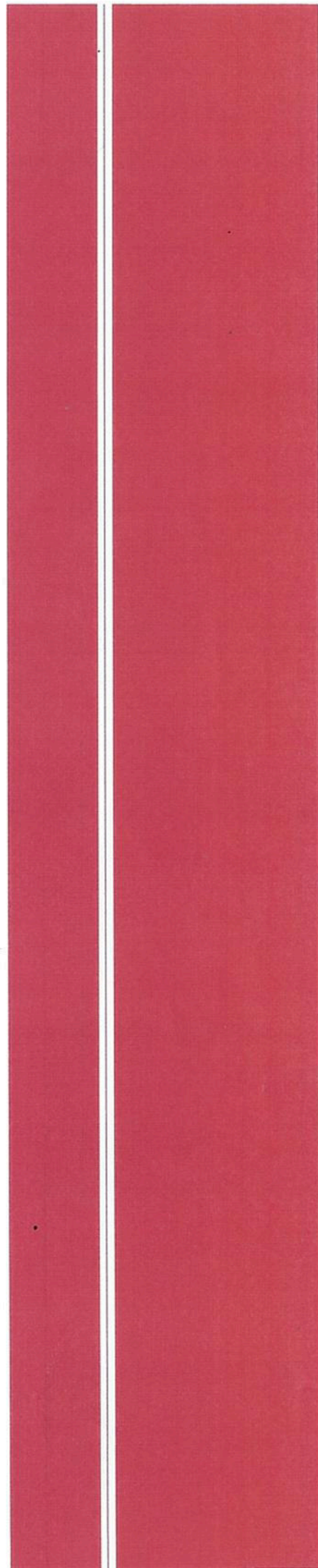


NDB Wealth Income Fund

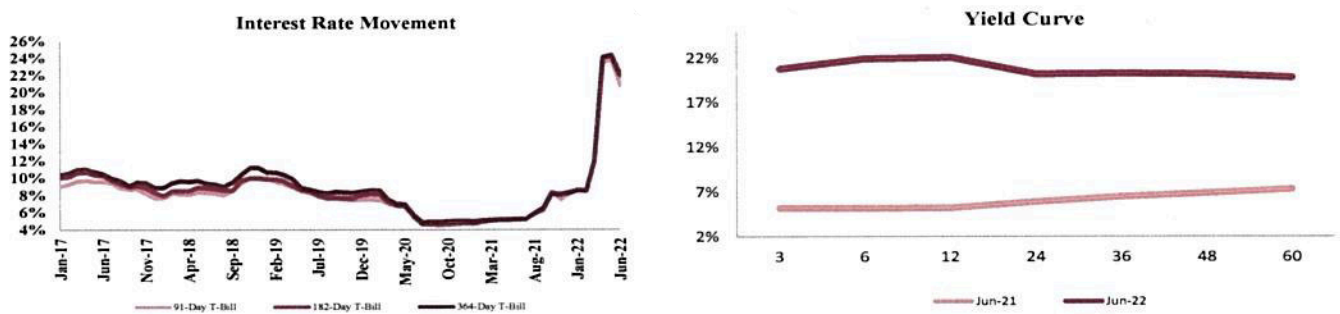
Financial Statements for the Period
Ended 30th June 2022



Fund Review 1st Half 2022 - NDB Wealth Income Fund

Interest rates increased significantly through the first half of 2022 with the Central Bank of Sri Lanka (CBSL) announcing its highest policy rate hike in history (700 basis points) in April 2022 to combat rising inflation, currency depreciation and with a view of addressing anomalies observed in market interest rates. Accordingly, the Standing Lending Facility Rate (SLF) and the Standing Deposit Facility Rate (SDF) were increased to 14.50% and 13.50% respectively during the period under review. In tandem, interest rates surged across the yield curve with the benchmark 364-day Treasury bill rate rising to 22.04% by the end of June 2022 from 8.55% seen at the beginning of the year (Source: Central Bank of Sri Lanka).

Moreover, the steep depreciation of the exchange rate and elevated prices of global commodities may continue to exert pressure on inflation, which in turn may lead to further monetary policy tightening to contain any build-up of adverse inflation expectations.



