

# PREMIER WEALTH FUNDS

## PREMIER WEALTH FUNDS ANNUAL REPORT 2017 / 2018

Trustee & Custodian

Deutsche Bank



Fund Manager

**Premier**  Wealth  
Management

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## Fund Manager's Review

### Our Valued Investors,

It is with great pleasure that we present to our valued investors the Annual Report for the financial year ending 31<sup>st</sup> March 2018.

As you are already aware, Ceylinco Life Insurance Limited, the 14-year leader of Sri Lankan life insurance industry, expanded its wings into Unit Trust and Wealth Management by acquiring Investrust Wealth Management Limited (IWML) on 05<sup>th</sup> December 2017.

With this acquisition, we plan to introduce innovative investment products, which would cater to the unique needs of each and every investor. The sheer force of Ceylinco Life brand behind IWML will propel it to win the trust of the common Sri Lankans while educating them on non-traditional investment avenues, which would bring win-win solutions to investors, shareholders and to the investment culture at large.

What matters most to you – as our valued investors and partners, is that we are laying a solid foundation to provide you with attractive and sustainable returns in this long journey.

### ECONOMIC REVIEW

The year saw a number of key developments taking place in the domestic economy with cautious monetary policy and more focus on reforms being the theme of the year. However, the country continued to be challenged by events such as the unfavourable changes in the global political landscape and harsh weather conditions - droughts, floods and tropical storms - having widespread effects on the domestic economy as a whole.

The persistent cycle of droughts and floods, experienced since previous year resulted in continuous poor performance in the agrarian sector. During the year, the economic growth moderated to 3.1% from the 4.4% YOY growth seen during the previous year - weighed down by the poor performance in the Agriculture sector, which recorded consistent contractions each quarter. However, the Services and Industrial sectors continued to record healthy growth, rising steadily. The overall growth was mainly driven by the robust growth seen in the Construction and Mining & Quarrying sectors as well as increased activity in Financial Services, Telecommunication and Wholesale and Retail trade.

The deficit in the trade account widened further as improvement in export earnings was outdone by expanding import expenditure. The recovery in exports is mainly attributable to improved global market conditions amidst domestic supply constraints. Tea exports recorded strong growth due to higher prices in the international market, while increased access to the EU market following the lifting of the fish exports ban and regaining of the GSP+ concession led to the substantial rises in Seafood and Garment exports.

Meanwhile, import expenditure also accelerated during the year, led by increased fuel imports for coal and thermal power generation under the drought conditions, while higher rice imports to meet domestic market shortages also contributed significantly. Nevertheless, imports of vehicles recorded a contraction due to the measures taken to curtail vehicle imports, and the growth in Investment goods imports remained subdued.

Despite the trade deficit, Sri Lanka's Balance of Payments (BOP) saw considerable improvement. This was largely due to higher capital inflows to both the CSE and government securities market that reflected improved investor sentiment.

However, Tourism earnings and Workers' Remittances saw poor performance, providing minimal cushion to the Current Account deficit unlike before. Renovations of the Bandaranaike International Airport, poor climate conditions coupled with the spread of Dengue epidemic saw Tourist earnings reduce. Workers' remittances contracted largely due to the unexpected geopolitical tensions that arose in the Middle East, aggravated by the Qatar crisis. Regardless, the Gross official reserves strengthened during the year from the lows of US\$ 5.5 billion in January to US\$ 8.0 billion by the end of the year, supported by the issuance of a US\$ 1.5 billion dual-tranche sovereign bond and inflows from the IMF EFF agreement.

The LKR saw some depreciatory pressure during the first half of the year, owing to net foreign fund outflows from local government securities market and high debt repayments. However, along with the return of foreign inflows and reduced debt repayments, these pressures eased off towards the latter half of the year, enabling the CBSL to maintain a more flexible exchange rate regime as advocated by the IMF.

Moving forward, many experts, including ratings agencies such as Fitch and Moody's, commended the government's efforts to keep in line with the IMF plan, but highlighted the need for further fiscal consolidation. Further, it was noted that the country remains vulnerable to changes in the political and economic environment, both domestic and global, which could alter this stable course.

## **Fund Performance**

Investrust Money Market fund continued to establish its reputation as a fund which aims to provide attractive, short-term, tax-adjusted investment opportunities for both corporate and retail clients. For the year ended 31<sup>st</sup> March 2018, fund managed to achieve a 11.6% yield, net of fees, compared to 10.0% yield the fund achieved in same period for 2017.

The Investrust Gilt Edged Fund recorded a return of -22.7% (net of fees) for the twelve months ended 31<sup>st</sup> March 2018, against the annual return of -7.7% for the previous year amidst the easing of monetary policy by the Government. But the main reason for the lackluster performance of the fund was reduction in the size of the fund during the period under review, where the Assets under Management has fallen to LKR 0.5 MN by end of March 2018.

Investrust Income Fund witnessed a decrease in returns, from 5.6% (net of fees) in March 2017 to 2.1% in March 2018. The small scale of the fund (LKR 4.96Mn) is constraining the fund from achieving any meaningful returns.

Investrust Growth Fund, which focuses on investments in equity, was able to record an annualized return of -0.1% (net of fees) for the period under review, whereas All Share Price Index of Colombo Stock Exchange has recorded 6.8% for the same period on an annualized basis. Similar to the Investrust Income Fund and Gilt Edged Fund, the main constraint has been the fund size.



**INVESTRUST GILT EDGED FUND  
FINANCIAL STATEMENTS TOGETHER  
WITH AUDITOR'S REPORT  
FOR THE YEAR ENDED  
31 MARCH 2018**



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**INDEPENDENT AUDITOR'S REPORT  
TO THE UNIT HOLDERS OF INVESTRUST GILT EDGED FUND**

**REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS**

**Opinion**

We have audited the financial statements of Investrust Gilt Edged Fund ("the Fund") which comprise the statement of financial position as at 31 March 2018, and the statement of comprehensive income, statement of changes in unit holders' funds and, statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Fund as at 31 March 2018, 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 the 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.

**Material Uncertainty Related to Going Concern**

We draw attention to Note 2.3.8 in the financial statements, which indicates that the fund balance has been decreased during the year ending 31<sup>st</sup> March 2018 and significantly decreased subsequently. This indicates existence of material uncertainty casting significant doubts on the fund's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

**Other Information**

The Manager, Investrust Wealth Management Limited and the Trustee, Deutsche Bank AG are responsible for the other information. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon. At the date of this auditor's report, other information was not made available to us.

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 the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

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

The Manager, Investrust Wealth Management Limited and the Trustee, Deutsche Bank AG 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 and trustee determine 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, manager and trustee are 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 and trustees either intends to liquidate the Fund or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Fund's financial reporting process.

P. E. A. Jayewickreme, M. B. Ismail, Ms. S. L. Jayasuriya, G. J. David, Ms. F. M. Marikkar, Ms. M. S. J. Henry, R. H. M. Minfaz, Ms. S. Y. Kodagoda

**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 and trustee.
- Conclude on the appropriateness of manager's and trustee'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 those charged with governance 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**

The financial statements are prepared and presented in accordance with and comply with the requirements of the Unit Trust Code of the Securities and Exchange Commission of Sri Lanka.

**SJMS ASSOCIATES**

Chartered Accountants

Colombo

28 June 2018



**INVESTRUST GILT EDGED FUND  
STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 31 MARCH 2018**

	Note	2017/2018 Rs.	2016/2017 Rs.
<b>Investment income</b>			
Interest income	3	6,506,042	16,396,404
Net realized gains/ (losses) on financial assets held for trading		<u>(6,334,250)</u>	<u>(29,956,900)</u>
<b>Total investment income</b>		171,792	(13,560,496)
<b>Expenses</b>			
Management fees		(399,373)	(1,007,702)
Trustee and custodian fees		(418,164)	(622,749)
Audit fees		(96,604)	(87,821)
Professional fees		(57,962)	(52,692)
Other expenses		<u>(478,109)</u>	<u>-</u>
<b>Total operating expenses</b>		(1,450,212)	(1,770,964)
<b>Net operating profit/(loss)</b>		(1,278,420)	(15,331,460)
Finance cost		(26,601)	(52,304)
<b>Net operating profit/(loss) before tax</b>		<u>(1,305,021)</u>	<u>(15,383,764)</u>
Income tax expense	4	<u>(521,126)</u>	<u>(1,457,314)</u>
<b>Increase/(decrease) in net assets attributable to unit holders</b>		<u><u>(1,826,147)</u></u>	<u><u>(16,841,078)</u></u>

The accounting policies and notes from 1 to 13 form an integral part of these financial statements.




**INVESTRUST GILT EDGED FUND  
STATEMENT OF FINANCIAL POSITION  
AS AT 31 MARCH 2018**

	Note	31.03.2018 Rs.	31.03.2017 Rs.
<b>Assets</b>			
Cash and cash equivalents	5	621,956	13,520
Receivable on unit creation		5,000	6,253
Loans and receivables	6	-	87,167,022
Income tax receivable	7	1,744,917	1,797,626
<b>Total assets</b>		<u><u>2,371,873</u></u>	<u><u>88,984,421</u></u>
<b>Unit holders' funds and liabilities</b>			
<b>Liabilities</b>			
Accrued expenses and other payables	8	120,150	242,688
<b>Total liabilities (excluding net assets attributable to unit holders)</b>		<u>120,150</u>	<u>242,688</u>
<b>Unit holders' funds</b>			
Net assets attributable to unit holders		<u>2,251,723</u>	<u>88,741,733</u>
<b>Total unit holders' funds and liabilities</b>		<u><u>2,371,873</u></u>	<u><u>88,984,421</u></u>

The Manager and Trustee are responsible for the preparation and presentation of these financial statements and these financial statements were approved by the Manager and adopted by the Trustee.

**INVESTRUST WEALTH MANAGEMENT LIMITED**

Signed for and on behalf of the Manager and the Trustee on 28 June 2018.

Authorized Signatory      Authorized Signatory

**Investrust Wealth Management Limited**  
Fund Management Company

**DEUTSCHE BANK AG**  
Colombo Branch

Authorized Signatories  
**Deutsche Bank AG**  
Trustee

The accounting policies and notes from 1 to 13 form an integral part of these financial statements.



**INVESTRUST GILT EDGED FUND  
STATEMENT OF CHANGES IN UNIT HOLDERS' FUNDS  
FOR THE YEAR ENDED 31 MARCH 2018**

	2017/2018 Rs.	2016/2017 Rs.
Unit holders' funds at the beginning of the year	88,741,733	274,326,822
Increase/ (decrease) in net assets attributable to unit holders	(1,826,147)	(16,841,078)
Received on unit creations	16,125	54,103
Payments on unit redemptions	(84,679,988)	(168,798,115)
Unit holders' funds at the end of year	<u>2,251,723</u>	<u>88,741,733</u>

The accounting policies and notes from 1 to 13 form an integral part of these financial statements.



