

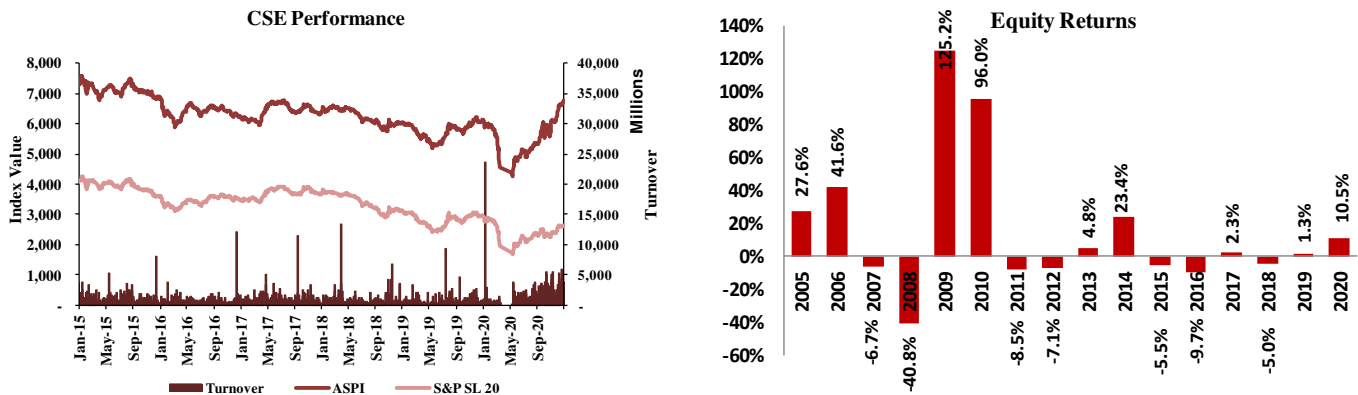


NDB WEALTH GROWTH & INCOME  
FUND  
ANNUAL REPORT

FINANCIAL STATEMENTS  
31<sup>ST</sup> DECEMBER 2020

## Fund Review 2020 – NDB Wealth Growth & Income Fund

The Colombo Stock Exchange (CSE) had a mixed year with the All Share Price Index (ASPI) rising by 10.52% and the more liquid S&P SL 20 index declining by 10.18% in 2020, dragged down by heavy selling by foreign investors on the blue-chip counters. Broader market recovery was witnessed during the second half of 2020 (post the extended lockdown during the months of March to May), with renewed investor confidence, owing to steeply discounted share prices from the panic sell-offs witnessed in March, coupled with historically low interest rates. Market PE was 11.25x whilst market capitalization stood at LKR 2.96 trillion as of 31<sup>st</sup> December 2020 (Source: Colombo Stock Exchange).



Source: Colombo Stock Exchange

The Covid-19 pandemic sparked massive sell-offs from emerging markets, resulting in continuous flight to safety across the year, with Sri Lanka being no exception. Foreign investors were heavy sellers amounting to LKR 51.48 bn in net sales (Source: Colombo Stock Exchange). Corporate profitability was severely impacted during the first half of the year with economic activity coming to a virtual standstill during lockdown, affecting consumption, manufacturing and services. However, the economy showed signs of recovery during the second half of the year with GDP growing by 1.3% each during the 3<sup>rd</sup> and 4<sup>th</sup> quarters of 2020 respectively from a contraction of 16.4% during the 2<sup>nd</sup> quarter of 2020 (Source: Department of Census and Statistics of Sri Lanka).

During the year under review, the NDB Wealth Growth and Income Fund, a balanced fund investing in both debt and equity, which maintained a higher exposure to fixed income during the first half of the year and was prudently able to increase exposure to equity during the latter half, recorded a return of 9.82% over-performing the S&P SL 20 index by 20%, despite marginally under-performing the ASPI by 0.70%.

