FIRST CAPITAL WEALTH FUND INTERIM FINANCIAL STATEMENTS FOR SIX MONTHS ENDED 30TH SEPTEMBER 2020



REPORT OF THE MANAGER

We have pleasure in presenting the Unaudited Interim Financial Statements of First Capital Wealth Fund (the Fund) for the six months ended 30th September 2020.

Fund Performance

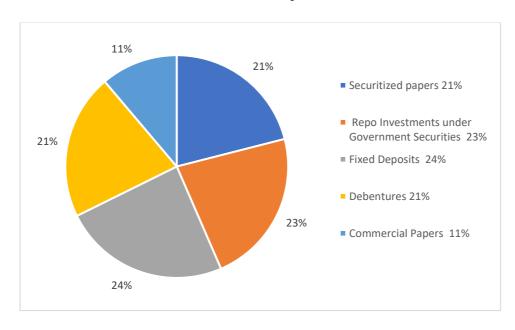
First Capital Wealth Fund reported a Profit after Tax of Rs. 19.7Mn for the six months ended 30th September 2020 compared to Rs. 38.1Mn in the correspondence period of the previous year.

The Fund reported an Annualised Return of 14.15% for the six months ended 30th September 2020 compared to the 5-year treasury bond yield (base yield) of 6.67% (source: Central Bank of Sri Lanka - *Daily Reports*; https://www.cbsl.gov.lk/en/pd-daily-report. 5-year treasury bond (risk free return) is used to evaluate the performance of the Fund which denotes the return over the risk-free return since there is no appropriate benchmark index for the Fund).

The Annualised Return reported in the corresponding period of the previous year (2019/20) was 11.6%. compared to the 5-year treasury bond yield of 10.21% (source: Central Bank of Sri Lanka - *Daily Reports*; https://www.cbsl.gov.lk/en/pd-daily-report). The Funds Under Management decreased to Rs. 274.8Mn as at 30th September 2020 compared to Rs. 603.8Mn as at 31st March 2020 (The Fund's yield is variable and subject to change. Past performance is not an indicator of future performance).

Asset Allocation as at 30th September 2020 (%)

The Asset Allocation of the Fund as at 30th September 2020 is as follows.



Appreciations

We take this opportunity to thank our valued unitholders for the trust and confidence placed in us. We also place on record our appreciation for the support extended by the Securities and Exchange Commission of Sri Lanka and our Trustee, Bank of Ceylon.

We express our sincere thanks to the Board of Directors, Management Team and Staff of First Capital Asset Management Limited for their contribution towards our performance.

FIRST CAPITAL WEALTH FUND STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

| For Six Months ended 30 th September | 2020 Unaudited | 2019 Unaudited |
|--|-------------------|-------------------|
| | Rs. | Rs. |
| Income | 17,122,136 | 42,639,822 |
| Direct expenses | w. | - |
| Net trading income | 17,122,136 | 42,639,822 |
| Other income | - | - .) |
| Gain on fair valuation of financial assets | 4,611,737 | 262,941 |
| - fair value through profit or loss | 21,733,873 | 42,902,763 |
| Administration and other operating expenses | (2,140,951) | (4,837,624) |
| Reversal of Impairment of financial assets at amortised cost | 101,678 | 20,522 |
| Profit before taxation | 19,694,600 | 38,085,661 |
| Income tax expenses | | * |
| Profit for the period | 19,694,600 | 38,085,661 |
| Total comprehensive income | 19,694,600 | 38,085,661 |
| Increase in net assets attributable to unit holders | 19,694,600 | 38,085,661 |

Figures in brackets indicate deductions.

The notes form an integral part of these financial statements.

FIRST CAPITAL WEALTH FUND STATEMENT OF FINANCIAL POSITION

| As at | 30.09.2020 Unaudited | 31.03.2020 Audited |
|--|-------------------------|-----------------------|
| | Rs. | Rs. |
| Assets | | |
| Cash at bank | 1,071,551 | 1,076,409 |
| Financial assets -at fair value through profit or loss | 145,354,331 | 164,877,040 |
| Financial assets -at amortised cost | 126,690,328 | 437,446,478 |
| Other receivables | 2,979,228 | 2,110,259 |
| Chief 1900/140/20 | 276,095,438 | 605,510,186 |
| Total Assets | | |
| | | |
| Unit holders' funds and liabilities | | |
| Liabilities | 1 201 071 | 1.664.200 |
| Accrued expenses and other liabilities | 1,284,054 | 1,664,299 |
| Total Liabilities | 1,284,054 | 1,664,299 |
| Unit holders' funds | <u> </u> | - |
| Net assets attributable to unit holders | 274,811,384 | 603,845,887 |
| Total unit holders' funds and liabilities | 276,095,438 | 605,510,186 |
| Net asset per unit | 1,202.84 | 1,125.61 |

The notes form an integral part of these financial statements.