**INVESTTRUST GILT EDGED FUND  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 31 MARCH 2018**

	2017/2018 Rs.	2016/2017 Rs.
<b>Cash flows from/ (used in) operating activities</b>		
Interest received	6,526,934	16,431,595
Net investment in financial assets held for trading	(6,334,250)	(29,956,900)
Net investment in loans and receivable financial assets	87,146,130	185,782,900
Tax paid	(468,417)	(1,639,644)
Operating expenses paid	(1,572,750)	(1,831,233)
Net cash flows from/ (used in) operating activities	<u>85,297,647</u>	<u>168,786,718</u>
<b>Cash flows from/ (used in) financing activities</b>		
Cash received on creation of units	17,378	59,390
Cash paid on redemption of units	(84,679,988)	(168,798,115)
Interest paid on borrowings	(26,601)	(52,304)
Net cash flows from/ (used in) financing activities	<u>(84,689,211)</u>	<u>(168,791,029)</u>
Net increase/ (decrease) in cash and cash equivalents	608,436	(4,312)
Cash and cash equivalents at the beginning of the year	13,520	17,832
Cash and cash equivalents at the end of the year (Note 5)	<u>621,956</u>	<u>13,520</u>

The accounting policies and notes from 1 to 13 form an integral part of these financial statements.





**INVESTRUST GILT EDGED FUND  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2018**

**1. General information**

Investrust Gilt Edged Fund (Formerly known as Orient Gilt Edged Fund) is an open ended unit trust fund approved by the Securities and Exchange Commission of Sri Lanka. The fund was launched in September 2012.

The management company of the trust, "Investrust Wealth Management Limited"; was a fully owned subsidiary of Investrust Holdings Limited during the reporting period. Subsequent to the change of management of the Company on December 05, 2017 it became a fully owned subsidiary of Ceylinco Seraka Limited. Accordingly the ultimate parent company is Ceylinco Insurance PLC, which is incorporated and domiciled in Sri Lanka. The registered office of the Manager and its principal place of business is located at No.02, Gower Street, Colombo 05. The Trustee of the fund is Deutsche Bank AG having an established business place at No 86, Galle Road, Colombo 03.

The investment objective of the fund is to provide a high level of current income consistent with liquidity and stability of principle.

**2. Preparation of financial statements**

**2.1 Statement of compliance**

These financial statements which comprise the statement of financial position as at 31st March 2018, statement of comprehensive income, statement of changes in unit holders' funds and statement of cash flows for the year ended and a summary of significant accounting policies and other explanatory information have been prepared in accordance with Sri Lanka Accounting Standards (SLFRSs and LKASs) laid down by The Institute of Chartered Accountants of Sri Lanka and the requirement of the unit trust code of the Securities and Exchange Commission of Sri Lanka.

**2.2 Basis of preparation**

The financial statements are prepared in accordance with and comply with the relevant Sri Lanka Accounting Standards issued by The Institute of Chartered Accountants of Sri Lanka and adopted as directed by the Securities and Exchange Commission 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 for revaluation of certain financial instruments. 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).

**2.2.1 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 directors are 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.





**2.2.1 Significant accounting judgments, estimates and assumptions - (Contd..)**

Management considers credit, liquidity and market risk and assesses the impact on valuation of investments when determining the fair value. Following are the key sources of estimation uncertainty at the statement of financial position date, that have significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year.

**2.3 Summary of significant accounting policies****2.3.1 Financial instruments – initial recognition and subsequent measurements****2.3.1.1 Date of recognition**

All financial assets are initially recognized on the trade date, i.e. the date that the fund becomes a party to the contractual provisions of the instrument. This includes purchasing of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place.

**2.3.1.2 Initial measurement of financial instruments**

The classification of financial instruments at initial recognition depends on their purpose and characteristics and the management intention in acquiring them. All financial assets are measured initially at the fair value plus transaction costs, except in the cases of financial assets recorded at fair value through profit or loss.

**2.3.1.3 Financial assets - Loans and receivables**

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted on an active market.

After initial measurement, loans and receivables are subsequently measured at amortized cost using the effective interest rate, less allowance for impairment. The amortization is included in the “interest income” in the statement of comprehensive income. The losses arising from impairment is recognized in the statement of comprehensive income.

Interest income is recognized by applying the effective interest rate, except for short term receivables when the recognition of interest would be immaterial.

**2.3.1.4 Financial assets at fair value through profit or loss**

Financial assets are classified as fair value through profit or loss (FVTPL) if they are held for trading or are designated at fair value through profit or loss. Financial assets are classified as held-for-trading if they are acquired for the purpose of selling or repurchasing in the near term. Up on the initial recognition, transaction cost are directly attributable to the acquisition are recognized in profit or loss as incurred.

**Financial assets held for trading**

Financial assets, held for trading are recorded in the statement of financial position at fair value. Changes in fair values are recognized in the ‘net change in financial assets held for trading’ in the statement of comprehensive income. Interest income or expense and dividend income are recorded in “investment income’ according to the terms of the contract. Included in this classification is quoted equity securities.

**Financial assets designated at fair value through profit or loss**

Financial assets at fair value through profit or loss are subsequently measured at fair value. Changes in fair value are recognized in the ‘Unrealized gain / (loss) on financial assets held for trading’ in the statement of comprehensive income. Dividend income is recorded in “investment income’ according to the terms of the contract.



**2.3.1.5 Available for Sale Financial Assets**

Available for sale assets are non-derivative investment that are designated as available for sale or are not classified as another category of financial assets.

Interest income on available for sale of asset is recognized in Statement of Comprehensive Income using the Effective Interest Rate (EIR).

Other fair value changes are recognized in other comprehensive income until the investment is sold or impaired, where upon the cumulative gains and losses previously recognized in other comprehensive income are classified to profit or loss as a reclassification adjustment.

**2.3.1.6 Determination of fair value**

The fair value for financial instruments traded in active markets at the reporting date is based on their quoted market price or dealer price quotations (bid price for long positions and ask price for short positions), without any deductions for transaction costs.

For all other financial instruments not traded in an active market, the fair value is determined by using appropriate valuation techniques. Valuation techniques include the discounted cash flow method, comparison with similar instruments for which market observable prices exist, options pricing models, credit models and other relevant valuation models.

**2.3.1.7 Derecognition of financial assets**

A financial asset is derecognized when,

- a) The rights to receive cash flows from the asset have expired,
- b) The Fund has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either,
  - The Fund has transferred substantially all the risks and rewards of the asset or
  - The Fund has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset

**2.3.1.8 Impairment of financial assets**

For financial assets carried at amortized cost, the Fund first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred).

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognized in the statement of comprehensive income.

**2.3.2 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.

**2.3.3 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 Trust, and subsequently at amortized cost.

Provisions are recognized 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.



**2.3.4 Revenue recognition**

Revenue 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.

**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 from repurchase agreements and deposits are recognized at gross of notional tax credit or withholding tax.

**2.3.5 Expenditure recognition**

All expenses, including management fees and trustee fees, are recognized in profit or loss on accruals basis.

The management participation fee, the trustee fee and the custodian fee of the fund is as follows.

Management and registration fee	- 0.65% of Net asset value of the fund
Trustee fee	- 0.20% of Net asset value of the fund
Custodian fee	- Flat fee of Rs. 20,000 per month

**2.3.6 Taxation**

The provision for income tax is based on the elements of income and expenditure as reported in the financial statements and computed in accordance with the provisions of the Inland Revenue Act. According to the Inland Revenue Act No. 10 of 2006 the fund is liable to pay tax at the rate of 10%.

**2.3.7 Unit holders' funds and net assets attributable to unit holders**

Unit holders' 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 unit holders, as at the reporting date.

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.

Dividend to a unit holder is declared according to Explanatory Memorandum. Dividend to unit holder is recognized in the statement of changes in unit holders' funds as a distribution. Income not distributed is included in net assets attributable to unit holders.

**2.3.8 Going concern**

The fund balance has decreased by Rs.86,490,010 as at 31 March 2018 when comparing to fund balance as at 31 March 2017. Further it has significantly decreased by Rs.1,884,187 as at 12 June 2018 is comparison to balance as at 31 March 2018. The fund balance as at 12 June 2018 is Rs.367,536. This indicates a substantial doubt about the going concern of the fund.

However, the management has made an assessment of the Unit Trust's ability to continue in business for the foreseeable future. Furthermore, fund management company is not aware of any material uncertainties that may cast significant doubt upon the unit trust's ability to continue as a going concern. Therefore, the financial statements continue to be prepared on the going concern basis.



**2.3.8 Going concern - (Contd.)**

As per the management, the reason for the decreased in fund balance is mainly due to the changes made to the taxation regime by the adoption of the Inland Revenue Act No.24 of 2017, tax exemption provided for unit holders have been discontinued. In addition, the current interpretation of the said Act, the effective taxation on unit holders who invests through unit trusts are much higher than that of direct, plain vanilla investments such as term deposits. These have led to create a negative sentiment and outlook on unit trust investments.

**2.3.9 New accounting standards issued but not yet effective**

A number of new standards and amendments to standards, which have been issued but not yet effective as at the Reporting date, have not been applied in preparing these Financial Statements for the year ended 31st March 2018. Pending detail review the financial impact is not reasonably estimated as at the date of publication of these financial statements.

Accounting standard	Summary of the requirements
SLFRS 9- "Financial Instruments"	<p>SLFRS 9, issued in 2014 which replaces the existing guidance in LKAS 39 – "Financial Instruments: Recognition and Measurement" is effective for annual reporting periods beginning on or after January 1, 2018.</p> <p>The improvements introduced by SLFRS 9 includes a logical model for classification and measurement, a single, forward-looking 'expected loss' impairment model and a substantially reformed approach to hedge accounting.</p>
SLFRS 15- "Revenue from Contracts with Customers"	<p>SLFRS 15 establishes a comprehensive framework for determining whether, how much, and when revenue is recognized. New qualitative and quantitative disclosure requirements aim to enable Financial Statements users to understand the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers.</p> <p>Entities will apply five-step model to determine when to recognize revenue and at what amount. The model specified that revenue is recognized when or as an entity transfers control of goods and services to a customer at the amount to which the entity expects to be entitled. Depending on whether certain criteria are met, revenue is recognized.</p> <p>It replaces existing revenue recognition guidance, including LKAS 18 on "Revenue" and LKAS 11 on "Construction Contracts" and IFRIC 13 on "Customer Loyalty Programmes".</p> <p>SLFRS 15 is effective for annual reporting periods beginning on or after January 1, 2018.</p>
SLFRS 16- "Leases"	<p>SLFRS 16 eliminates the current dual accounting model for lessees which distinguishes between On-Balance Sheet finance leases and Off-Balance Sheet operating leases. Instead there will be a single On-Balance Sheet accounting model that is similar to current finance lease accounting.</p> <p>SLFRS 16 is effective for annual reporting periods beginning on or after January 1, 2019.</p>

Financial impacts of the above new accounting standards have not been assessed.