	NDB Wealth Growth and Income Fund	*ASPI	*S&P SL 20
Performance - 2020	9.82% (after fees)	10.52%	-10.18%

\*Source: Colombo Stock Exchange

We expect the market to come under pressure in the short-term owing to continued foreign selling on market heavy weights and investors opting for a wait-and-see approach following the heavy gains realized during the 2<sup>nd</sup> half of 2020. Further, the weak macro-economic outlook, currency pressures and the high debt servicing burden are expected to further dampen market sentiment.

**NDB WEALTH GROWTH AND INCOME FUND**

**FINANCIAL STATEMENTS**

**31 DECEMBER 2020**



**W.R.RODRIGO & CO.,**  
chartered accountants

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## **INDEPENDENT AUDITOR'S REPORT TO THE UNITHOLDERS OF NDB WEALTH GROWTH AND INCOME FUND**

### **Report on the Audit of the Financial Statements**

#### **Opinion**

We have audited the financial statements of NDB Wealth Growth and Income Fund ("The Fund"), which comprise the statement of financial position as at 31 December 2020, and the income statement, statement of changes in unitholders and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies the other explanatory notes.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Fund as at 31 December 2020 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 ethical requirements of Code of Ethics issued by CA Sri Lanka (Code of Ethics) that are relevant to our audit of the financial statements, 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**

The fund management company is responsible for the other information. The other information generally comprises the information included in the fund manager's report but does not include the financial statements and our auditor's report thereon.

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 otherwise appears to be materially misstated. If, based on work we have performed, we conclude that there is a materially misstatements of this other information, we Are required to report that fact. We have nothing to report in this regard.

#### **Responsibilities of Management and Those Charged with Governance for the Financial Statements**

The fund management company and trustee are 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, management 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 fund management company 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 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 fund management company 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**

As required by Rule 27(3) of the Unit Trust Code of September 2011 issued by the Securities and Exchange Commission of Sri Lanka under the Act no. 36 of 1987 as Amended by Act no. 26 of 1991, Act no. 18 of 2003 and Act No. 47 of 2009 and the trust deed.

  
**W. R. Rodrigo & Co.,**  
**Chartered Accountants**

10 March 2021  
Colombo



# NDB WEALTH GROWTH AND INCOME FUND

## STATEMENT OF FINANCIAL POSITION

As at 31 December 2020

	Notes	2020 Rs.	2019 Rs.
<b>Assets</b>			
Cash at Bank		25,000	25,000
Other Receivable		-	150,118
Financial Assets at Fair Value Through Profit or Loss	6	1,972,320,614	206,106,918
Financial Assets at Fair Value Through other Comprehensive	7	23,791,147	44,699,509
Financial Assets Measured at Amortised Cost	8	507,108,857	89,721,948
Taxes Recoverable	9	-	-
<b>Total assets</b>		<u>2,503,245,619</u>	<u>340,703,494</u>
<b>Liabilities</b>			
Amount Payable On Purchase of Shares		-	7,515,192
Accrued Expenses	10	4,399,205	2,022,488
<b>Total Liabilities</b>		<u>4,399,205</u>	<u>9,537,680</u>
<b>Net Assets Attributable to Unitholders</b>		<u>2,498,846,414</u>	<u>331,165,814</u>
<b>Unitholders' Funds</b>			
Unit Capital		553,573,008	81,547,249
Retained Earnings		1,945,273,406	249,618,565
<b>Net Assets Attributable to Unitholders</b>	11	<u>2,498,846,414</u>	<u>331,165,814</u>

These financial statements are in compliance with the requirements of the Securities and Exchange Commission Act No. 47 of 2009

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

  
 Director  
 NDB Wealth Management Limited  
 Fund Management Company

  
 Hatton National Bank PLC  
 Trustee

  
 Director  
 NDB Wealth Management Limited  
 Fund Management Company

Figures in brackets indicate deductions.

The accounting policies and notes in pages from 7 to 20 an integral part of these financial statements.