Source: Central Bank of Sri Lanka

On the fiscal front, overall budget deficit for 2022 is expected to expand significantly, amidst higher government expenditure and weak revenue collections owing to deteriorating economic activity. 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) *6-month avg.
Performance - 1 st Half 2022	0.83% (after fees)	N/A
Annualized Performance - 1 st Half 2022	1.66% (after fees)	7.56%

*Source: Central Bank of Sri Lanka


We expect interest rates to remain elevated during the second half of the year owing to policy action by the Central Bank along with uncertainties surrounding domestic debt restructuring and the government's continued requirement for domestic financing. However, if Sri Lanka manages to enter in to a staff level agreement with the IMF, policymakers may be able to secure some form of bridging finance, which in turn will ease pressure off interest rates in the interim.

NDB WEALTH INCOME FUND
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2022

	Notes	2022 LKR	2021 LKR
Investment income			
Interest income	1	25,868,217	21,134,907
Total investment income		<u>25,868,217</u>	<u>21,134,907</u>
Expenses	2	(2,239,784)	(2,663,454)
Profit before tax		<u>23,628,434</u>	<u>18,471,453</u>
Income tax expense	3	-	-
Profit for the year		<u>23,628,434</u>	<u>18,471,453</u>
Other comprehensive income/ (loss)			
Unrealised gain /(loss) on financial assets at fair value through other comprehensive income		(20,965,847)	(940,400)
Total comprehensive income for the year		<u><u>2,662,587</u></u>	<u><u>17,531,053</u></u>
Increase in net assets attributable to unitholders		<u><u>2,662,587</u></u>	<u><u>17,531,053</u></u>

NDB WEALTH INCOME FUND
STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2022

	Notes	30.06.2022 LKR	31.12.2021 LKR
Assets			
Cash at bank		2,290,987	111,402
Financial assets at amortised cost	4	331,157,559	544,294,008
Financial assets at fair value through other comprehensive income	5	90,739,117	110,004,921
Other receivables		45,415	76,298
Total assets		424,233,078	654,486,629
Liabilities			
Other Payable		-	165,000
Accrued expenses	6	443,693	651,345
Total liabilities		443,693	816,345
Net assets attributable to unit holders		423,789,388	653,670,285
Unitholders' funds			
Unit capital		251,245,886	389,771,714
Investment in revaluation reserve		(24,480,574)	(3,514,727)
Retained earnings		197,024,076	267,413,298
Net assets attributable to unitholders	7	423,789,388	653,670,285



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 YEAR ENDED 30 JUNE 2022**

	Unit capital	Investment in revaluation reserve	Retained earnings	Total
	LKR	LKR	LKR	LKR
Balance as at 1 January 2021	237,111,875	3,316,287	128,273,287	368,701,449
Net increase due to creations and redemptions of units	152,659,839	-	95,648,833	248,308,672
Increase in net assets attributable to unitholders	-	-	43,491,178	43,491,178
Distributions to unitholders	-	-	-	-
<i>Other comprehensive income</i>				
Unrealized gain on financial assets at fair value through other comprehensive income	-	(6,831,014)	-	(6,831,014)
Balance as at 31 December 2021	<u>389,771,714</u>	<u>(3,514,727)</u>	<u>267,413,298</u>	<u>653,670,285</u>
Net decrease due to creations and redemptions of units	(138,525,827)	-	(94,017,655)	(232,543,482)
Increase in net assets attributable to unitholders	-	-	23,628,434	23,628,434
<i>Other comprehensive loss</i>				
Unrealized loss on financial assets at fair value through other comprehensive income	-	(20,965,847)	-	(20,965,847)
Balance as at 30 June 2022	<u>251,245,886</u>	<u>(24,480,574)</u>	<u>197,024,076</u>	<u>423,789,388</u>