The Management Company of First Capital Wealth Fund is responsible for the preparation and presentation of these Financial Statements in accordance with the Sri Lanka Accounting Standards.

Approved by the Managing Company and the Trustee on 21st December 2020.

Mangala Jayashantha **Chief Financial Officer**

First Capital Asset management Limited

Fund Management Company

Dilshan Wirasekara

Director/ Chief Executive Officer

First Capital Asset Management Limited

Fund Management Company FOR BANK OF

Bank of Ceylororised Signatorie

Trustee

Dinesh Schaffter

Managing Director

First Capital Asset Management Limit

Fund Management Company

FIRST CAPITAL WEALTH FUND STATEMENT OF CHANGES IN UNIT HOLDERS' FUNDS

| For Six Months ended 30 th September 2020 | Unit holders' Capital Rs. | Retained Earnings Rs. | Unit holders' Funds Rs. |
|--|---------------------------------|-----------------------------|-------------------------------|
| Balance as at 01st April 2019 (Audited) | 481,160,857 | 154,388,515 | 635,549,372 |
| Capital infused during the period | 303,126,220 | - | 303,126,220 |
| Capital redeemed during the period | (324,663,075) | - | (324,663,075) |
| Increase in net assets attributable to unit holders (Restated) | - | 38,085,661 | 38,085,661 |
| Dividend paid (2018/2019) | - | (60,570,477) | (60,570,477) |
| Balance as at 30 th September 2019 (Unaudited) | 459,624,002 | 131,903,699 | 591,527,701 |
| Balance as at 01st April 2020 (Audited) | 459,528,060 | 144,317,827 | 603,845,887 |
| Capital infused during the period | 12,500 | - | 12,500 |
| Capital redeemed during the period | (348,741,603) | - | (348,741,603) |
| Increase in net assets attributable to unit holders | - | 19,694,600 | 19,694,600 |
| Balance as at 30 th September 2020 (Unaudited) | 110,798,957 | 164,012,427 | 274,811,384 |

Figures in brackets indicate deduction.

The notes form an integral part of these financial statements.

FIRST CAPITAL WEALTH FUND STATEMENT OF CASH FLOWS

| For Six Months ended 30 th September | 2020 Unaudited | 2019 Unaudited |
|--|-------------------|-------------------|
| | Rs. | Rs. |
| Cash flows from operating activities | | |
| Profit before taxation | 19,694,600 | 38,085,661 |
| Adjustment for: | | |
| Gain on fair valuation of financial assets -at fair value | (4,611,737) | (262,941) |
| through profit or loss | | |
| Reversal of impairment of financial assets at amortised cost | (101,678) | (20,522) |
| Operating profit before working capital changes | 14,981,185 | 37,802,198 |
| (Increase)/ decrease in financial assets -at Fair value through profit or loss | 24,134,446 | (99,378,649) |
| Decrease in financial investments - at amortised cost | 310,857,827 | 144,354,486 |
| Increase in other receivables | (868,969) | (75,994) |
| Decrease in accruals and other payables | (380,244) | (986,441) |
| Cash generated flows from operations | 348,724,245 | 81,715,600 |
| Tax paid | _ | <u>-</u> |
| Net cash flows from operating activities | 348,724,245 | 81,715,600 |
| Net cash flows from/(used in) investing activities | | - |
| Cash flows from financing activities | | |
| Proceeds from units creation | 12,500 | 303,126,220 |
| Payment for units redemption | (348,741,603) | (324,663,075) |
| Dividend paid | | (60,570,477) |
| Net cash flows used in financing activities | (348,729,103) | (82,107,332) |
| Net cash inflows/ (outflows) for the period | (4,858) | (391,732) |
| Cash and cash equivalents at the beginning of the period | 1,076,409 | 1,660,326 |
| Cash and cash equivalents at the end of the period | 1,071,551 | 1,268,594 |

Figures in brackets indicate deductions.

The notes form an integral part of these financial statements.