10 March, 2021  
 Colombo



## NDB WEALTH GROWTH AND INCOME FUND

### STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the Year Ended 31 December 2020

	Notes	2020 Rs.	2019 Rs.
<b>Investment Income</b>			
Interest Income	3	37,037,126	19,171,305
Dividend Income		8,484,381	1,204,207
		<u>45,521,508</u>	<u>20,375,512</u>
Net Realised Loss on Financial Assets at Fair Value Through Profit or Loss		(4,767,500)	(392,837)
Unrealised Gain / (Loss) on Financial Assets at Fair Value Through Profit or Loss	6	98,504,002	5,123,423
<b>Total Investment Income</b>		<u>139,258,010</u>	<u>25,106,098</u>
Fees and Expenses	4	(37,559,268)	(9,589,537)
<b>Profit Before Tax</b>		<u>101,698,742</u>	<u>15,516,561</u>
Income Tax Expenses	5	-	-
<b>Profit for the Period</b>		<u>101,698,742</u>	<u>15,516,561</u>
<b>Other Comprehensive Income not to be reclassified to the statement of profit or loss</b>			
Fair value gain / (loss) from financial instrument at fair value through other comprehensive income	7.1	(100,112)	2,010,243
<b>Total Comprehensive Income for the Year</b>		<u>101,598,630</u>	<u>17,526,804</u>
Increase in net assets attributable to unitholders		<u>101,598,630</u>	<u>17,526,804</u>

Figures in brackets indicate deductions.

The accounting policies and notes in pages from 7 to 20 are an integral part of these financial statements.





# NDB WEALTH GROWTH AND INCOME FUND

## STATEMENT OF CHANGES IN UNITHOLDERS' FUND

For the Year Ended 31 December 2020

	Unit Capital	Retained Earnings	Total
	LKR	LKR	LKR
Balance as at 1 January 2019	52,534,316	142,820,389	195,354,705
Net increase due to creations and redemptions	29,012,932	89,271,373	118,284,305
Profit for the year	-	15,516,561	15,516,561
Other comprehensive expenses	-	2,010,243	2,010,243
Total comprehensive income for the year	-	17,526,804	17,526,804
Distributions to unitholders	-	-	-
Balance as at 31 December 2019	81,547,249	249,618,565	331,165,814
Net increase due to creations and redemptions	472,025,759	1,594,056,210	2,066,081,969
Profit for the period	-	101,698,742	101,698,742
Other comprehensive income	-	(100,112)	(100,112)
Total comprehensive income for the period	-	101,598,630	101,598,630
Balance as at 31 December 2020	553,573,008	1,945,273,406	2,498,846,414

Figures in brackets indicate deductions.

The accounting policies and notes in pages from 7 to 20 an integral part of these financial statements.



# NDB WEALTH GROWTH AND INCOME FUND

## STATEMENT OF CASH FLOWS

For the Year Ended 31 December 2020

	2020 Rs.	2019 Rs.
<b>Cash flows from operating activities</b>		
Interest received	34,294,444	16,750,078
Dividend received	8,484,381	1,204,207
Net investment in equity instruments	(1,679,992,386)	(176,705,344)
Net investment in asset backed securities	10,000,000	-
Net investment in corporate debentures	20,970,700	-
Net withdrawals in fixed deposits	(58,099,941)	47,712,260
Net investment in money market investments	15,962,609	(2,578,720)
Management fees and trustee fees paid	(9,493,521)	(3,517,806)
Other expenses paid	(25,689,029)	(1,291,267)
<b>Net cash used in from operating activities</b>	<u>(1,683,562,743)</u>	<u>(118,426,592)</u>
<b>Cash Flows from financing activities</b>		
Amount received on units created	2,139,850,072	127,083,358
Amount paid on redemption of units	(73,768,103)	(8,799,052)
Net cash from / (used in) financing activities	<u>2,066,081,969</u>	<u>118,284,305</u>
Net decrease in cash and cash equivalents	382,519,226	(142,287)
Cash and cash equivalents at the beginning of the year	25,000	167,287
Cash and cash equivalents at the end of the period	<u>382,544,226</u>	<u>25,000</u>
<b>Cash and cash equivalents at the end of the period comprise of</b>		
Cash at bank	25,000	25,000
Money Market Investments	13,903,371	-
Treasury bills under repurchase agreements	368,615,855	-
	<u>382,544,226</u>	<u>25,000</u>

Figures in brackets indicate deductions.

