



**NDB** | WEALTH

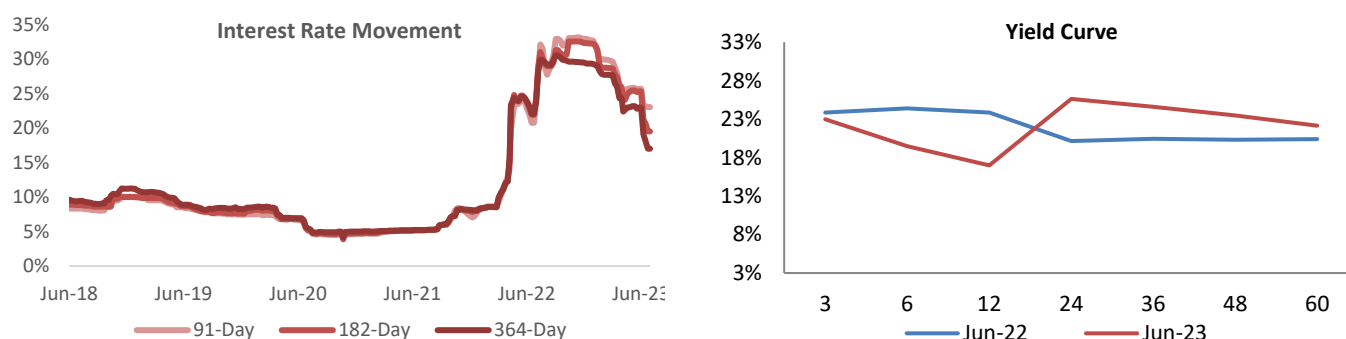
# **NDB WEALTH INCOME FUND**

Financial statements for the period ended 30<sup>th</sup> June 2023

## Fund Review 1<sup>st</sup> Half 2023 - NDB Wealth Income Fund

In the first half of 2023, Sri Lanka experienced a significant decrease in interest rates. The Central Bank of Sri Lanka (CBSL) and the Monetary Board raised policy rates by 100 basis points in March 2023 to meet the requirements for securing the IMF Extended Fund Facility (EFF) arrangement. Subsequently however, CBSL implemented aggressive rate cuts from June 2023, reducing policy rates by 250 basis points to stimulate the economy following a historic contraction in 2022. As a result, the Standing Lending Facility Rate (SLF) stood at 14.00% and the Standing Deposit Facility Rate (SDF) at 13.00% by the end of the first half of 2023. In this backdrop, interest rates across the yield curve dropped, with the benchmark 364-day Treasury bill rate falling from 29.16% in end December 2022 to 16.99% by the end of June 2023 (Source: Central Bank of Sri Lanka).

In the 2H2023, a continued decline in inflation is anticipated, primarily attributed to the appreciation of the Sri Lankan Rupee and the easing of global commodity prices as well as the base effect. These factors are expected to provide room for a more relaxed monetary policy stance, aimed at stimulating economic activity during this period.



Source: Central Bank of Sri Lanka

On the fiscal front, overall budget deficit for 2023 is expected to hover in the range of approximately LKR 2.40 Tn (vs. 2.46 Tn in 2022), amidst better revenue collection and curtailment of capital expenditures. Thus, going forward significant fiscal consolidation measures and structural reforms will have to be introduced as part of an IMF program in order to achieve debt sustainability and overall macro-economic stability.

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) <sup>*6-month avg.</sup>
Performance - 1 <sup>st</sup> Half 2023	12.86% (after fees)	N/A
Annualized Performance - 1 <sup>st</sup> Half 2023	25.73% (after fees)	19.57%

\*Source: Central Bank of Sri Lanka

With inflation under control, Central Bank is expected to be able to implement further monetary easing to foster economic recovery and further decreases in interest rates may be foreseen during the second half of the year.

**NDB WEALTH INCOME FUND**  
**STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED 30 JUNE 2023**

	Notes	30-Jun-23 LKR	30-Jun-22 LKR
<b>Investment income</b>			
Interest income	1	40,492,757	25,868,217
Realised gain or loss on sale of financial assets		1,279,006	-
<b>Total investment income</b>		<u>41,771,763</u>	<u>25,868,217</u>
Expenses	2	(1,702,358)	(2,239,783)
<b>Profit before tax</b>		<u>40,069,406</u>	<u>23,628,434</u>
Income tax expense	3	-	-
<b>Profit for the year</b>		<u>40,069,406</u>	<u>23,628,434</u>
<b>Other comprehensive income/ (loss)</b>			
Unrealised gain /(loss) on financial assets at fair value through other comprehensive income		8,918,027	(20,965,847)
<b>Total comprehensive income for the year</b>		<u><u>48,987,432</u></u>	<u><u>2,662,587</u></u>
Increase in net assets attributable to unitholders		<u><u>48,987,432</u></u>	<u><u>2,662,587</u></u>