- 1. The number of Units represented by unitholders' funds as at 30th September 2020 is 228,468.
- The above figures are subject to audit. The same accounting policies as in the Audited Financial Statements for the year ended 31st March 2020 have been followed in the preparation of the above financial statements.
- 3. There have been no material commitment and contingent liabilities as at the reporting date which require disclosures in the financial statements (No commitment and contingent liabilities as at 31st March 2020).
- 4. There have been no material events subsequent to the reporting date which require disclosures/ adjustments in the above interim financial statements other than the following;
 - First Capital Wealth Fund paid a dividend of Rs. 100/- per unit amounting to Rs. 23Mn in October 2020 for year 2019/20.

5. Financial instruments- Fair Value Measurement

The Company measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements in accordance with SLFRS 13.

Level - 1

Financial instruments that are measured in whole or in part by reference to published quotes in an active market. A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange and those prices represent actual and regularly occurring market transactions on an arm's length basis.

Level - 2

Financial instruments that are measured at fair value on a recurring basis. As market quotes generally are not readily available or accessible for these securities, their fair value measures are determined using relevant information generated by market transactions involving comparable securities.

Level - 3

Valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

5.1 Fair values versus the Carrying amounts

The fair values of financial assets and liabilities, together with the carrying amounts shown in the Statement of Financial Position are as follows:

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|---|----|----|
| H | 22 | cι |

Financial assets measured at fair value

Financial assets -at fair value through profit or loss

Financial assets not measured at fair value

Cash at banks and in hand Financial assets at amortised cost Trade and other receivable

Total financial investments

Financial liabilities measured at fair value

Financial liabilities not measured at fair value

Accrued expenses and other liabilities

Total financial liabilities

| As at 30. | 09.2020 | As at 31.03.2020 | |
|--------------------|-------------|--------------------|-------------|
| Carrying Amount | Fair Value | Carrying Amount | Fair Value |
| Rs. | Rs. | Rs. | Rs. |
| | | | |
| 145,354,331 | 145,354,331 | 164,877,040 | 164,877,040 |
| 145,354,331 | 145,354,331 | 164,877,040 | 164,877,040 |
| | | | |
| 1,071,551 | 1,071,551 | 1,076,409 | 1,076,409 |
| 126,690,328 | 126,690,328 | 437,446,478 | 437,446,478 |
| 2,979,228 | 2,979,228 | 2,110,259 | 2,110,259 |
| 130,741,107 | 130,741,107 | 440,633,146 | 440,633,146 |
| 276,095,438 | 276,095,438 | 605,510,186 | 605,510,186 |
| - | - | - | - |
| | | | |
| 1,284,054 | 1,284,054 | 1,664,299 | 1,664,299 |
| 1,284,054 | 1,284,054 | 1,664,299 | 1,664,299 |

5.2 Financial instruments- Fair Value

The following tables show an analysis of financial instruments at fair value and by level of fair value hierarchy.

| As at 30 th September 2020 | Total Carrying Value | Level 1 | Level 2 | Level 3 | Total Fair Value |
|---|-------------------------|---------|-------------|-------------|------------------|
| | Rs. | Rs. | Rs. | Rs. | Rs. |
| Financial assets measured at fair value | | | | | |
| Financial assets -at fair value through profit or loss | | | | | |
| - Investment in listed debentures | 57,604,450 | - | 57,604,450 | - | 57,604,450 |
| - Investment in securitized papers | 57,287,473 | - | 57,287,473 | - | 57,287,473 |
| - Investment in commercial papers | 30,462,408 | - | 30,462,408 | - | 30,462,408 |
| | 145,354,331 | - | 145,354,331 | • | 145,354,331 |
| Financial assets not measured at fair value | | | | | |
| Financial assets at amortised cost | 126,690,328 | - | - | 126,690,328 | 126,690,328 |
| Trade and other receivable | 2,979,228 | | | 2,979,228 | 2,979,228 |
| | 129,669,556 | - | - | 129,669,556 | 129,669,556 |
| Total financial assets | 275,023,887 | _ | 145,354,331 | 129,669,556 | 275,023,887 |
| | , , | | | , , | , , |
| As at 31 st March 2020 | Total Carrying Value | Level 1 | Level 2 | Level 3 | Total Fair Value |
| | Rs. | Rs. | Rs. | Rs. | Rs. |
| Financial assets measured at fair value Financial assets -at fair value through profit or loss | | | | | |
| - Investment in debentures | 53,812,000 | - | 53,812,000 | - | 53,812,000 |
| - Investment in securitized papers | 24,029,897 | - | 24,029,897 | - | 24,029,897 |
| - Investment in commercial papers | 87,035,143 | - | 87,035,143 | - | 87,035,143 |
| | 164,877,040 | - | 164,877,040 | - | 164,877,040 |
| Financial assets not measured at fair value | | | - | | |
| Financial assets at amortised cost | 437,446,478 | - | - | 437,446,478 | 437,446,478 |
| Trade and other receivable | 2,110,259 | - | - | 2,110,259 | 2,110,259 |
| | 439,556,737 | | - | 439,556,737 | 439,556,737 |
| Total financial assets | 604,433,777 | | 164,877,040 | 439,556,737 | 604,433,777 |