The accounting policies and notes in pages from 7 to 20 an integral part of these financial statements.





# NDB WEALTH GROWTH AND INCOME FUND

## NOTES TO THE FINANCIAL STATEMENTS

Year Ended 31 December 2020

### 1. CORPORATE INFORMATION

#### 1.1. Domicile and Legal Form

NDB Wealth Growth and 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 07 January 1992. The trust which invests mainly in government securities and listed securities at the Colombo Stock.

The fund is managed by NDB Wealth Management Limited while Hatton National Bank 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 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 is located at Level 15, HNB Towers, Colombo 10, Sri Lanka.

#### 1.2. Date of authorization for issue

The financial statement of the fund for the year ended 31 December 2020 were authorized for issue by the fund management company and the trustee on 10 March 2021.



# NDB WEALTH GROWTH AND INCOME FUND

## NOTES TO THE FINANCIAL STATEMENTS

Year Ended 31 December 2020

### 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 in the following accounting policies. 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 31 December 2020, 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.

#### 2.3. 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 company'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 recognized 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 risks 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 technique.

- Level 1: Quoted prices (unadjusted) in active market for identical assets or liabilities.
- Level 2: Techniques which use all 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 are not based on observable market data.



# NDB WEALTH GROWTH AND INCOME FUND

## NOTES TO THE FINANCIAL STATEMENTS

Year Ended 31 December 2020

### 2.4. Summary of Significant Accounting Policies

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

#### 2.4.1. Financial instruments

##### (i) Classification and measurement of financial assets and financial liabilities

SLFRS 9 contains three principal classification categories for financial assets: measured at amortised cost, Fair Value through Other Comprehensive Income (FVOCI) and Fair Value through Profit or Loss (FVTPL). The classification of financial assets under SLFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics.

##### (ii) Recognition and initial measurement

All financial assets are initially recognized 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.

##### (iii) Classification

On initial recognition, a financial asset is classified as measured at: amortised cost; FVOCI; or FVTPL. 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.

*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; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The fund's financial assets classified under amortised cost include Treasury bill/ bond purchases agreements and cash and cash equivalents.

*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 payments of principal and interest on the principal amount outstanding.

*All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. This includes derivative financial assets, if any.*

##### (iv) Subsequent measurement and gains and losses

<i>Financial assets at amortised cost</i>	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, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.
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# NDB WEALTH GROWTH AND INCOME FUND

## NOTES TO THE FINANCIAL STATEMENTS

Year Ended 31 December 2020

<i>Debt investments at FVOCI</i>	These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are 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.
<i>Financial assets at FVTPL</i>	These assets are subsequently measured at fair value. Net gains and losses including any interest or dividend income, are recognised in profit or loss.

### (v) 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 Company on terms that the Company would not consider otherwise;
- It is probable that the borrower will enter bankruptcy or other financial reorganization.

As of the date of the statement of financial position the fund has not observed any of the above thus no impairment provision has been recognized in the financial statements.

### Presentation of allowance for ECL in the statement of financial position

Loss allowances for financial assets measured at amortized 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.

## 2.4.2. 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



# NDB WEALTH GROWTH AND INCOME FUND

## NOTES TO THE FINANCIAL STATEMENTS

Year Ended 31 December 2020

recognised in profit or loss. Financial liabilities measured at amortised cost include accrued expenses and other payables.

### 2.4.3. Derecognition

#### Financial assets

The fund derecognises a financial asset when the contractual rights to the cash flows from the financial asset expires, 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 (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

### 2.4.4. 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.

### 2.4.5. 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 subject to insignificant risk of changes in values.

### 2.4.6. Payables and Provisions

Payables are initially recognized 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.





# NDB WEALTH GROWTH AND INCOME FUND

## NOTES TO THE FINANCIAL STATEMENTS

Year Ended 31 December 2020

### 2.4.7. Recognition of Income

Income is recognized 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 amortized 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. Interest income of treasury securities, fixed deposit and corporate debt securities are recognized gross of or withholding tax up to 31.03.2018 and thereafter net of withholding tax, due to the changes in the new inland revenue Act No. 24 of 2017.