	2017/2018 Rs.	2016/2017 Rs.
<b>3. Interest income</b>		
Interest on treasury bonds	2,596,167	9,853,444
Interest on treasury bill repurchase agreements	3,903,161	6,540,488
Interest on savings account	6,714	2,472
	<u>6,506,042</u>	<u>16,396,404</u>
<b>4. Income tax expense</b>		
Income tax expense for the year (Note 4.1)	<u>521,126</u>	<u>1,457,314</u>
<b>4.1 A reconciliation between tax expense and the accounting profit multiplied by the statutory tax rate is as follows.</b>		
Accounting profit chargeable for current tax	(1,305,021)	(15,383,764)
Tax effect on chargeable profits	(130,502)	(1,538,376)
Tax effect on interest income	-	-
Tax effect on disallowable/ (allowable) credits	651,628	2,995,690
Current tax expense	<u>521,126</u>	<u>1,457,314</u>
Effective tax rate	(39.93%)	(9.47%)
	<b>31.03.2018</b>	<b>31.03.2017</b>
	<b>Rs.</b>	<b>Rs.</b>
<b>5. Cash and cash equivalents</b>		
Cash at bank - Deutsche bank	<u>621,956</u>	<u>13,520</u>
<b>6. Loans and receivables</b>		
Investment in treasury bills repos	<u>-</u>	<u>87,167,022</u>
	<u>-</u>	<u>87,167,022</u>
<b>7. Income tax receivable</b>		
Balance at the beginning of the year	1,797,626	1,615,296
Income tax expense for the year	(521,126)	(1,457,313)
Notional taxes deducted during the year	649,933	1,639,394
Withholding taxes deducted during the year	518	250
Write-off of tax receivable	(182,034)	-
Balance at the end of the year	<u>1,744,917</u>	<u>1,797,626</u>
<b>8. Accrued expenses and other payables</b>		
Custodian fees	23,441	23,441
Management fees	-	49,434
Trustee fees	106	17,492
Audit fees	96,603	87,821
Account payables	-	64,500
	<u>120,150</u>	<u>242,688</u>





**9. Capital management**

The fund's capital is represented by redeemable units with no par value and is reflected in the statement of financial position as amount attributable to unit holders. In accordance with the accounting policies and the risk management policies in note 11, the fund endeavours to invest contributions received in appropriate investments, while maintaining sufficient liquidity to meet any withdrawal requests. The terms and conditions attached to units in the fund can be found in the Trust Deed.

	31.03.2018		31.03.2017	
	Units	Rs.	Units	Rs.
Units as at 01 April	7,350,590.6	88,741,733	21,284,377	274,326,822
Units issued during the year	1,403.0	16,125	4,367	54,103
Units redeemed/ cancelled during the year	(7,294,318.7)	(84,679,988)	(13,938,153)	(168,798,115)
Increase/(decrease) in net assets attributable to unit holders	-	(1,826,147)	-	(16,841,078)
Units as at 31 March	<u>57,674.9</u>	<u>2,251,723</u>	<u>7,350,591</u>	<u>88,741,733</u>

**10. Related party transactions****a) Responsible entity**

The management entity of Investrust Gilt Edged Fund is Investrust Wealth Management Limited.

**b) Key management personnel**

Related parties are identified in accordance with Sri Lanka Accounting standards, LKAS 24, Related Party disclosures.

Mr. Uswattaliyanage Sudath Nilupul Prasanna Perera, Mr. Ranil Prasad Pathirana and Mr. Ranatunga Arachchige Chaminda Dilruk Ranatunga, were the board of directors of Investrust Wealth Management Ltd. during the reporting period. Subsequent to the change of management of the company on December 05, 2017, Mr. Sujeewa Kumarapperuma, Mr. Asoka Sirisena and Mr. Hemantha Chandana were appointed to the board on December 05, 2017.

**c) Key management personnel unit holdings**

None of the key management personnel of Investrust Wealth Management Limited entered in to any transaction with the fund during the year.

**d) Other transactions with the Fund**

No key management personnel have entered into a material contract with the fund during the financial year and there were no material contracts involving key management personnel's interest existing at year end.

**e) Transactions with the related entities**

The fees were charged by the management company and trustee for services provided during the year and the balances outstanding from such dues as at year end are as disclosed below:

Name of the company	Nature of relationship	Nature of the transaction	Transaction value	Amount due as at 31.03.2018
			Rs.	Rs.
Investrust Wealth Management Limited	Fund management company	Management fees	399,373	-
Deutsche Bank AG	Trustee & Custodian	Custodian fees	276,001	23,441
		Trustee fees	142,163	106

By considering the size of the fund, Management has decided not to charge the management fees from 01st January 2018 onwards.

**11. Financial instruments and risk management****(a) Financial instruments**

The Investrust Gilt Edged Fund invests in government securities issued by the Treasury. Both corporate customers and retail customers can invest in the funds to obtain relatively high returns for a long term. The main purpose of these financial instruments is to generate a return on the investment made by a unit holder. The funds' principal financial liabilities comprise amounts attributable to Unit holders, which are the amounts owed to unit holders of the fund. The fund also has other financial instruments such as receivables and payables which arise directly from its operations.

In accordance with LKAS 39 Financial Instruments: Recognition and Measurement, the fund's investments and receivables are classified as "financial assets held for trading" and 'loans and receivables'. Amounts attributable to Unit holders are classified as 'equity' and are carried at the redemption amount being net asset value. Payables are designated as 'other financial liabilities' at amortized cost.

**(b) Financial risk management objectives, policies and processes**

The investment activities of the fund is exposed to different financial risk aspects such as market risk (including interest rate risk), credit risk and liquidity risk.

Investrust Wealth Management Limited has an in house investment committee comprising the fund manager, analysts, CEO, and compliance officer, they meet once a month to review such risks that affect the fund's activities. The committee has defined the in-house investment policy and the risk management framework that governs the investment activities in Investrust Gilt Edged Fund. The investment committee reviews the risk management procedures and ensures the fund manager complies with the Unit Trust code, Directives passed by the SEC, and the internal investment policy.

The Investrust Gilt edged fund invests in corporate debentures, commercial papers, fixed deposits offered by banks and finance companies, lease backed notes and government securities issued by the Treasury. Both corporate customers and retail customers can invest in the fund to obtain relatively high returns in equity investments and benefit from professional fund management for the purpose of generating a return on the investment made by Unit holders, in addition to cash at bank and other financial instruments such as receivables and payables, which arise directly from its operations.

**(c) Market risk****(i) Interest rate risk**

The risk of fluctuations in the value of investments due to the movements in interest rates. If interest rates rise the value of investments that are already committed by the fund may decline and vice versa. To reduce the impact of this risk, Investrust Gilt Edged fund holds a portfolio of investments with short and long term durations. The balance of the duration (duration mix) is based on Investrust Wealth Management investment team's view on interest rate outlook, which is established after thorough analysis into the country's macroeconomic situation and historic movements in interest rates.

<b>Impact on operating profit/Net assets attributable to unit holders</b>	<b>31-Mar-18</b>	<b>31-Mar-17</b>
	<b>Rs.</b>	<b>Rs.</b>
Change in interest rates of the trust investment in financial instruments		
+ 1%	65,060	163,964
- 1%	(65,060)	(163,964)

**(d) Credit risk**

Due to the nature of its investments, Investrust Gilt Edged Fund has law exposure to credit risk, which refers to the risk arising from a borrower's failure to repay his obligations. To reduce the likelihood of this risk, Investrust Gilt Edged Fund holds government securities maximum of 100% including treasury bills and repurchase agreements and cash with maturities less than 91 days to a minimum of 5% of the Fund size.



**(e) Liquidity risk**

The risk that the fund will encounter difficulties in raising funds to meet its obligations to pay the unit holders. To enhance the liquidity, the Fund's long term investments are committed only in listed securities with no exposure to unlisted instruments. Further, as per the internal policy, the fund holds at least 5% of its investments in liquid securities which are having maturities below 91days in addition to having 3% of the portfolio in cash. The investment committee would increase these limits if it predicts large redemptions from time to time.

The following table analyses the fund's maturity groupings based on the remaining period at the end of reporting period.

**Financial assets**

31-Mar-18	Less than 1 month	1-6 months	6-12 months	1-3 years	Total
Cash and cash equivalents	621,956	-	-	-	621,956
Receivable on unit creation	5,000	-	-	-	5,000
Income tax receivable	-	1,744,917	-	-	1,744,917
	<u>626,956</u>	<u>1,744,917</u>	<u>-</u>	<u>-</u>	<u>2,371,873</u>

**Financial liabilities**

31-Mar-18	Less than 1 month	1-6 months	6-12 months	1-3 years	Total
Accrued expenses and other payables	23,547	96,603	-	-	120,150

**Financial assets**

31-Mar-17	Less than 1 month	1-6 months	6-12 months	1-3 years	Total
Cash and cash equivalents	13,520	-	-	-	13,520
Financial assets - Loans and receivables	87,167,022	-	-	-	87,167,022
Receivable on unit creation	6,253	-	-	-	6,253
Income tax receivable	-	-	1,797,626	-	1,797,626
	<u>87,186,795</u>	<u>-</u>	<u>1,797,626</u>	<u>-</u>	<u>88,984,421</u>

**Financial liabilities**

31-Mar-17	Less than 1 month	1-6 months	6-12 months	1-3 years	Total
Accrued expenses and other payables	242,688	-	-	-	242,688

**12. Commitments and Contingencies**

There were no significant commitments and/or contingent liabilities existing as at the reporting date which require adjustments to or disclosure in the financial statements.

**13. Events after the reporting period**

There were no significant events that occurred after the reporting period which require adjustments to or disclosure in the financial statements.





**INVESTRUST INCOME FUND  
FINANCIAL STATEMENTS TOGETHER  
WITH AUDITOR'S REPORT  
FOR THE YEAR ENDED  
31 MARCH 2018**



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**INDEPENDENT AUDITOR'S REPORT  
TO THE UNIT HOLDERS OF INVESTRUST INCOME FUND**

**REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS**

**Opinion**

We have audited the financial statements of Investrust Income Fund ("the Fund") which comprise the statement of financial position as at 31 March 2018, and the statement of comprehensive income, statement of changes in unit holders' funds and, statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Fund as at 31 March 2018, 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 the 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.

**Material Uncertainty Related to Going Concern**

We draw attention to Note 2.3.8 in the financial statements, which indicates that the fund balance has decreased during the year ending 31<sup>st</sup> March 2018 and significantly decreased subsequently. This indicates existence of material uncertainty casting significant doubts on the fund's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

**Other Information**

The Manager, Investrust Wealth Management Limited and the Trustee, Deutsche Bank AG are responsible for the other information. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon. At the date of this auditor's report, other information was not made available to us.

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 the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

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

The Manager, Investrust Wealth Management Limited and the Trustee, Deutsche Bank AG 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 and trustee determine 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, manager and trustee are 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 and trustee either intends to liquidate the Fund or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are 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 and trustee.
- Conclude on the appropriateness of manager's and trustee'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 those charged with governance 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**

The financial statements are prepared and presented in accordance with and comply with the requirements of the Unit Trust Code of the Securities and Exchange Commission of Sri Lanka.