**NDB WEALTH INCOME FUND
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2022**

	2022	2021
	LKR	LKR
Cash flows from operating activities		
Interest income received	27,194,306	25,361,686
Management fees paid	(1,955,166)	(1,970,055)
Other expenses paid	(657,269)	(624,616)
Net disposal of/ (investment in) lease securitization	(15,000,000)	22,336,203
Net disposal of commercial papers	-	(22,780,866)
Net disposal of/ (investment in) debentures	-	(39,197,617)
Net investment in fixed deposits	160,962,308	(177,523,490)
Net disposal of/ (investment in) TBills	(86,035,500)	-
Net disposal of/ (investment in) Buy & Sell Back Financial Instruments	132,275,426	-
Net cash generated from / (used in) operating activities	<u>216,784,105</u>	<u>(194,398,755)</u>
Cash flows from financing activities		
Amount received on creation of units	17,934,003	216,339,993
Amount paid on redemption of units	(250,477,484)	(7,396,435)
Net cash generated from / (used in) financing activities	<u>(232,543,482)</u>	<u>208,943,558</u>
Net increase in cash and cash equivalents	(15,759,377)	14,544,804
Cash and cash equivalents at the beginning of the year	<u>34,228,388</u>	<u>14,415,321</u>
Cash and cash equivalents at the end of the year	<u>18,469,011</u>	<u>28,960,125</u>
Cash and cash equivalents at the end of the year comprises		
Cash at bank	2,290,987	523,540
Money market savings accounts	16,178,024	28,436,585
	<u>18,469,011</u>	<u>28,960,125</u>

**NDB WEALTH INCOME FUND
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2022**

	2022	2021
	LKR	LKR
1. Interest income		
Income from financial assets at amortised cost (Note 1.1)	20,157,001	16,408,782
Income from financial assets at fair value through other comprehensive	5,711,216	4,726,125
	<u>25,868,217</u>	<u>21,134,907</u>
1.1 Income from financial assets at amortised cost		
Fixed deposits	6,318,575	3,640,715
Asset backed securities	1,102,156	8,564,525
Commercial papers	-	3,264,111
Treasury bills	314,500	-
Treasury bills under repurchase agreements	47,510	227,021
Money market saving accounts	2,828,070	712,410
Buy & Sell Back Financial Instruments	9,392,082	-
Other Income	154,108	-
	<u>20,157,001</u>	<u>16,408,782</u>
2. Expenses		
Management fees	1,831,440	2,073,906
Trustee fees & Custodian fees	305,778	447,976
Auditor's remuneration	56,430	56,430
Tax consultancy fee	28,806	56,542
Bank charges	17,329	28,600
	<u>2,239,784</u>	<u>2,663,454</u>
3. Income tax		
Tax expense for the year	<u>-</u>	<u>-</u>

- 3.1** 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 YEAR ENDED 30 JUNE 2022