### 2.4.8. Unitholders' Funds and Net Assets Attributable to Unitholders

Unitholders' 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 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.

## 2.5. TAXATION

Unit Trusts that conduct eligible investment business are treated as pass through vehicles and tax will be payable by unitholders in accordance with the new Inland Revenue Act No. 24 of 2017.



## NDB WEALTH GROWTH AND INCOME FUND

### NOTES FOR THE FINANCIAL STATEMENTS

For the Year Ended 31 December 2020

<b>3. INTEREST INCOME</b>	<b>2020</b>	<b>2019</b>
	<b>Rs.</b>	<b>Rs.</b>
Corporate debentures	5,323,440	4,847,585
Term deposits	15,558,111	11,924,299
Asset backed securities	494,515	1,212,762
Commercial papers	3,029,179	-
Money market saving accounts	3,245,106	1,186,659
Treasury bills under repurchase agreements (Short term)	5,064,455	-
Treasury bills under repurchase agreements (long term)	4,322,321	-
	<u>37,037,126</u>	<u>19,171,305</u>
<b>4. OPERATING EXPENSES</b>	<b>2020</b>	<b>2019</b>
	<b>Rs.</b>	<b>Rs.</b>
Management fees	11,348,095	3,314,505
Trustee fees	1,226,081	377,591
Custodian fees	129,255	138,000
Audit fees	193,185	193,185
Equity transaction cost	24,584,940	2,206,330
Write back at payable on redemption of units and front end fee payables	(23,679)	(10,141)
Impairment of notional tax	-	1,216,203
Impairment of WHT	-	2,075,815
Bank charges	34,778	12,671
Tax consultancy charges	66,615	65,378
	<u>37,559,268</u>	<u>9,589,537</u>
<b>5. INCOME TAX EXPENSES</b>	<b>2020</b>	<b>2019</b>
	<b>Rs.</b>	<b>Rs.</b>
Current Year Tax Expenses	-	-
	<u>-</u>	<u>-</u>

- 5.1.** 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.



## NDB WEALTH GROWTH AND INCOME FUND

### NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 December 2020

#### 6. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

Net change in total unrealized gain / (loss) on equity securities at fair value through profit or loss.

Company	2020				2019			
	No. of shares	Cost of the Investment	Market Value	Holdings as a% of Net Asset Value	No. of shares	Cost of the Investment	Market Value	Holdings as a% of Net Asset Value
		Rs.	Rs.			Rs.	Rs.	
<b>Trading Banks</b>								
Commercial Bank of Ceylon PLC	4,197,099	331,626,057	339,545,309	14%	287,037	29,463,387	27,268,515	8%
DFCC Bank PLC	-	-	-	-	102,825	9,979,350	9,449,618	3%
Hatton National Bank PLC	2,346,607	280,079,398	296,845,786	12%	163,430	29,309,680	28,142,646	8%
Sampath Bank PLC	2,291,954	297,166,735	310,788,962	12%	205,524	35,160,721	33,377,098	10%
Seylan Bank PLC (Non Voting)	-	-	-	-	324,960	9,575,009	10,983,648	3%
<b>Capital Goods</b>								
John Keells Holdings PLC	2,151,344	306,724,765	321,841,062	13%	183,542	29,192,121	30,761,639	9%
Access Engineering PLC	9,337,150	226,733,543	229,693,890	9%	-	-	-	0%
<b>Diversified Financials</b>								
People's Leasing & Finance PLC	-	-	-	-	1,596,530	27,011,005	28,577,887	9%
Central Finance Company PLC	-	-	-	-	127,192	13,600,006	13,227,968	4%
<b>Materials</b>								
Tokyo Cement Company (Lanka) PLC	1,492,151	89,596,182	113,701,906	5%	255,368	8,288,499	12,257,664	4%
<b>Food Beverage &amp; Tobacco</b>								
Distilleries Company of Sri Lanka PLC	2,881,243	53,247,932	59,065,482	2%	-	-	-	0%
<b>Telecommunication Services</b>								
Dialog Axiata PLC	11,633,130	140,751,153	144,250,812	6%	980,507	11,766,084	12,060,236	4%
<b>Food &amp; Staples Retailing</b>								
Cargills (Ceylon) PLC	763,841	145,129,790	156,587,405	6%	-	-	-	0%
<b>Total value of quoted equity securities (at market value)</b>		<b>1,871,055,556</b>	<b>1,972,320,614</b>	<b>79%</b>		<b>203,345,862</b>	<b>206,106,918</b>	<b>62%</b>
<b>Total unrealized gain / (loss)</b>			<b>101,265,059</b>				<b>2,761,056</b>	
<b>Unrealised gain for the period</b>			<b>98,504,002</b>					