A handwritten signature in blue ink, appearing to read "S. J. M. Associates", is written over the printed name.

**SJMS ASSOCIATES**

Chartered Accountants

Colombo

28 June 2018



**INVESTRUST INCOME FUND  
STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 31 MARCH 2018**

	Note	2017/2018 Rs.	2016/2017 Rs.
<b>Investment income</b>			
Interest income	3	569,361	1,155,473
Net change in realized gains/ (loss) on disposal of financial assets		-	-
<b>Total investment income</b>		569,361	1,155,473
<b>Expenses</b>			
Management fees		(28,791)	(81,965)
Trustee and custodian fees		(287,720)	(296,681)
Audit fees		(96,598)	(87,821)
Professional fees		(19,321)	(17,567)
Other expenses		(16,309)	-
<b>Total operating expenses</b>		(448,739)	(484,034)
<b>Net operating profit</b>		120,622	671,439
Finance cost		(2,724)	(7,275)
<b>Profit after deductions and before tax</b>		117,898	664,164
Income tax expense	4	(11,878)	(53,483)
<b>Profit after deductions and tax</b>		106,020	610,681
<b>Increase in net assets attributable to unit holders</b>		106,020	610,681

The accounting policies and notes from 1 to 13 form an integral part of these financial statements.





**INVESTRUST INCOME FUND  
STATEMENT OF FINANCIAL POSITION  
AS AT 31 MARCH 2018**

	Note	31.03.2018 Rs.	31.03.2017 Rs.
<b>Assets</b>			
Cash and cash equivalents	5	5,056,691	88,851
Receivable on unit creation		4,998	6,252
Income tax receivable	6	225,180	200,743
Financial assets - Loans and receivables	7	-	5,090,974
<b>Total assets</b>		<b><u>5,286,869</u></b>	<b><u>5,386,819</u></b>
<b>Unit holders' funds and liabilities</b>			
<b>Liabilities</b>			
Accrued expenses and other payables	8	140,354	118,633
<b>Total liabilities (excluding net assets attributable to unit holders)</b>		<b><u>140,354</u></b>	<b><u>118,633</u></b>
<b>Unit holders' funds</b>			
Net assets attributable to unit holders		5,146,515	5,268,186
<b>Total unit holders' funds and liabilities</b>		<b><u>5,286,869</u></b>	<b><u>5,386,819</u></b>

The Manager and the Trustee are responsible for the preparation and presentation of these financial statements and these financial statements were approved by the Manager and adopted by the Trustee.

Signed for and on behalf of the Manager and the Trustee on 28 June 2018.

  
  
 Authorized Signatory  
 Investrust Wealth Management Limited  
 Fund Management Company

  
 Authorized Signatory  
 Deutsche Bank AG  
 Trustee

The accounting policies and notes from 1 to 13 form an integral part of these financial statements.



**INVESTRUST INCOME FUND  
STATEMENT OF CHANGES IN UNIT HOLDERS' FUNDS  
FOR THE YEAR ENDED 31 MARCH 2018**

	<b>2017/2018</b>	<b>2016/2017</b>
	<b>Rs.</b>	<b>Rs.</b>
Unit holders' funds at the beginning of the year	5,268,186	12,453,851
Increase in net assets attributable to unit holders	106,020	610,681
Received on unit creations	16,126	54,108
Payments on unit redemptions	(243,817)	(7,850,454)
Unit holders' funds at the end of the year	<u>5,146,515</u>	<u>5,268,186</u>

The accounting policies and notes from 1 to 13 form an integral part of these financial statements.



**INVESTMENT INCOME FUND  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 31 MARCH 2018**

	2017/2018 Rs.	2016/2017 Rs.
<b>Cash flows from/ (used in) operating activities</b>		
Interest received	746,252	1,343,255
Net investment in loans and receivables	4,914,082	7,062,816
Tax paid	(52,624)	(102,577)
Operating expenses paid	(413,433)	(485,245)
Net cash flows generated from/(used in) operating activities	<u>5,194,277</u>	<u>7,818,248</u>
<b>Cash flows from/ (used in) financing activities</b>		
Cash received on creation of units	17,380	59,395
Cash paid on redemption of units	(243,817)	(7,850,454)
Net cash flows generated from/ (used in) financing activities	<u>(226,437)</u>	<u>(7,791,059)</u>
Net increase in cash and cash equivalents	4,967,840	27,189
Cash and cash equivalents at the beginning of the year	88,851	61,662
Cash and cash equivalents at the end of the year (Note 5)	<u>5,056,691</u>	<u>88,851</u>

The accounting policies and notes from 1 to 13 form an integral part of these financial statements.





**INVESTRUST INCOME FUND  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2018**

**1. General information**

Investrust Income Fund (formerly known as Orient Corporate Debt Fund) is an open ended unit trust fund approved by the Securities and Exchange Commission of Sri Lanka. The fund was launched in September 2012.

The management company of the trust, "Investrust Wealth Management Limited"; was a fully owned subsidiary of Investrust Holdings Limited during the reporting period, Subsequent to the change of management of the company on December 05, 2017 it became a fully own subsidiary of Ceylinco Seraka Limited. Accordingly the ultimate parent of the company is Ceylinco Insurance PLC, which is incorporated and domiciled in Sri Lanka. The registered office of the Manager and its principal place of business is located at No.02, Gower Street, Colombo 05. The Trustee of the fund is Deutsche Bank AG having an established business place at 86, Galle Road, Colombo 03.

The investment objective of the fund is to provide a high level of current income consistent with liquidity and stability of principle.

**2. Preparation of financial statements**

**2.1 Statement of compliance**

These financial statements which comprise the statement of financial position as at 31<sup>st</sup> March 2018, statement of comprehensive income, statement of changes in unit holders' funds and statement of cash flows for the year ended and a summary of significant accounting policies and other explanatory information have been prepared in accordance with Sri Lanka Accounting Standards (SLFRSs and LKASs) laid down by The Institute of Chartered Accountants of Sri Lanka and the requirement of the unit trust code of the Securities and Exchange Commission of Sri Lanka.

**2.2 Basis of preparation**

The financial statements are prepared in accordance with and comply with the relevant Sri Lanka Accounting Standards issued by The Institute of Chartered Accountants of Sri Lanka and adopted as directed by the Securities and Exchange Commission 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 for revaluation of certain financial instruments. 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).

**2.2.1 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 directors are 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 risk and assesses the impact on valuation of investments when determining the fair value. Following are the key sources of estimation uncertainty at the reporting date, that have significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year.





**2.3 Summary of significant accounting policies****2.3.1 Financial instruments – initial recognition and subsequent measurements****2.3.1.1 Date of recognition**

All financial assets are initially recognized on the trade date, i.e. the date that 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.

**2.3.1.2 Initial measurement of financial instruments**

The classification of financial instruments at initial recognition depends on their purpose and characteristics and the management intention in acquiring them. All financial assets are measured initially at the fair value plus transaction costs, except in the cases of financial assets recorded at fair value through profit or loss.

**2.3.1.3 Financial assets - Loans and receivables**

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted on an active market.

After initial measurement, loans and receivables are subsequently measured at amortized cost using the effective interest rate, less allowance for impairment. The amortization is included in the "interest income" in the statement of comprehensive income. The losses arising from impairment is recognized in the statement of comprehensive income.

Interest income is recognized by applying the effective interest rate, except for short term receivables when the recognition of interest would be immaterial.

**2.3.1.4 Derecognition of financial assets**

A financial asset is derecognized when,

- a) The rights to receive cash flows from the asset have expired,
- b) The Fund has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received

cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either,

- The Fund has transferred substantially all the risks and rewards of the asset or
- The Fund has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset

**2.3.1.5 Impairment of financial asset**

For financial assets carried at amortized cost, the Fund first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred).

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognized in the statement of comprehensive income.

**2.3.2 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.

**2.3.3 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 Trust, and subsequently at amortized cost.

Provisions are recognized 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.



**2.3.4 Revenue recognition**

Revenue 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.

**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 from repurchase agreements, corporate debt securities and deposits are recognized at gross of notional tax credit or withholding tax.

**2.3.5 Expenditure recognition**

All expenses, including management fees and trustee fees, are recognized in profit or loss on accrual basis.

The management participation fees of the fund is as follows,

Management fee	0.75% p.a. of Net Asset value of the fund
Trustee fee	0.20% p.a. of Net Asset value of the fund
Custody fee	Flat fee of Rest. 20,000 per month

**2.3.6 Taxation**

The provision for income tax is based on the elements of income and expenditure as reported in the financial statements and computed in accordance with the provisions of the Inland Revenue Act. According to the Inland Revenue Act No. 10 of 2006. The fund is liable to pay tax at the rate of 10%.

**2.3.7 Unit holders' funds and net assets attributable to unit holders**

Unit holders' 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 unit holders, as at the reporting date.

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.

Dividend to unit holders is declared according to Explanatory Memorandum. Dividend to unit holders is recognized in the statement of changes in unit holders' funds as a distribution. Income not distributed is included in net assets attributable to unit holders.

**2.3.8 Going concern**

The fund balance has decreased by Rs.105,361 as at 31 March 2018 when comparing to fund balance as at 31 March 2017. Further it has significantly decreased by Rs.4,632,732 as at 12 June 2018 in comparison to the balance as at 31 March 2018. The fund balance as at 12 June 2018 is Rs.530,092. This indicates a substantial doubt about the going concern of the fund.

However, the management has made an assessment of the Unit Trust's ability to continue in business for the foreseeable future. Furthermore, fund management company is not aware of any material uncertainties that may cast significant doubt upon the unit trust's ability to continue as a going concern. Therefore, the financial statements continue to be prepared on the going concern basis.

As per the management, the reason for the decreased in fund balance is mainly due to the changes made to the taxation regime by the adoption of the Inland Revenue Act No.24 of 2017, tax exemption provided for unit holders have been discontinued. In addition, the current interpretation of the said Act, the effective taxation on unit holders who invests through unit trusts are much higher than that of direct, plain vanilla investments such as term deposits. These have led to create a negative sentiment and outlook on unit trust investments.



**2.3.9 New accounting standards issued but not yet effective**

A number of new standards and amendments to standards, which have been issued but not yet effective as at the Reporting date, have not been applied in preparing these Financial Statements for the year ended 31st March 2018. Pending detail review the financial impact is not reasonably estimated as at the date of publication of these financial statements.