5.3 Measurement of fair values

${\bf 5.3} \ (a) \quad \ Valuation \ techniques \ and \ significant \ unobservable \ inputs$

The following table shows the valuation techniques used in measuring Level 2 fair values, as well as the significant unobservable inputs used.

Financial instruments measured at fair value

| Туре | Valuation Technique | Significant Unobservable Inputs | Inter-relationship between Significant Unobservable Inputs and Fair Value Measurement |
|------------------------------------|---|--|---|
| Investment in Listed debentures | The valuation model is based on Yield Curve of the Government Securities. Yields relating to Government Securities based on the maturities of the respective listed debenture is interpolated in the valuation considering the initial risk premiums (at the time of issue) of the investee companies are constant as at the reporting date. | Risk premium of the investee companies (5.20%) | The estimated fair value would increase/decrease if risk premium of the investee company is lower or higher |
| Investment in Commercial Papers | The valuation model is based on Yield Curve of the Government Securities. Yields relating to Government Securities based on the maturities of the respective commercial paper is interpolated in the valuation considering the initial risk premiums (at the time of issue) of the investee companies are constant as at the reporting date. | Risk premium of the investee companies (8.73%) | The estimated fair value would increase/decrease if risk premium of the investee company is lower or higher |
| Investment in Securitized Papers | The valuation model is based on Yield Curve of the Government Securities. Yields relating to Government Securities based on the maturities of the respective securitized paper is interpolated in the valuation considering the initial risk premiums (at the time of issue) of the investee companies are constant as at the reporting date. | Risk premium of the investee companies (4.71% - 7.06%) | The estimated fair value would increase/decrease if risk premium of the investee company is lower or higher |

5.4 Financial instruments - Accounting clasifications

As at 30th September 2020

Financial assets measured at fair value

Financial assets - FVTPL

Financial assets not measured at fair value

Cash at banks and in hand Financial assets at amortised cost Trade and other receivable

Total financial assets

As at 31st March 2020

Financial assets measured at fair value

Financial assets - FVTPL

Financial assets not measured at fair value

Cash at banks and in hand Financial assets at amortised cost Trade and other receivable

Total financial assets

| Financial assets FVTPL | Financial assets/ liabilities at amortised cost | Total carrying amount | Fair value |
|------------------------|---|-----------------------|-------------|
| Rs. | Rs. | Rs. | Rs. |
| | | | |
| 145,354,331 | - | 145,354,331 | 145,354,331 |
| 145,354,331 | - | 145,354,331 | 145,354,331 |
| | | | |
| - | 1,071,551 | 1,071,551 | 1,071,551 |
| - | 126,690,328 | 126,690,328 | 126,690,328 |
| | 2,979,228 | 2,979,228 | 2,979,228 |
| - | 130,741,107 | 130,741,107 | 130,741,107 |
| 145,354,331 | 130,741,107 | 276,095,438 | 276,095,438 |

| Financial assets FVTPL | Financial assets/ liabilities at amortised cost | Total carrying amount | Fair value |
|------------------------|---|-----------------------|-------------|
| Rs. | Rs. | Rs. | Rs. |
| | | | |
| 164,877,040 | - | 164,877,040 | 164,877,040 |
| 164,877,040 | - | 164,877,040 | 164,877,040 |
| | | | |
| - | 1,076,409 | 1,076,409 | 1,076,409 |
| - | 437,446,478 | 437,446,478 | 437,446,478 |
| - | 2,110,259 | 2,110,259 | 2,110,259 |
| - | 440,633,146 | 440,633,146 | 440,633,146 |
| 164,877,040 | 440,633,146 | 605,510,186 | 605,510,186 |

Fist Capital Wealth Fund Reconciliation for the Net Asset Value reported as at 30th September 2020

| | Rs. |
|--|-------------|
| Net Asset Value of the Fund as per Monthly Return | 274,816,016 |
| Adjustment on provision for financial asset - at amortised cost as per SLFRS 9 | (4,632) |
| Net Asset Value of the Fund as per Interim Financial Statements | 274,811,384 |