The fair value of the above financial instrument has been determined using level I of the fair value hierarchy.





## NDB WEALTH GROWTH AND INCOME FUND

### NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 December 2020

#### 7. FINANCIAL ASSETS MEASURED THROUGH OTHER COMPREHENSIVE INCOME

	2020		2019	
	Amortised cost Rs.	As a % of net asset value	Amortised cost Rs.	As a % of net asset value
Quoted corporate debentures (Note 7.1)	23,791,147	1%	44,699,509	13%
	<u>23,791,147</u>		<u>44,699,509</u>	

#### 7.1. Quoted Corporate Debentures

	2020			2019		
	Market Value Rs.	Amortized Cost Rs.	As a % of net asset value	Market Value Rs.	Amortized Cost Rs.	As a % of net asset value
Commercial Credit PLC	-	-	-	5,990,557	5,959,261	2%
Seylan Bank PLC	4,800,452	4,612,711	0.2%	4,823,273	4,561,211	1%
Siyapatha Finance PLC	6,875,262	6,529,282	0.3%	6,831,794	6,466,373	2%
Senkadagala Finance PLC	-	-	0.0%	15,741,899	15,191,734	5%
Citizens Development Business Finance PLC	12,115,433	11,068,116	0.5%	11,311,987	10,839,781	3%
	<u>23,791,147</u>	<u>22,210,109</u>	<u>1.0%</u>	<u>44,699,509</u>	<u>43,018,359</u>	<u>13%</u>
<b>Total unrealised gain / (loss)</b>	<u>1,581,038</u>			<u>1,681,150</u>		
<b>Unrealised gain / (loss) on the changes in the fair value recognised in other comprehensive income</b>	<u>(100,112)</u>					

7.2. The fair value of the above financial instrument has been determined using level II of the fair value hierarchy.

#### 8. FINANCIAL ASSETS MEASURED AT AMORTISED COST

	2020		2019	
	Amortised cost Rs.	As a % of net asset value	Amortised cost Rs.	As a % of net asset value
Fixed deposits (Note 8.1)	124,377,410	5.0%	63,342,587	19%
Money market savings account (Note 8.2)	13,926,403	0.6%	15,981,766	5%
Asset backed securities (Note 8.3)	-	0.0%	10,397,595	3%
Treasury bills under repurchase agreements (short term) (Note 8.4)	368,805,045	14.8%	-	-
	<u>507,108,857</u>	<u>20.3%</u>	<u>89,721,948</u>	<u>27%</u>



# NDB WEALTH GROWTH AND INCOME FUND

## NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 December 2020

### 8.1. Fixed Deposits

	2020		2019	
	Amortised cost Rs.	As a % of net asset value	Amortised cost Rs.	As a % of net asset value
LB Finance PLC	27,437,810	1%	24,381,738	7%
HNB Finance PLC	49,042,340	2%	16,344,575	5%
Sampath Bank PLC	47,897,260	2%	-	-
National Savings Bank	-	-	22,616,274	7%
	<u>124,377,410</u>	<u>5%</u>	<u>63,342,587</u>	<u>19%</u>

### 8.2. Money Market Savings Account

	2020		2019	
	Amortised cost Rs.	As a % of net asset value	Amortised cost Rs.	As a % of net asset value
Hatton National Bank PLC	13,926,403	1%	15,981,766	5%
	<u>13,926,403</u>	<u>1%</u>	<u>15,981,766</u>	<u>5%</u>