Accounting standard	Summary of the requirements
SLFRS 9- "Financial Instruments"	<p>SLFRS 9, issued in 2014 which replaces the existing guidance in LKAS 39 – "Financial Instruments: Recognition and Measurement" is effective for annual reporting periods beginning on or after January 1, 2018.</p> <p>The improvements introduced by SLFRS 9 includes a logical model for classification and measurement, a single, forward-looking 'expected loss' impairment model and a substantially reformed approach to hedge accounting.</p>
SLFRS 15- "Revenue from Contracts with Customers"	<p>SLFRS 15 establishes a comprehensive framework for determining whether, how much, and when revenue is recognized. New qualitative and quantitative disclosure requirements aim to enable Financial Statements users to understand the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers.</p> <p>Entities will apply five-step model to determine when to recognize revenue and at what amount. The model specified that revenue is recognized when or as an entity transfers control of goods and services to a customer at the amount to which the entity expects to be entitled. Depending on whether certain criteria are met, revenue is recognized.</p> <p>It replaces existing revenue recognition guidance, including LKAS 18 on "Revenue" and LKAS 11 on "Construction Contracts" and IFRIC 13 on "Customer Loyalty Programmes".</p> <p>SLFRS 15 is effective for annual reporting periods beginning on or after January 1, 2018.</p>
SLFRS 16- "Leases"	<p>SLFRS 16 eliminates the current dual accounting model for lessees which distinguishes between On-Balance Sheet finance leases and Off-Balance Sheet operating leases. Instead there will be a single On-Balance Sheet accounting model that is similar to current finance lease accounting.</p> <p>SLFRS 16 is effective for annual reporting periods beginning on or after January 1, 2019.</p>

Financial impact of the above new accounting standards have not been assessed.





	2017/2018 Rs.	2016/2017 Rs.
<b>3. Interest income</b>		
Interest on repos	6,825	37,428
Interest on trust certificates	-	228,725
Interest on deposits	547,112	759,989
Interest on debentures	15,424	129,331
	<u>569,361</u>	<u>1,155,473</u>
<b>4. Income tax expense</b>		
Income tax recognized in profit or loss (Note 4.1)	<u>11,878</u>	<u>53,483</u>
<b>4.1 A reconciliation between tax expense and the accounting profit multiplied by the statutory tax rate is as follows.</b>		
Accounting profit chargeable for current tax	117,898	664,164
Tax effect on chargeable profits	11,790	66,416
Tax effect on disallowable credits	1,631	-
Tax effect on allowable credits	(1,542)	(12,933)
Current tax expense	<u>11,878</u>	<u>53,483</u>
Effective tax rate	<b>10.08%</b>	<b>8.05%</b>
	<b>31.03.2018</b>	<b>31.03.2017</b>
	<b>Rs.</b>	<b>Rs.</b>
<b>5. Cash and cash equivalents</b>		
Cash at bank - Deutsche bank	<u>5,056,691</u>	<u>88,851</u>
<b>6. Income tax receivable</b>		
Balance at the beginning of the year	200,743	151,649
Notional tax credit	682	3,743
Withholding tax receivable	51,942	98,835
	<u>253,367</u>	<u>254,226</u>
Income tax provision for the year	(11,878)	(53,483)
Write-off of tax receivable	(16,309)	-
Balance at the end of the year	<u>225,180</u>	<u>200,743</u>
<b>7. Loans and receivables</b>		
Investment in trust certificate	-	-
Investment in deposits	-	3,761,696
Investment in debentures	-	1,329,278
	<u>-</u>	<u>5,090,974</u>
<b>8. Accrued expenses and other payables</b>		
Custodian fees	23,441	23,440
Management fees	-	5,655
Trustee fees	989	1,716
Audit fees	96,603	87,821
Account payables	19,321	-
	<u>140,354</u>	<u>118,633</u>



## 9. Capital management

The fund's capital is represented by redeemable units with no par value and is reflected in the statement of financial position as amount attributable to unit holders. In accordance with the accounting policies and the risk management policies in note 11, the fund endeavours to invest contributions received in appropriate investments, while maintaining sufficient liquidity to meet any withdrawal requests. The terms and conditions attached to units in the fund can be found in the Trust Deed.

	31.03.2018		31.03.2017	
	Units	Rs.	Units	Rs.
Units as at 01st April	448,183	5,268,186	1,143,774	12,453,851
Units issued during the year	1,408	16,126	4,930	54,108
Units redeemed/ cancelled during the year	(21,160)	(243,817)	(700,521)	(7,850,454)
Increase in net assets attributable to unit holders	-	106,020	-	610,681
Units as at 31 March	<u>428,431</u>	<u>5,146,515</u>	<u>448,183</u>	<u>5,268,186</u>

## 10. Related party transactions

### a) Responsible entity

The management entity of Investrust Income Fund is Investrust Wealth Management Limited.

### b) Key management personnel

Related parties are identified in accordance with Sri Lanka Accounting standards, LKAS 24, Related Party disclosures.

Mr. Uswattaliyanage Sudath Nilupul Prasanna Perera, Mr. Ranil Prasad Pathirana and Mr. Ranatunga Arachchige Chaminda Dilruk Ranatunga, were the board of directors of Investrust Wealth Management Ltd. during the reporting period. Subsequent to the change of management of the company on December 05, 2017, Mr. Sujeewa Kumarapperuma, Mr. Asoka Sirisena and Mr. Hemantha Chandana were appointed to the board on December 05, 2017.

### c) Key management personnel unit holdings

None of the key management personnel of Investrust Wealth Management Limited entered into any transactions with the fund during the year.

### d) Other transactions with the Fund

No key management personnel have entered into a material contract with the fund during the financial year and there were no material contracts involving key management personnel's interest existing at year end.

### e) Transactions with related entities

The fees were charged by the management company and trustee for services provided during the year and the balances outstanding from such dues as at year end are as disclosed below:

Name of the company	Nature of relationship	Nature of the transaction	Transaction value Rs.	Amount due as at 31.03.2018
				Rs.
Investrust Wealth Management Limited	Fund management company	Management fees	28,791	-
Deutsche Bank	Trustee and custodian	Trustee fees	11,720	989
		Custodian fees	276,000	23,441

By considering the size of the fund, Management has decided not to charge the management fees from 01 January 2018 onwards.



## 11. Financial instruments and risk management

### (a) Financial instruments

The Investrust Income Fund invests in corporate debentures, commercial papers, fixed deposits offered by banks and finance companies, lease backed notes and government securities issued by the Treasury. Both corporate customers and retail customers can invest in the fund to obtain relatively high returns for long term. The main purpose of these financial instruments is to generate a return on the investment made by the unit holders. The fund's principal financial liabilities comprise amounts attributable to unit holders, which are the amounts owed to unit holders of the fund. The fund also has other financial instruments such as receivables and payables which arise directly from its operations.

In accordance with LKAS 39 Financial Instruments: Recognition and Measurement, the fund's investments and receivables are classified as 'loans and receivables'. Amounts attributable to unit holders are classified as 'equity' and are carried at the redemption amount being net asset value. Payables are designated as 'other financial liabilities' at amortized cost.

### (b) Financial risk management objectives, policies and processes

The investment activities of the fund is exposed to different financial risk aspects such as market risk (including interest rate risk), credit risk and liquidity risk.

Investrust Wealth Management Limited has an in house investment committee comprising the fund manager, analysts, CEO, and compliance officer, which meets once a month to review such risks that affects to the fund's activities. The committee has defined the in-house investment policy and the risk management framework that governs the investment activities in Investrust Income Fund. The investment committee reviews the risk management procedures and ensures the fund manager complies with the unit trust code, Directives passed by the SEC, and the internal investment policy.

The Investrust Income Fund invests in shares listed in Colombo Stock Exchange, corporate debentures, commercial papers, fixed deposits offered by banks and finance companies, lease backed notes and government securities issued by the Treasury. Both corporate customers and retail customers can invest in the fund to obtain relatively high returns in equity investments and benefit from professional fund management for the purpose of generating a return on the investment made by unit holders, in addition to cash at bank and other financial instruments such as receivables and payables, which arise directly from its operations.

### (c) Market risk

#### (i) Interest rate risk

The interest rate risk is the risk that the value of financial instruments will fluctuate as a result of changes in market interest rates. To reduce the impact of this risk, Investrust Income fund holds a portfolio of investments with short and long term durations. The balance of the duration (duration mix) is based on Investrust Wealth Management investment team's view on interest rate outlook, which is established after thorough analysis into the country's macroeconomic situation and historic movements in interest rates.

#### Impact on operating profit/Net assets attributable to unit holders

	31.03.2018	31.03.2017
	Rs.	Rs.
Change in interest rates of the fund's investment in financial instruments		
+ 1%	5,694	11,555
- 1%	(5,694)	(11,555)

### (d) Credit risk

Due to the nature of its investments, Investrust Income Fund has high exposure to credit risk, which refers to the risk arising from a borrower's failure to repay his obligations. To reduce the likelihood of this risk, Investrust Income Fund only holds securities that are rated BBB+ or above by RAM/Fitch ratings. The selection of securities two notches above the "junk grade" provides the fund with sufficient time to react if there's a ratings downgrade in any of the securities the fund holds. Further, the fund adheres to the maximum permissible single issuer exposure of 15% as per the Unit Trust code, and the investment team would reduce this limit further for selected issuers based on in-house credit research and due diligence.





**(e) Liquidity risk**

The risk that the fund will encounter difficulty in raising fund to meet its obligation to pay unit holders. To enhance the liquidity, the fund's long term investments are committed only in listed securities with no exposure to unlisted instruments. Further, as per the internal policy, the fund holds at least 50% of its investments in liquid securities which are having maturities below 1 year in addition to having 3% of the portfolio in cash. The investment committee would increase these limits if it predicts large redemptions time to time.

The following table analyses the fund's maturity groupings based on the remaining period at the end of reporting period.

	31.03.2018				Total
	Less than	1-6	6-12	1-3 years	
	1 month	months	months		
<b>Financial assets</b>					
Cash and cash equivalents	5,056,691	-	-	-	5,056,691
Receivable on unit creations	4,998	-	-	-	4,998
Income tax receivable	-	225,180	-	-	225,180
Loans and receivables	-	-	-	-	-
	<b>5,061,689</b>	<b>225,180</b>	-	-	<b>5,286,869</b>

**Financial liabilities**

	31.03.2018				Total
	Less than	1-6	6-12	1-3 years	
	1 month	months	months		
Accrued expenses and other payables	43,751	96,603	-	-	140,354
	<b>43,751</b>	<b>96,603</b>	-	-	<b>140,354</b>

	31.03.2017				Total
	Less than	1-6	6-12	1-3 years	
	1 month	months	months		
<b>Financial assets</b>					
Cash and cash equivalents	88,851	-	-	-	88,851
Receivable on unit creations	6,252	-	-	-	6,252
Income tax receivable	-	200,743	-	-	200,743
Loans and receivables	2,159,120	2,931,854	-	-	5,090,974
	<b>2,254,222</b>	<b>3,132,596</b>	-	-	<b>5,386,819</b>

**Financial liabilities**

	31.03.2017				Total
	Less than	1-6	6-12	1-3 years	
	1 month	months	months		
Accrued expenses and other payables	30,812	87,821	-	-	118,633
	<b>30,812</b>	<b>87,821</b>	-	-	<b>118,633</b>

**12. Commitments and contingencies**

There were no significant commitments or contingent liabilities existing as at the reporting date which require adjustments to or disclosures in the financial statements.