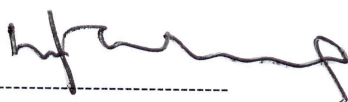
**NDB WEALTH INCOME FUND  
STATEMENT OF FINANCIAL POSITION  
AS AT 30 JUNE 2023**


	Notes	30-Jun-23 LKR	31-Dec-22 LKR
<b>Assets</b>			
Cash at bank		327,884	297,611
Financial assets at amortised cost	4	192,116,521	305,121,013
Financial assets at fair value through other comprehensive income	5	232,632,310	84,699,348
Income tax recoverable	6	-	-
Other receivables		2,077,719	41,157
<b>Total assets</b>		<u>427,154,435</u>	<u>390,159,129</u>
<b>Liabilities</b>			
Other Payable		-	-
Accrued expenses	7	453,410	508,100
<b>Total liabilities</b>		<u>453,410</u>	<u>508,100</u>
<b>Net assets attributable to unit holders</b>		<u>426,701,024</u>	<u>389,651,030</u>
<b>Unitholders' funds</b>			
Unit capital		208,673,120	214,914,144
Investment in revaluation reserve		(19,129,970)	(28,047,997)
Retained earnings		237,157,874	202,784,881
<b>Net assets attributable to unitholders</b>	8	<u>426,701,024</u>	<u>389,651,030</u>

FOR BANK OF CEYLON

   
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Authorized Signatories

Bank of Ceylon  
Trustee

  
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NDB Wealth Management Ltd  
Fund Management Company

  
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NDB Wealth Management Ltd  
Fund Management Company

**NDB WEALTH INCOME FUND  
STATEMENT OF MOVEMENT IN UNIT HOLDERS' FUND  
FOR THE YEAR ENDED 30 JUNE 2023**

	Unit capital	Investment in revaluation reserve	Retained earnings	Total
	LKR	LKR	LKR	LKR
<b>Balance as at 1 January 2022</b>	389,771,713	(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	-	-	55,990,211	55,990,211
Distributions to unitholders	-	-	-	-
<i>Other comprehensive income</i>				
Unrealized gain on financial assets at fair value through other comprehensive income	-	(24,533,270)	-	(24,533,270)
<b>Balance as at 31 December 2022</b>	<u>214,914,144</u>	<u>(28,047,997)</u>	<u>202,784,881</u>	<u>389,651,030</u>
Net decrease due to creations and redemptions of units	(6,241,024)	-	(5,696,413)	(11,937,437)
Increase in net assets attributable to unitholders	-	-	40,069,406	40,069,406
<i>Other comprehensive loss</i>				
Unrealized loss on financial assets at fair value through other comprehensive income	-	8,918,027	-	8,918,027
<b>Balance as at 30 June 2023</b>	<u>208,673,120</u>	<u>(19,129,970)</u>	<u>237,157,874</u>	<u>426,701,024</u>

**NDB WEALTH INCOME FUND  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 30 JUNE 2023**

	<b>30-Jun-23</b>	<b>30-Jun-22</b>
	<b>LKR</b>	<b>LKR</b>
<b>Cash flows from operating activities</b>		
Interest income received	27,409,685	27,194,306
Management fees paid	(1,339,576)	(1,955,166)
Other expenses paid	(417,472)	(657,269)
Net disposal of/ (investment in) lease securitization	-	(15,000,000)
Net disposal of/ (investment in) debentures	19,593,965	-
Net investment in fixed deposits	(75,000,000)	160,962,308
Net disposal of/ (investment in) TBills	147,135,320	(86,035,500)
Net disposal of/ (investment in) Buy & Sell Back Financial Instruments	-	132,275,426
Net disposal of/ (investment in) treasury bonds	(137,852,743)	-
Net realised gain on security sales	1,279,006	-
<b>Net cash generated from / (used in) operating activities</b>	<u>(19,191,815)</u>	<u>216,784,105</u>
<b>Cash flows from financing activities</b>		
Amount received on creation of units	1,448,254	17,934,003
Amount paid on redemption of units	(13,385,691)	(250,477,484)
Distributions to unit holders	-	-
<b>Net cash generated from / (used in) financing activities</b>	<u>(11,937,437)</u>	<u>(232,543,481)</u>
Net increase in cash and cash equivalents	(31,129,252)	(15,759,376)
Cash and cash equivalents at the beginning of the year	<u>35,876,440</u>	<u>34,228,388</u>
<b>Cash and cash equivalents at the end of the year</b>	<u>4,747,188</u>	<u>18,469,011</u>
<b>Cash and cash equivalents at the end of the year comprises</b>		
Cash at bank	327,884	2,290,987
Treasury bills under repurchase agreements	-	-
Money market savings accounts	4,419,304	16,178,024
	<u>4,747,188</u>	<u>18,469,011</u>

