	42,336
Bank charges	28,600	30,010
	<u>2,663,454</u>	<u>2,274,086</u>
3. Income tax		
Tax expense for the year	<u>-</u>	<u>-</u>

The fund is deemed as conducting an eligible investment business and is treated as a tax pass through vehicle in accordance with the new Inland Revenue Act No. 24 of 2017 effective from 1 April 2018. Hence no provision for the income tax was made in the financial statements.

NDB WEALTH INCOME FUND
NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2021

	30.06.2021 LKR	As a % of net assets value	31.12.2020 LKR	As a % of net assets value
4. Financial assets at amortised cost				
Fixed deposits (<i>Note 4.1</i>)	224,371,454	37.70%	45,489,612	12.34%
Asset backed securities (<i>Note 4.2</i>)	147,177,805	24.73%	176,984,029	48.00%
Money market saving accounts (<i>Note 4.3</i>)	28,509,151	4.79%	14,481,375	3.93%
Commercial papers (<i>Note 4.4</i>)	73,036,795	12.27%	52,772,684	14.31%
	<u>473,095,205</u>	<u>79.49%</u>	<u>289,727,700</u>	<u>78.58%</u>
4.1 Fixed deposits				
Commercial Leasing & Finance PLC	42,370,938	7.12%	13,976,700	3.79%
LOLC Development Finance	40,383,342	6.79%	-	-
Siyapatha Finance PLC	-	-	5,261,032	1.43%
Richard Pieris Finance Limited	26,398,167	4.44%	11,234,643	3.05%
Alliance Finance Company PLC	85,200,548	14.32%	-	-
Singer Finance (Lanka) PLC	15,006,584	2.52%	-	-
People's Leasing and Finance PLC	15,011,875	2.52%	15,017,238	4.07%
	<u>224,371,454</u>	<u>37.70%</u>	<u>45,489,612</u>	<u>12.34%</u>
4.2 Asset backed securities				
Commercial Leasing & Finance PLC	-	-	43,352,316	11.76%
LOLC Finance PLC	21,280,738	3.58%	13,447,383	3.65%
Merchant Bank of Sri Lanka & Finance PLC	-	-	40,855,848	11.08%
Richard Pieris Finance Limited	52,181,903	8.77%	10,464,411	2.84%
Singer Finance (Lanka) PLC	11,370,277	1.91%	10,648,669	2.89%
Citizens Development Business Finance PLC	62,344,887	10.48%	58,215,402	15.79%
	<u>147,177,805</u>	<u>24.73%</u>	<u>176,984,029</u>	<u>48.00%</u>
4.3 Money Market Saving Accounts				
DFCC Bank PLC	28,472,551	4.78%	-	-
Hatton National Bank PLC	36,601	0.01%	14,481,375	3.93%
	<u>28,509,151</u>	<u>4.79%</u>	<u>14,481,375</u>	<u>3.93%</u>
4.4 Commercial Papers				
Lanka ORIX Leasing Company PLC	73,036,795	12.27%	52,772,684	14.31%
	<u>73,036,795</u>	<u>12.27%</u>	<u>52,772,684</u>	<u>14.31%</u>

NDB WEALTH INCOME FUND
NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2021

5. Fair value through other comprehensive income

	30.06.2021		31.12.2020	
	Amortised value	Market value	Amortised value	Market value
Debentures	119,826,821	122,202,707	76,198,718	79,515,005
Total unrealised gain / (loss)		2,375,887		3,316,287
Recognised in other comprehensive income		(940,400)		

5.1 Debentures

	30.06.2021	As a % of net assets value	31.12.2020	As a % of net assets value
	LKR		LKR	
HDFC Bank of Sri Lanka	53,759,335	9.03%	50,846,308	13.79%
Hatton National Bank PLC	4,195,782	0.70%	4,091,252	1.11%
DFCC Bank	4,873,112	0.82%	4,751,957	1.29%
Senkadagala Finance	-	-	5,402,462	1.47%
Peoples Leasing And Finance PLC	5,215,571	0.88%	-	-
Siyapatha Finance PLC	12,312,864	2.07%	11,864,021	3.22%
Singer Finance (Lanka) PLC	25,000,000	4.20%	2,559,004	0.69%
Citizens Development Business Finance PLC	16,846,044	2.83%	-	-
	122,202,707	20.53%	79,515,005	21.57%

6. Tax recoverable

	30.06.2021	31.12.2020
	LKR	LKR
Balance as at 31 January 2021	-	-
Notional tax credit	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)
Income tax payable	-	-
Balance as at 30 June 2021	-	-

NDB WEALTH INCOME FUND
NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2021

7. Accrued expenses

Management fees	429,920	326,069
Trustee fees	69,649	52,824
Custodian fees	23,216	17,608
Auditor's remuneration	56,430	112,860
Tax consultancy fee	86,418	87,488
	<u>665,634</u>	<u>596,849</u>

8. Net assets attributable to unitholders

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

	30-Jun-21	31-Dec-20	30-Jun-21	31-Dec-20
	Units	Units	LKR	LKR
Opening capital balance	23,517,833	23,763,575	368,701,449	330,911,034
Units issued during the period	13,188,302	3,217,762	216,339,993	48,943,670
Units redeemed during the period	(459,353)	(3,463,504)	(7,396,435)	(52,652,566)
Increase in net assets attributable to unitholders	-	-	17,531,053	41,499,311
Distributions to unit holders	-	-	-	-
Closing balance	<u>36,246,783</u>	<u>23,517,833</u>	<u>595,176,061</u>	<u>368,701,449</u>

The creation price was at LKR 16.52 (2020 -LKR. 15.21) per unit and the redemption price was at 16.52 (2020- LKR. 15.21) per unit as at 30 June 2021.

9. Distributions for the year

There were no distributions for the period ended 30 June 2021.

10. Contingencies

There were no material contingencies existing at the reporting date that require adjustments to or disclosures in the financial statements.

11. Events after the reporting date

There have been no material events occurring after the reporting date that require adjustments to or disclosures in the financial statements.

12. Capital commitments

There were no significant capital commitments at the end of the reporting date.

NDB Wealth Income Fund

For the period ended 30 June 2021

	NAV as per valuation as at 30.06.2021	598,894,678
	<i>Adjustments to the Financial Statements</i>	
Add:	SRL payable	36,235
	Audit Fee & Tax Consultancy Fee-over provision adjustment	121,353
Less:	WHT recoverable as per Valuation	(3,051,793)
	Write off - amount payable on redemption of units	(8,906)
	Commercial Paper -Adjustment to the market value difference	(184,805)
	Asset Backed Securities - Adjustment to the market value difference	(629,901)
	Bank Charge	(800)
	NAV as per Financial Statements	595,176,061
	(Net Assets attributable to Unit holders)	