**13. Events after the reporting period**

There were no significant events occurred after the reporting period which require adjustments to or disclosure in the financial statements.



**INVESTRUST GROWTH FUND  
FINANCIAL STATEMENTS TOGETHER  
WITH AUDITOR'S REPORT  
FOR THE YEAR ENDED  
31 MARCH 2018**





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## **INDEPENDENT AUDITOR'S REPORT TO THE UNIT HOLDERS OF INVESTRUST GROWTH FUND**

### **REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS**

#### **Opinion**

We have audited the financial statements of Investrust Growth Fund ("the Fund") which comprise the statement of financial position as at 31 March 2018, and the statement of comprehensive income, statement of changes in unit holders' funds and, statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Fund as at 31 March 2018, 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 the 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.

#### **Material Uncertainty Related to Going Concern**

We draw attention to Note 2.3.8 in the financial statements, which indicates that the fund balance has decreased during the year ending 31<sup>st</sup> March 2018 and significantly decreased subsequently. This indicates existence of material uncertainty casting significant doubts on the fund's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

#### **Other Information**

The Manager, Investrust Wealth Management Limited and the Trustee, Deutsche Bank AG are responsible for the other information. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon. At the date of this auditor's report, other information was not made available to us.

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 the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

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

The Manager, Investrust Wealth Management Limited and the Trustee, Deutsche Bank AG 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 manager and trustee determine 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, manager and trustee are 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 and trustees either intends to liquidate the Fund or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are 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 and trustee.
- Conclude on the appropriateness of manager's and trustee'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 those charged with governance 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**

The financial statements are prepared and presented in accordance with and comply with the requirements of the Unit Trust Code of the Securities and Exchange Commission of Sri Lanka.

**SJMS ASSOCIATES**

Chartered Accountants

Colombo

28 June 2018



**INVESTRUST GROWTH FUND  
STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 31 MARCH 2018**

	Note	2017/2018 Rs.	2016/2017 Rs.
<b>Investment income</b>			
Dividend income		33,106	48,381
Interest income	3	10,215	13,144
Net realized gain on financial assets held at fair value through profit or loss		30,750	86,667
Net change in unrealized gain/(loss) on financial assets held at fair value through profit or loss		42,871	(91,139)
<b>Total investment income</b>		<b>116,942</b>	<b>57,054</b>
<b>Expenses</b>			
Audit fees		(87,821)	(79,837)
Transaction cost		(3,773)	(2,016)
Professional fee		(19,321)	(17,564)
Other expenses		(2,576)	-
<b>Total operating expenses</b>		<b>(113,491)</b>	<b>(99,417)</b>
<b>Net operating profit/(loss)</b>		<b>3,451</b>	<b>(42,363)</b>
Finance charges		(800)	(525)
<b>Profit/(loss) after deductions and before tax</b>		<b>2,651</b>	<b>(42,888)</b>
Income tax expense	4	-	-
<b>Profit/(loss) after distributions and tax</b>		<b>2,651</b>	<b>(42,888)</b>
<b>Increase/(decrease) in net assets attributable to unit holders</b>		<b>2,651</b>	<b>(42,888)</b>

The accounting policies and notes from 1 to 14 form an integral part of these financial statements.







**INVESTRUST GROWTH FUND  
STATEMENT OF FINANCIAL POSITION  
AS AT 31 MARCH 2018**

	Note	31.03.2018 Rs.	31.03.2017 Rs.
<b>Assets</b>			
Cash and cash equivalents	5	499,277	527,176
Receivable on unit creations		4,767	4,514
Financial assets - Fair value through profit or loss	6	494,714	739,908
Loans and receivables	7	19,321	-
Income tax receivable	8	58,103	59,638
<b>Total assets</b>		<u>1,076,182</u>	<u>1,331,236</u>
<b>Unit holders' funds and liabilities</b>			
<b>Liabilities</b>			
Accrued expenses and other payables	9	87,821	79,837
Payable on unit redemption		-	-
<b>Total liabilities (excluding net assets attributable to unit holders)</b>		<u>87,821</u>	<u>79,837</u>
<b>Unit holders' funds</b>			
Net assets attributable to unit holders		988,361	1,251,398
<b>Total unit holders' funds and liabilities</b>		<u>1,076,182</u>	<u>1,331,236</u>

The Manager and the Trustee are responsible for the preparation and presentation of these financial statements and these financial statements were approved by the Manager and adopted by the Trustee.

Signed for and on behalf of the Manager and the Trustee on 28 June 2018.

**INVESTRUST WEALTH MANAGEMENT LIMITED**

Authorized Signatory      Authorized Signatory  
**Investrust Growth Fund**  
**Fund Management Company**

**DEUTSCHE BANK AG**  
Colombo Branch

   
Authorized Signatory      Authorized Signatory  
**Deutsche Bank AG**  
Trustee

The accounting policies and notes from 1 to 14 form an integral part of these financial statements.



**INVESTRUST GROWTH FUND  
STATEMENT OF CHANGES IN UNIT HOLDERS' FUNDS  
FOR THE YEAR ENDED 31 MARCH 2018**

	2017/2018 Rs.	2016/2017 Rs.
Unit holders' funds at the beginning of the year	1,251,398	1,379,553
Increase/ (decrease) in net assets attributable to unit holders	2,651	(42,888)
Received on unit creations	13,904	53,774
Payments on unit redemptions	(279,592)	(139,040)
Unit holders' funds at the end of the year	<u>988,361</u>	<u>1,251,398</u>

The accounting policies and notes from 1 to 14 form an integral part of these financial statements.



**INVESTRUST GROWTH FUND  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 31 MARCH 2018**

	2017/2018 Rs.	2016/2017 Rs.
<b>Cash flows from/(used in) operating activities</b>		
Interest received	10,215	13,144
Dividend received	33,106	48,381
Net realized gain on equity investments	30,750	86,667
Tax paid	1,535	(1,348)
Operating expenses paid	(106,308)	(92,684)
Net investment in loans and receivables	(19,321)	-
Net investment in financial assets at fair value through profit or loss	288,065	93,334
Net cash flows from operating activities	<u>238,042</u>	<u>147,494</u>
<b>Cash flows from/ (used in) financing activities</b>		
Cash received on creation of units	13,651	63,209
Cash paid on cancellation of units	(279,592)	(144,973)
Net cash flows from/ (used in) financing activities	<u>(265,941)</u>	<u>(81,764)</u>
Net increase/ (decrease) in cash and cash equivalents	(27,899)	65,730
Cash and cash equivalents at the beginning of the financial year	527,176	461,447
Cash and cash equivalents at the end of the financial year	5 <u>499,277</u>	<u>527,176</u>

The accounting policies and notes from 1 to 14 form an integral part of these financial statements.





**INVESTRUST GROWTH FUND  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2018**

**1. General information**

Investrust Growth Fund (formerly known as Orient Equity Fund) is an open ended unit trust fund approved by the Securities and Exchange Commission of Sri Lanka. The fund was launched in September 2012.

The management company of the trust, "Investrust Wealth Management Limited"; was a fully owned subsidiary of Investrust Holdings Limited during the reporting period, Subsequent to the change of management of the company on December 05, 2017 it became a fully own subsidiary of Ceylinco Seraka Limited. Accordingly the ultimate parent of the company is Ceylinco Insurance PLC, which is incorporated and domiciled in Sri Lanka. The registered office of the Manager and its principal place of business is located at No.02, Gower Street, Colombo 05. The Trustee of the fund is Deutsche Bank AG having an established business place at No 86, Galle Road, Colombo 03.

The investment objective of the fund is to maximize returns by investing in a well diversified portfolio of equity securities listed on the CSE.

**2. Preparation of financial statements**

**2.1 Statement of compliance**

These financial statements which comprise the statement of financial position as at 31<sup>st</sup> March 2018, statement of comprehensive income, statement of changes in unit holders' funds and statement of cash flows for the year ended and a summary of significant accounting policies and other explanatory information have been prepared in accordance with Sri Lanka Accounting Standards (SLFRSs and LKASs) laid down by The Institute of Chartered Accountants of Sri Lanka and the requirement of the unit trust code of the Securities and Exchange Commission of Sri Lanka.

**2.2 Basis of preparation**

The financial statements are prepared in accordance with and comply with the relevant Sri Lanka Accounting Standards issued by The Institute of Chartered Accountants of Sri Lanka and adopted as directed by the Securities and Exchange Commission 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 for revaluation of certain financial instruments. 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).

**2.2.1 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 directors are 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.



**2.2.1 Significant accounting judgments, estimates and assumptions - (Contd..)**

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 risk and assesses the impact on valuation of investments when determining the fair value. Following are the key sources of estimation uncertainty at the reporting date, that have significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year.

**2.3 Summary of significant accounting policies****2.3.1 Financial instruments – initial recognition and subsequent measurements****2.3.1.1 Date of recognition**

All financial assets are initially recognized on the trade date, i.e. the date that 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.

**2.3.1.2 Initial measurement of financial instruments**

The classification of financial instruments at initial recognition depends on their purpose and characteristics and the management intention in acquiring them. All financial assets are measured initially at the fair value plus transaction costs, except in the cases of financial assets recorded at fair value through profit or loss.

**2.3.1.3 Financial assets - Loans and receivables**

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted on an active market.

After initial measurement, loans and receivables are subsequently measured at amortized cost using the effective interest rate, less allowance for impairment. The amortization is included in the “interest income” in the statement of comprehensive income. The losses arising from impairment is recognized in the statement of comprehensive income.

Interest income is recognized by applying the effective interest rate, except for short term receivables when the recognition of interest would be immaterial.

**2.3.1.4 Financial assets at fair value through profit or loss**

Financial assets are classified as fair value through profit or loss (FVTPL) if they are held for trading or are designated at fair value through profit or loss. Financial assets are classified as held-for-trading if they are acquired for the purpose of selling or repurchasing in the near term. Up on the initial recognition, transaction cost are directly attributable to the acquisition are recognized in profit or loss as incurred.

**Financial assets held for trading**

Financial assets, held for trading are recorded in the statement of financial position at fair value. Changes in fair value are recognized in the ‘net change in financial assets held for trading’ in the statement of comprehensive income. Interest income or expense and dividend income are recorded in “investment income’ according to the terms of the contract. Included in this classification is quoted equity securities.

**Financial assets designated at fair value through profit or loss**

Financial assets at fair value through profit or loss are subsequently measured at fair value. Changes in fair value are recognized in the ‘Unrealized gain/ (loss) on financial assets held for trading’ in the statement of comprehensive income. Dividend income is recorded in “investment income’ according to the terms of the contract.





**2.3.1.5 Determination of fair value**

The fair value for financial instruments traded in active markets at the reporting date is based on their quoted market price or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs.

For all other financial instruments not traded in an active market, the fair value is determined by using appropriate valuation techniques. Valuation techniques include the discounted cash flow method, comparison with similar instruments for which market observable prices exist, options pricing models, credit models and other relevant valuation models.