### 8.3. Asset Backed Securities

	2020		2019	
	Amortised cost Rs.	As a % of net asset value	Amortised cost Rs.	As a % of net asset value
Citizens Development Business Finance PLC	-	-	10,397,595	3%
	<u>-</u>	<u>-</u>	<u>10,397,595</u>	<u>3%</u>

### 8.4. Treasury Bills Under Repurchase Agreements (Short Term)

	2020		2019	
	Amortised cost Rs.	As a % of net asset value	Amortised cost Rs.	As a % of net asset value
First Capital T Ltd	267,376,074	11%	-	-
WealthTrust Securities Limited	101,428,970	4%	-	-
	<u>368,805,044</u>	<u>15%</u>	<u>-</u>	<u>-</u>

### 9. TAXES RECOVERABLE

	2020 Rs.	2019 Rs.
Withholding tax receivable	2,075,815	2,075,815
Notional tax credit recoverable	1,216,203	1,216,203
	<u>3,292,018</u>	<u>3,292,018</u>
Less		
Impairment allowance for WHT	(2,075,815)	(2,075,815)
Impairment allowance for Notional Tax	(1,216,203)	(1,216,203)
	<u>-</u>	<u>-</u>

### 10. ACCRUED EXPENSES

	2020 Rs.	2019 Rs.
Management Fees	3,193,877	413,948
Trustee Fees	344,939	44,213
Custodian Fees	10,978	11,500
Audit Fees	193,185	193,185
Tax Consultancy Fees	133,229	66,615
Front End Fees (Reversal) / Payable	522,997	1,293,027
	<u>4,399,205</u>	<u>2,022,488</u>





# NDB WEALTH GROWTH AND INCOME FUND

## NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 December 2020

### 11. NET ASSETS ATTRIBUTABLE TO THE UNITHOLDERS

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

	2020 Units	2019 Units	2020 Rs.	2019 Rs.
Opening capital balance	8,438,224	5,435,114	331,165,814	195,354,705
Units issued during the year	51,360,272	3,243,045	2,139,850,072	127,083,358
Units redeemed during the year	(1,794,876)	(239,935)	(73,768,103)	(8,799,052)
Increase in net assets attributable to unitholders	-	-	101,698,742	15,516,561
Distributions to unitholders	-	-	-	-
Other comprehensive income	-	-	(100,112)	2,010,243
<b>Closing balance</b>	<b>58,003,620</b>	<b>8,438,224</b>	<b>2,498,846,414</b>	<b>331,165,814</b>

The creation price was at Rs. 44.13 (2019 -LKR.40.11) per unit and the redemption price was at Rs. 42.70 (2019 - Rs. 38.95) per unit as at 31st December 2020.

### 12. CONTINGENCIES

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

### 13. 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.

#### 13.1. Impact of Covid-19

On 11 March 2020 the World Health Organization declared the novel coronavirus ("Covid-19) outbreak a pandemic. Responding to the potentially serious threat that COVID-19 presents to public health, the Sri Lankan government has taken measures to contain the outbreak, pending further developments. The impact of COVID-19 and measures to prevent its spread are affecting the local economies and these have triggered significant disruptions to business worldwide, resulting in economic slowdown in many countries, including Sri Lanka.

At this stage, the impact on the fund's activities and result is limited. The fund continues to maintain its net assets value. The fund will continue its operations in the best and safest way possible without jeopardizing the health of its customers and staff.

Even at this moment no uncertainty about the fund's ability to continue as a going concern is identified. In addition, we have taken several steps to further strengthen our financial position and balance sheet, and maintain financial liquidity and flexibility.

### 14. CAPITAL COMMITMENTS

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



# NDB WEALTH GROWTH AND INCOME FUND

## NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 December 2020

### 15. RELATED PARTY TRANSACTIONS

The following have been identified as related parties to NDB Wealth Money Fund in accordance with LKAS 24 for the reasons stated below.