	30.06.2022 LKR	As a % of net assets value	31.12.2021 LKR	As a % of net assets value
4. Financial assets at amortised cost				
Fixed deposits (Note 4.1)	133,421,714	31.48%	298,119,523	45.60%
Asset backed securities (Note 4.2)	26,082,484	6.15%	12,211,506	1.87%
Money market saving accounts (Note 4.3)	17,123,154	4.04%	34,256,835	5.24%
Buy & Sell Back Financial Instruments (Note 4.4)	68,180,211	16.09%	199,706,145	30.55%
Investment in GOSL TBills- (Note 4.5)	86,350,000	20.38%	-	0.00%
	<u>331,157,559</u>	<u>78.14%</u>	<u>544,294,008</u>	<u>83.26%</u>
4.1 Fixed deposits				
Commercial Leasing & Finance PLC	29,847,020	7.04%	28,786,519	4.40%
LOLC Development Finance	-	0.00%	41,635,963	6.37%
Singer Finance (Lanka) PLC	-	0.00%	57,212,052	8.75%
Alliance Finance Company PLC	-	0.00%	88,628,493	13.56%
Richard Pieris Finance Limited	-	0.00%	15,428,984	2.36%
People's Leasing and Finance PLC	68,182,560	16.09%	66,427,512	10.16%
HNB Finance PLC	25,287,967	5.97%	-	0.00%
Siyapatha Finance PLC	10,104,167	2.38%	-	0.00%
	<u>133,421,714</u>	<u>23.13%</u>	<u>298,119,523</u>	<u>45.60%</u>
4.2 Asset backed securities				
Commercial Leasing & Finance PLC	26,082,484	6.15%	-	0.00%
Singer Finance (Lanka) PLC	-	0.00%	12,211,506	1.87%
	<u>26,082,484</u>	<u>6.15%</u>	<u>12,211,506</u>	<u>1.87%</u>
4.3 Money Market Saving Accounts				
DFFCC Bank	17,119,747	4.04%	34,253,160	5.24%
Hatton National Bank PLC	3,407	0.00%	3,675	0.00%
	<u>17,123,154</u>	<u>4.04%</u>	<u>34,256,835</u>	<u>5.24%</u>
4.4 Buy & Sell Back Financial Instruments				
WealthTrust Securities Limited	7,149,543	1.69%	7,045,466	1.08%
M Power - Alliance Finance	22,192,353	5.24%	21,072,271	3.22%
M Power -LOLC HOLDINGS PLC	38,838,315	9.16%	107,247,316	16.41%
M Power - Richard Pieris Finance	-	0.00%	42,417,716	3.35%
M Power -LOLC Development Finance PLC	-	0.00%	21,923,375	6.49%
	<u>68,180,212</u>	<u>16.09%</u>	<u>199,706,145</u>	<u>30.55%</u>
4.5 Investment in GOSL TBills				
LKA18222L237	45,237,050	10.67%	-	
LKA36423F231	41,112,950	9.70%	-	
	<u>86,350,000</u>	<u>20.38%</u>	<u>-</u>	

**NDB WEALTH INCOME FUND
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2022**

5. Fair value through other comprehensive income

	30.06.2022		31.12.2021	
	Amortised value	Market value	Amortised value	Market value
Debentures	115,219,691	90,739,117	113,519,648	110,004,921
Total unrealised gain / (loss)		(24,480,574)		(3,514,727)
Recognised in other comprehensive income		(20,965,847)		

5.1 Debentures	30.06.2022	As a % of net assets value	31.12.2021	As a % of net assets value
	LKR		LKR	
HDFC Bank	41,020,056	9.68%	50,209,472	7.68%
Hatton National Bank	3,312,004	0.78%	3,575,283	0.55%
DFCC Bank	3,838,745	0.91%	4,154,389	0.64%
Singer Finance (Lanka) PLC	13,392,263	3.16%	19,962,537	3.05%
Citizens Development Business Finance PLC	29,176,050	6.88%	32,103,240	4.91%
	<u>90,739,117</u>	<u>21.41%</u>	<u>110,004,920</u>	<u>16.83%</u>

	30.06.2022	31.12.2021
	LKR	LKR
6. Tax recoverable		
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)
Balance as at 30 June 2022	<u>-</u>	<u>-</u>

NDB WEALTH INCOME FUND
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2022

7. Accrued expenses

Management fees	239,227	429,920
Trustee fees & Custodian fees	41,222	92,865
Auditor's remuneration	50,787	56,430
Tax consultancy fee	112,457	58,682
	<u>443,693</u>	<u>637,898</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-22	31-Dec-21	30-Jun-22	31-Dec-21
	Units	Units	LKR	LKR
Opening capital balance	38,660,852	23,517,833	653,670,285	368,701,449
Units issued during the period	1,054,026	20,853,702	17,934,002	343,438,135
Units redeemed during the period	(14,795,028)	(5,710,684)	(250,477,484)	(95,129,464)
Increase in net assets attributable to unitholders	-	-	2,662,587	36,660,163
Distributions to unit holders	-	-	-	-
Closing balance	<u>24,919,851</u>	<u>38,660,852</u>	<u>423,789,388</u>	<u>653,670,285</u>

The creation price was at LKR 17.1236 (2021 -LKR. 16.52) per unit and the redemption price was at 17.1236 (2021-LKR. 16.52) per unit as at 30 June 2022.

9. Distributions for the year

There were no distributions for the period ended 30 June 2022.

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 capital commitments at the statement of financial position date.