**2.3.1.6 Derecognition of financial assets**

A financial asset is derecognized when,

- a) The rights to receive cash flows from the asset have expired,
- b) The Fund has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either,

- The Fund has transferred substantially all the risks and rewards of the asset or
- The Fund has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset

**2.3.1.7 Impairment of financial assets**

For financial assets carried at amortized cost, the Fund first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred).

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognized in the statement of comprehensive income.

**2.3.2 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.

**2.3.3 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 Trust, and subsequently at amortized cost.

Provisions are recognized 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.

**2.3.4 Revenue recognition**

Revenue 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.

**Dividend income**

Income is recognized when the right to receive the dividend is established, normally being the ex-dividend date. Dividend income is recognized net of withholding tax, if any.





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 from repurchase agreements and deposits are recognized at gross of notional tax credit or withholding tax.

Realized gains/ (losses) on financial assets held at fair value through profit or loss

Realized gains/ (losses) on financial assets held at fair value through profit or loss includes results of buying and selling of quoted equity securities.

Unrealized gains/ (losses) on financial assets held at fair value through profit or loss

Unrealized gains/ (losses) on financial assets held at fair value through profit or loss includes all gains and losses arise from changes in fair value of financial assets held at fair value through profit or loss as at the reporting date.

**2.3.5 Expenditure recognition**

All expenses, including management fees and trustee fees, are recognized in profit or loss on accrual basis.

The management participation fee of the fund is as follows:

Management Fee -	1.15% p.a of Net Assets Value of the Fund
Trustee Fee -	0.20% p.a of Net Assets Value of the Fund
Custodian Fee -	Rs. 20,000 per month

All above fees are take in to account considering the fund size and fund is not liable to pay.

**2.3.6 Taxation**

The provision for income tax is based on the elements of income and expenditure as reported in the financial statements and computed in accordance with the provisions of the Inland Revenue Act. According to the Inland Revenue Act No. 10 of 2006. The fund is liable to pay tax at the rate of 10%.

**2.3.7 Unit holders' funds and net assets attributable to unit holders**

Unit holders' 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 unit holders, as at the reporting date.

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.

Dividends to unit holders are declared according to Explanatory Memorandum. Dividend to unit holders is recognized in the statement of changes in unit holders' funds as a distribution. Income not distributed is included in net assets attributable to unit holders.

**2.3.8 Going concern**

The fund balance has been decreased by Rs.263,037 as at 31 March 2018 when comparing to fund balance as at 31 March 2017. Further it has significantly decreased by Rs.602,350 as at 12 June 2018 in comparison to the balance as at 31 March 2018. The fund balance as at 12 June 2018 is Rs.386,011. This indicates a substantial doubt about the going concern of the fund.

However, the management has made an assessment of the Unit Trust's ability to continue as a going concern and is satisfied that it has the resources to continue in business for the foreseeable future. Furthermore, fund management company is not aware of any material uncertainties that may cost significant doubt upon the unit trust's ability to continue as a going concern. Therefore, the financial statements continue to be prepared on the going concern basis.

**2.3.8 Going concern - (Contd..)**

As per the management, the reason for the decreased in fund balance is mainly due to the changes made to the taxation regime by the adoption of the Inland Revenue Act No.24 of 2017, tax exemption provided for unit holders have been discontinued. In addition, the current interpretation of the said Act, the effective taxation on unit holders who invests through unit trusts are much higher than that of direct, plain vanilla investments such as term deposits. These have led to create a negative sentiment and outlook on unit trust investments.

**2.3.9 New accounting standards issued but not yet effective**

A number of new standards and amendments to standards, which have been issued but not yet effective as at the Reporting date, have not been applied in preparing these Financial Statements for the year ended 31st March 2018. Pending detail review the financial impact is not reasonably estimated as at the date of publication of these financial statements.

Accounting standard	Summary of the requirements
SLFRS 9- "Financial Instruments"	SLFRS 9, issued in 2014 which replaces the existing guidance in LKAS 39 – "Financial Instruments: Recognition and Measurement" is effective for annual reporting periods beginning on or after January 1, 2018.  The improvements introduced by SLFRS 9 includes a logical model for classification and measurement, a single, forward-looking 'expected loss' impairment model and a substantially reformed approach to hedge accounting.
SLFRS 15- "Revenue from Contracts with Customers"	SLFRS 15 establishes a comprehensive framework for determining whether, how much, and when revenue is recognized. New qualitative and quantitative disclosure requirements aim to enable Financial Statements users to understand the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers.  Entities will apply five-step model to determine when to recognize revenue and at what amount. The model specified that revenue is recognized when or as an entity transfers control of goods and services to a customer at the amount to which the entity expects to be entitled. Depending on whether certain criteria are met, revenue is recognized.  It replaces existing revenue recognition guidance, including LKAS 18 on "Revenue" and LKAS 11 on "Construction Contracts" and IFRIC 13 on "Customer Loyalty Programmes".  SLFRS 15 is effective for annual reporting periods beginning on or after January 1, 2018.
SLFRS 16- "Leases"	SLFRS 16 eliminates the current dual accounting model for lessees which distinguishes between On-Balance Sheet finance leases and Off-Balance Sheet operating leases. Instead there will be a single On-Balance Sheet accounting model that is similar to current finance lease accounting.  SLFRS 16 is effective for annual reporting periods beginning on or after January 1, 2019.

Financial impact of the above new accounting standards have not been assessed.



	2017/2018 Rs.	2016/2017 Rs.
<b>3. Interest income</b>		
Interest on savings deposits	10,215	13,144
	<u>10,215</u>	<u>13,144</u>
<b>4. Income tax expense</b>		
Income tax recognized in profit or loss (Note 4.1)	-	-
	<u>-</u>	<u>-</u>
<b>4.1 A reconciliation between tax expense and the accounting profit multiplied by the statutory tax rate is as follows.</b>		
Accounting profit chargeable for current tax	2,651	(42,888)
Tax effect on chargeable profits	265	(4,289)
Tax effect on allowable income	(10,673)	(13,505)
Tax effect on disallowable expenses	258	9,114
Tax effect on trade losses	10,150	8,680
Current tax expense	<u>-</u>	<u>-</u>
<b>4.2 A breakdown for the unutilized tax loss balance is as follows:</b>		
Carried forward unutilized tax losses	541,177	454,379
Tax losses incurred during the year	104,076	86,798
Brought forward unutilized tax losses	<u>645,253</u>	<u>541,177</u>

The fund has not recognized deferred tax asset as at 31st March 2018 due to the fund being unable to assess with reasonable certainty that taxable profits would be available to recover the asset in the foreseeable future against which the tax losses amounting Rs. 642,677/- (2017 - Rs. 541,177) can be utilized.

	2017/2018 Rs.	2016/2017 Rs.
<b>5. Cash and cash equivalents</b>		
Cash at bank - Deutsche bank	286,868	527,176
Cash at CDS accounts	212,409	-
	<u>499,277</u>	<u>527,176</u>





## 6. Financial assets - Fair value through profit or loss

	31.03.2018		31.03.2017	
	No. of Shares	Market Value	No. of Shares	Market Value Rs.
<b>Banks, Finance &amp; Insurance</b>				
Peoples Leasing & Finance PLC	5,025	79,395	9,305	145,158
Union Bank	5,000	64,000	5,000	71,000
	<u>10,025</u>	<u>143,395</u>	<u>14,305</u>	<u>216,158</u>
<b>Diversified Holdings</b>				
Softlogic Holdings	4,070	100,122	10,000	119,000
Renuka Holdings PLC	3,805	76,100	5,000	101,000
	<u>7,875</u>	<u>176,222</u>	<u>15,000</u>	<u>220,000</u>
<b>Manufacturing</b>				
Textured Jersey Lanka PLC	2,460	78,474	5,000	185,000
	<u>2,460</u>	<u>78,474</u>	<u>5,000</u>	<u>185,000</u>
<b>Power and Energy</b>				
Vallible Power Erathna PLC	2,500	18,250	2,500	17,750
	<u>2,500</u>	<u>18,250</u>	<u>2,500</u>	<u>17,750</u>
<b>Land &amp; Property</b>				
Overseas Realty (Ceylon) PLC	4,330	78,373	5,000	101,000
	<u>4,330</u>	<u>78,373</u>	<u>5,000</u>	<u>101,000</u>
	<u>27,190</u>	<u>494,714</u>	<u>41,805</u>	<u>739,908</u>

## 7. Loans and receivables

	31.03.2018 Rs.	31.03.2017 Rs.
Account receivables	19,321	-
	<u>19,321</u>	<u>-</u>

## 8. Income tax receivable

	31.03.2018 Rs.	31.03.2017 Rs.
Balance at the beginning of the year	59,638	58,290
Income tax expense for the year	-	-
Withholding taxes deducted during the year	1,041	1,348
Write-off of tax receivable	(2,576)	-
Balance at the end of the year	<u>58,103</u>	<u>59,638</u>

## 9. Accrued expenses and other payables

	31.03.2018 Rs.	31.03.2017 Rs.
Audit fees	87,821	79,837
	<u>87,821</u>	<u>79,837</u>



**10. Capital management**

The fund's capital is represented by redeemable units with no par value and is reflected in the statement of financial position as amount attributable to unit holders. In accordance with the accounting policies and the risk management policies in note 12, the fund endeavours to invest contributions received in appropriate investments, while maintaining sufficient liquidity to meet any withdrawal requests. The terms and conditions attached to units in the fund can be found in the Trust Deed.

	31.03.2018		31.03.2017	
	Units	Rs.	Units	Rs.
Units as at 01st April	152,391.6	1,251,398	162,630	1,379,553
Units issued during the year	1,694.2	13,904	6,078	53,774
Units redeemed/ cancelled during the year	(33,908.7)	(279,592)	(16,316)	(139,040)
Increase in net assets attributable to unit holders	-	2,651	-	(42,888)
Units as at 31 March	120,177.1	988,361	152,392	1,251,398

**11. Related party transactions****a) Responsible entity**

The management entity of Investrust Growth Fund is Investrust Wealth Management Limited.

**b) Key management personnel**

Related parties are identified in accordance with Sri Lanka Accounting standards, LKAS 24, Related Party disclosures.

Mr. Uswattaliyanage Sudath Nilupul Prasanna Perera, Mr. Ranil Prasad Pathirana and Mr. Ranatunga Arachchige Chaminda Dilruck Ranatunga, were the board of directors of Investrust Wealth Management Ltd. during the reporting period. Subsequent to the change of management of the company on December 05, 2017, Mr. Sujeewa Kumarapperuma, Mr. Asoka Sirisena and Mr. Hemantha Chandana were appointed to the board on December 05, 2017.

**c) Key management personnel unit holdings**

None of the key management personnel of Investrust Wealth Management Limited entered into any transaction with the fund during the year.

**d) Other transactions with the Fund**

No key management personnel have entered into a material contract with the fund during the financial year and there were no material contracts involving key management personnel's interest existing at year end.