The 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. D.S.P. Wickramanayake, Mr. Bernard Sinniah, Mr. Shankanada Abeywardene, 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 to related parties are as follows:

Name of the Related Party	Nature of Interest	Particulars of Financial Dealings	Transaction	Outstanding
			Value Rs.	Value Rs.
NDB Wealth Management Limited	Fund Management Company	Management fees	11,348,095	3,193,877
Hatton National Bank (HNB)	Trustee	Trustee fees	1,226,081	344,939
		Custodian fee	129,255	10,978

The fund maintains a current account with the Trustee, Hatton National Bank through which all settlements of transactions of the fund were made.

### 16. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

#### (a) Financial Instruments

The fund's principal financial assets comprise investment in corporate debentures, fixed deposits, quoted equities and assets backed securities. The main purpose of these financial instruments is to generate a return on the investment made by unitholders. The fund's financial liabilities comprise of mainly accrued expenses.

#### (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.

Concentration of risk arises when a number of financial instruments or contracts are entered in to 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.

#### (c) 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 of interest and/or principal.

The fund's exposure to credit risk from its financial assets arises from default of the counterparty and the current exposure equal to the fair value of these instruments as detailed below and main concentration of credit risk, to which fund is exposed arises from fund's investment in debt securities, cash and cash equivalents and other receivables.

It is the fund's policy to enter into financial instruments with reputable counterparties with credit ratings.





# NDB WEALTH GROWTH AND INCOME FUND

## NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 December 2020

### 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.

The Fund's maximum exposure to credit risk can be analysed as follows:

	2020 Rs.	2019 Rs.
Conservative- Government securities and treasury bill/bond repurchase	368,805,045	-
Balanced- Corporate debentures, fixed deposits, asset back securities and money	530,900,004	134,421,457

### (d) Market Risk

Market risk represents the risk that the value of the fund's investment 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 investment strategies. As such, unitholders can manage this risk through their choices of which investment portfolios to participate in.

### (e) Price Risk

Price risk is the risk that the fair value of the fund's investments in trading securities 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 portfolio.

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 trading securities, with all other variables held constant.

changes in the price of the fund's investments in trading securities existing as of	2020		2019	
	Increases / (decreases) on profit before tax Rs.	Increases/ (decreases) on amounts attributable to unitholders Rs.	Increases/ (decreases) on profit before tax Rs.	Increases/ (decreases) on amounts attributable to unitholders Rs.
+10%	197,232,061	197,232,061	20,610,692	20,610,692
-10%	(197,232,061)	(197,232,061)	(20,610,692)	(20,610,692)

The above figures are calculated across the entire investment portfolio on an annual basis. There is a corresponding change to the fair value of trading securities within the statement of financial position.

### (f) 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.

Change in interest rate of fund's investments in financial assets measured at	Increases/ (decreases) on profit before tax for the year 2020 Rs.	Increases/ (decreases) on profit before tax for the year
		2019 Rs.
+1%	18,710,556	1,243,932
-1%	(18,710,556)	(1,243,932)



## NDB WEALTH GROWTH AND INCOME FUND

### NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 December 2020

The fund's exposure to interest rate risk primarily arises from changes in interest rates applicable to the investments classified under financial assets at amortised cost.

#### **(g) 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 investments in financial instruments, which under normal market conditions are readily convertible to cash. In addition, the fund invests within established limits to ensure that there is no concentration of risk.

The fund's exposure to liquidity can be analyzed as follows:

	<b>2020</b>	<b>2019</b>
	<b>Rs.</b>	<b>Rs.</b>
Fixed income securities		
Long term (more than 1 year)	23,791,147	44,699,509
Short term (less than 1 year)	507,108,857	89,721,948
	<u>530,900,004</u>	<u>134,421,457</u>



# NDB WEALTH GROWTH AND INCOME FUND

For the year ended 31 December 2020

	<b>NAV as per Valuation as at 31.12.2020</b>	2,498,886,485
Add:	<u>Adjustments to the Financial Statements</u>	-
Less:	Audit & Tax Consultant Fee - Under Provision adjustment	(40,071)
	<b>NAV as per Financial Statements</b>	<u>2,498,846,414</u>
	(Net Assets attributable to Unit holders)	