**NDB WEALTH INCOME FUND**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2023**

	<b>30-Jun-23</b>	<b>30-Jun-22</b>
	<b>LKR</b>	<b>LKR</b>
<b>1. Interest income</b>		
Income from financial assets at amortised cost ( <i>Note 1.1</i> )	32,340,649	20,157,001
Income from financial assets at fair value through other	8,152,108	5,711,216
	<u>40,492,757</u>	<u>25,868,217</u>
<b>1.1 Income from financial assets at amortised cost</b>		
Fixed deposits	9,109,058	6,318,575
Asset backed securities	3,792,281	1,102,156
Treasury bills	16,271,056	314,500
Treasury bills under repurchase agreements	32,308	47,510
Money market saving accounts	2,191,691	2,828,070
Buy & Sell Back Financial Instruments	944,254	9,392,082
Other Income	-	154,108
	<u>32,340,649</u>	<u>20,157,001</u>
<b>2. Expenses</b>		
Management fees	1,352,889	1,831,440
Trustee fees & Custodian fees	239,357	305,778
Auditor's remuneration	56,430	56,430
Tax consultancy fee	28,806	28,806
Bank charges	24,875	17,329
	<u>1,702,358</u>	<u>2,239,783</u>
<b>3. Income tax</b>		

Following the enactment of the new Inland Revenue Act No. 24 of 2017 effective from 1 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 the income tax was made in the financial statements for the period ended 31st December 2022.

**NDB WEALTH INCOME FUND**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2023**

	<b>30-Jun-23</b>	<b>As a % of</b>	<b>31-Dec-22</b>	<b>As a % of</b>
	<b>LKR</b>	<b>net assets</b>	<b>LKR</b>	<b>net assets</b>
<b>4. Financial assets at amortised cost</b>				
Fixed deposits ( <i>Note 4.1</i> )	130,608,513	30.61%	50,417,018	12.94%
Asset backed securities ( <i>Note 4.2</i> )	32,351,666	7.58%	30,927,878	7.94%
Money market saving accounts ( <i>Note 4.3</i> )	4,881,088	1.14%	36,060,058	9.25%
Buy & Sell Back Financial Instruments ( <i>Note 4.4</i> )	24,275,255	5.69%	23,331,000	5.99%
Investment in treasury bills ( <i>Note 4.5</i> )	-	0.00%	157,877,611	40.52%
	<u>192,116,521</u>	<u>45.02%</u>	<u>298,613,564</u>	<u>76.64%</u>
<b>4.1 Fixed deposits</b>				
People's Bank	80,220,905	18.80%	-	-
People's Leasing and Finance PLC	15,011,281	3.52%	15,017,238	3.85%
HNB Finance PLC	25,277,368	5.92%	25,294,941	6.49%
Siyapatha Finance PLC	10,098,958	2.37%	10,104,839	2.59%
	<u>130,608,513</u>	<u>22.32%</u>	<u>50,417,017</u>	<u>12.94%</u>
<b>4.2 Asset backed securities</b>				
Siyapatha Finance PLC	32,351,666	7.58%	30,927,878	7.94%
	<u>32,351,666</u>	<u>7.58%</u>	<u>30,927,878</u>	<u>7.94%</u>
<b>4.3 Money Market Saving Accounts</b>				
DFFCC Bank	13,442	0.00%	1,116,186	0.29%
Hatton National Bank PLC	4,867,646	1.14%	34,943,872	8.97%
	<u>4,881,088</u>	<u>1.14%</u>	<u>36,060,058</u>	<u>9.25%</u>
<b>4.4 Buy &amp; Sell Back Financial Instruments</b>				
M Power - Alliance Finance	24,275,255	5.69%	23,331,000	5.99%
	<u>24,275,255</u>	<u>5.69%</u>	<u>23,331,000</u>	<u>5.99%</u>
<b>4.5 Investment in treasury bills</b>				
LKA09123C245	-	0.00%	46,564,600	11.95%
LKA36423F231	-	0.00%	45,259,100	11.62%
LKA36423G288	-	0.00%	66,053,911	16.95%
	<u>-</u>	<u>0.00%</u>	<u>157,877,611</u>	<u>40.52%</u>



**NDB WEALTH INCOME FUND**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2023**

**5. Fair value through other comprehensive income**

	30-Jun-23		31-Dec-22	
	Amortised value	Market value	Amortised value	Market value
Treasury Bonds	154,643,250	154,689,009	7,265,256	6,507,449
Debentures	97,119,030	77,943,302	111,989,538	84,699,348
	<u>251,762,280</u>	<u>232,632,310</u>	<u>119,254,795</u>	<u>91,206,798</u>
<b>Total unrealised gain / (loss)</b>		<u><b>(19,129,970)</b></u>		<u><b>(28,047,997)</b></u>
<b>Recognised in other comprehensive income</b>		<u><b>8,918,027</b></u>		

5.1 Debentures	30-Jun-23	As a % of net	31-Dec-22	As a % of net
	LKR	assets value	LKR	assets value
HDFC Bank	40,705,642	9.54%	35,134,151	9.02%
Hatton National Bank	3,565,135	0.84%	3,066,363	0.79%
DFCC Bank	4,141,558	0.97%	3,559,126	0.91%
Singer Finance (Lanka) PLC	13,927,244	3.26%	13,243,203	3.40%
Sampath Bank - Application	15,603,723	3.66%	-	0.00%
Citizens Development Business Finance PLC	-	0.00%	29,696,506	7.62%
	<u>77,943,302</u>	<u>18.27%</u>	<u>84,699,347</u>	<u>21.74%</u>

5.2 Treasury Bonds	30-Jun-23	As a % of net	31-Dec-22	As a % of net
	LKR	assets value	LKR	assets value
LKB02023J016	7,132,197	1.67%	-	0.00%
LKB00527E019	1,515,459	0.36%	-	0.00%
LKB01032G014	98,499,100	23.08%	-	0.00%
LKB00523L153	47,542,252	11.14%	-	0.00%
	<u>154,689,009</u>	<u>36.25%</u>	<u>-</u>	<u>0.00%</u>

6. Tax recoverable	30-Jun-23	31-Dec-22
	LKR	LKR
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)
Over/(under) provision of last year income tax	-	-
Income tax payable	-	-
Balance as at 30 June 2023	<u>-</u>	<u>-</u>

**NDB WEALTH INCOME FUND**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2023**

**7. Accrued expenses**

Management fees	233,905	220,592
Trustee fees & Custodian fees	41,383	39,028
Auditor's remuneration	8,052	107,217
Tax consultancy fee	170,069	141,263
Social Responsibility Levy	-	-
	453,410	508,100

**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:

	<b>30-Jun-23</b>	<b>31-Dec-22</b>	<b>30-Jun-23</b>	<b>31-Dec-22</b>
	<b>Units</b>	<b>Units</b>	<b>LKR</b>	<b>LKR</b>
Opening capital balance	21,315,940	38,660,852	389,651,030	653,670,285
Units issued during the period	74,415	1,193,531	1,448,254	20,461,503
Units redeemed during the period	(693,487)	(18,538,442)	(13,385,691)	(315,937,698)
Increase in net assets attributable to unitholders	-	-	48,987,432	31,456,941
Distributions to unit holders	-	-	-	-
<b>Closing balance</b>	<b>20,696,869</b>	<b>21,315,940</b>	<b>426,701,024</b>	<b>389,651,030</b>

The creation price was at LKR 20.74 (2022 -LKR. 17.12) per unit and the redemption price was at 20.74 (2022- LKR. 17.12) per unit as at 30 June 2023.

**9. Contingencies**

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

**10. 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.

**11. Capital commitments**

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

**NDB WEALTH INCOME FUND  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2023**

**12. 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.

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

Mr Senaka Kakiriwaragodage, Mr. D.S.P. Wickramanayake, Mr. Bernard Sinniah, Mr. Sanjaya Perera and Mr. Dimantha Seneviratne are directors of the NDB Wealth Management Ltd.

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

<b>Name of the related party</b>	<b>Nature of interest</b>	<b>Particulars of financial dealings</b>	<b>Transaction value LKR</b>	<b>Outstanding value LKR</b>
NDB Wealth Management Limited	Fund Management Company	Management fee	1,352,889	233,905
Bank of Ceylon	Trustee	Trustee fees	239,357	41,383
	Custodian	Custodian fees	-	-

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