**e) Transactions with the related entities**

The fees were charged by the management company and trustee for services provided during the year and the balances outstanding from such dues as at year end are as disclosed below:

	Nature of relationship	Nature of the transaction	Transaction value	Amount due as at 31.03.2018
			Rs.	Rs.
Investrust Wealth Management Limited	Fund management	Management fees	-	-
Deutsche Bank	Trustee & Custodian	Trustee fees Custodian fees	- -	- -

## 12. Financial instruments and risk management

### (a) Financial instruments

The Investrust Growth Fund invests in shares listed in Colombo Stock Exchange, corporate debentures, commercial papers, fixed deposits offered by banks and finance companies, lease backed notes and government securities issued by the Treasury. Both corporate customers and retail customers can invest in the fund to obtain relatively high returns in equity investments and benefit from professional fund management. The main purpose of these financial instruments is to generate a return on the investment made by unit holders. The fund's principal financial liabilities comprise amounts attributable to Unit holders, which are the amounts owed to unit holders of the fund. The fund also has other financial instruments such as receivables and payables which arise directly from its operations.

In accordance with LKAS 39 Financial Instruments: Recognition and Measurement. Trading securities are classified as 'held for trading', meaning they are valued at fair value through profit or loss and other securities are classified as 'loans and receivables'. Amounts attributable to unit holders are classified as equity and are carried at the redemption amount being net asset value. Payables are designated as 'other financial liabilities' at amortized cost

### (b) Financial risk management objectives, policies and processes

The investment activities of the fund is exposed to different financial risk aspects such as market risk (including price risk and interest rate risk), credit risk and liquidity risk.

Investrust Wealth Management Limited has an in house investment committee comprising the fund manager, analysts, CEO, and compliance officer, which meets once a month to review such risks that affects to the funds activities. The committee has defined the in-house investment policy and the risk management framework that governs the investment activities in Investrust Growth Fund. The investment committee reviews the risk management procedures and ensures the fund manager complies with the Unit Trust code, Directives passed by the SEC, and the internal investment policy.

The Investrust Growth Fund invests in shares listed in Colombo Stock Exchange, corporate debentures, commercial papers, fixed deposits offered by banks and finance companies, lease backed notes and government securities issued by the Treasury. Both corporate customers and retail customers can invest in the fund to obtain relatively high returns in equity investments and benefit from professional fund management for the purpose of generating a return on the investment made by Unit holders, in addition to cash at bank and other financial instruments such as receivables and payables, which arise directly from its operations.

### (c) Market risk

#### i. Price risk

Movements in share prices directly affect the value of investments in the Investrust Growth Fund because of the volatility in future prices of investments held by the fund are uncertain. To minimize the impact of price movements in individual shares, the Fund holds a portfolio of stocks at maximum limit of 95% of the net assets attributable to unit holders of which diversified across multiple industry sectors covering growth stocks, and value stocks. The balance 5% is invested in short term investment less than three months as repurchase agreements and bank deposits. Further, the investment team carries out detailed investment research to pick investments from its working list of stocks.

The following sensitivity analysis summarizes the fund's sensitivity for the movements of the prices. This has been evaluated based on the managements best estimates including historical correlation of the funds. However, the actual movements in the risk variables may be different from the expected performance due to market and economic factors.

Impact on operating profit/Net assets attributable to unit holders	31.03.2018	31.03.2017
	Rs.	Rs.
Change in price of the fund's investment in financial instruments		
+ 10%	49,471	73,991
- 10%	(49,471)	(73,991)





**ii. Interest rate risk**

The interest rate risk is the risk that the value of financial instruments will fluctuate as a result of changes in market interest rates. To reduce the impact of this risk, Investrust Growth Fund holds a 5% of investment portfolio with short term investment less than three months as repurchase agreements and bank deposits. The balance of the duration (duration mix) is based on Investrust Wealth Management investment team's view on interest rate outlook, which is established after thorough analysis into the country's macroeconomic situation and historic movements in interest rates.

The following sensitivity analysis summarizes the fund's sensitivity for the movements of the prices. This has been evaluated based on the managements best estimates including historical correlation of the funds. However, the actual movements in the risk variables may be different from the expected performance due to market and economic factors.

Impact on operating profit/Net assets attributable to unit holders	31.03.2018	31.03.2017
	Rs.	Rs.
Change in interest rates of the fund's investment in financial instruments		
+ 1%	102	131
- 1%	(102)	(131)

**(d) Credit risk**

Due to the nature of its investments, Investrust Growth Fund has high exposure to credit risk, which refers to the risk arising from a borrower's failure to repay his obligations. To reduce the likelihood of this risk, Investrust Growth Fund adheres to the maximum permissible single issuer exposure of 15% as per the Unit Trust code, and the investment team would reduce this limit further for selected issuers based on in-house credit research and due diligence.

**(e) Liquidity risk**

The risk that the fund will encounter difficulty in raising funds to meet its obligation to pay Unit holders. To enhance the liquidity, the fund's long term investments are committed only in listed securities with no exposure to unlisted instruments. Further, as per the internal policy, the fund holds at least 50% of its investments in liquid securities which are having maturities below 1 year in addition to having 3% of the portfolio in cash. The investment committee would increase these limits if it predicts large redemptions time to time.

The following table analyses the fund's maturity groupings based on the remaining period at the end of reporting period.

Financial assets	31.03.2018 - Rs.				Total
	Less than	1-6	6-12	1-3 years	
	1 month	months	months		
Cash and cash equivalents	499,277	-	-	-	499,277
Receivable on unit creations	4,767	-	-	-	4,767
Financial assets at fair value through profit or loss	494,714	-	-	-	494,714
Loans and receivables	19,321	-	-	-	19,321
Income tax receivable	-	58,103	-	-	58,103
	<u>1,018,079</u>	<u>58,103</u>	<u>-</u>	<u>-</u>	<u>1,076,182</u>



Financial liabilities	31.03.2018				Total
	Less than	1-6	6-12	1-3 years	
	1 month	months	months		
Accrued expenses and other payables	-	87,821	-	-	87,821
	-	87,821	-	-	87,821

Financial assets	31.03.2017 - Rs.				Total
	Less than	1-6	6-12	1-3 years	
	1 month	months	months		
Cash and cash equivalents	527,176	-	-	-	527,176
Receivable on unit creations	4,514	-	-	-	4,514
Financial assets at fair value through profit or loss	739,908	-	-	-	739,908
Income tax receivable	-	59,638	-	-	59,638
	1,271,598	59,638	-	-	1,331,236

Financial liabilities	31.03.2017				Total
	Less than	1-6	6-12	1-3 years	
	1 month	months	months		
Accrued expenses and other payables	-	79,837	-	-	79,837
	-	79,837	-	-	79,837

**13. Commitments and contingencies**

There were no significant commitments and/or contingent liabilities existing as at the reporting date which require adjustments to or disclosures in the financial statements.

**14. Events after the reporting period**

There were no significant events occurred after the reporting period which require adjustments to or disclosure in the financial statements.



**INVESTRUST MONEY MARKET FUND  
FINANCIAL STATEMENTS TOGETHER  
WITH AUDITOR'S REPORT  
FOR THE YEAR ENDED  
31 MARCH 2018**





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## **INDEPENDENT AUDITOR'S REPORT TO THE UNIT HOLDERS OF INVESTRUST MONEY MARKET FUND**

### **REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS**

#### **Opinion**

We have audited the financial statements of Investrust Money Market Fund ("the Fund") which comprise the statement of financial position as at 31 March 2018, and the statement of comprehensive income, statement of changes in unit holders' funds and, statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Fund as at 31 March 2018, 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 the 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.

#### **Emphasis of Matter**

We draw attention to note 11 of the financial statements, which describes the reasons for the decrease in the number of unit holders as at 31 March 2018. As per the explanatory memorandum, the fund should have at least 50 unit holders. However the number of unit holders have reduced to 33 unit holders as at 31 March 2018. Our opinion is not modified in respect of this matter.

#### **Other Information**

The Manager, Investrust Wealth Management Limited and the Trustee, Deutsche Bank AG are responsible for the other information. Our opinion on the financial statements do not cover the other information and we do not express any form of assurance conclusion thereon. At the date of this auditor's report, other information was not made available to us.

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 the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

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

The Manager, Investrust Wealth Management Limited and the Trustee, Deutsche Bank AG 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 and trustee determine 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, manager and trustee are 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 and trustee either intends to liquidate the Fund or to cease its operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Fund's financial reporting process.

# Deloitte.

## **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 and trustee.
- Conclude on the appropriateness of manager's and trustee'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 those charged with governance 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**

The financial statements are prepared and presented in accordance with and comply with the requirements of the Unit Trust Code of the Securities and Exchange Commission of Sri Lanka.



**SJMS ASSOCIATES**

Chartered Accountants

Colombo

28 June 2018



**INVESTRUST MONEY MARKET FUND  
STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 31 MARCH 2018**

	Note	2017/2018 Rs.	2016/2017 Rs.
<b>Investment income</b>			
Interest income	3	231,729,250	88,932,336
<b>Total investment income</b>		<u>231,729,250</u>	<u>88,932,336</u>
<b>Expenses</b>			
Management fees		(6,274,581)	(2,599,620)
Trustee and custodian fees		(3,381,545)	(1,726,933)
Audit fees		(119,756)	(95,530)
Professional fees		(61,751)	(50,808)
Other expenses		<u>(299,206)</u>	<u>-</u>
<b>Total operating expenses</b>		(10,136,839)	(4,472,891)
<b>Net operating profit</b>		221,592,411	84,459,445
Finance costs	4	<u>(1,427,835)</u>	<u>(3,815,943)</u>
<b>Net operating profit after deductions and before tax</b>		220,164,576	80,643,502
Income tax expense	5	(22,039,292)	(7,955,100)
<b>Increase in net assets attributable to unit holders</b>		<u><u>198,125,284</u></u>	<u><u>72,688,402</u></u>

The accounting policies and notes from 1 to 15 form an integral part of these financial statements.





**INVESTRUST MONEY MARKET FUND  
STATEMENT OF FINANCIAL POSITION  
AS AT 31 MARCH 2018**

	Note	31.03.2018 Rs.	31.03.2017 Rs.
<b>Assets</b>			
Cash and cash equivalents	6	478,306	553,173
Receivable on unit creation		-	70,000
Income tax receivable	7	3,209,165	2,168,923
Loans and receivables	8	354,059,235	1,305,811,313
<b>Total assets</b>		<u><b>357,746,706</b></u>	<u><b>1,308,603,409</b></u>
<b>Unit holders' funds and liabilities</b>			
<b>Liabilities</b>			
Accrued expenses	9	469,026	625,708
Other financial liabilities	10	111,481,451	116,469,347
<b>Total liabilities (excluding net assets attributable to unit holders)</b>		<u>111,950,477</u>	<u>117,095,055</u>
<b>Unit holders' funds</b>			
Net assets attributable to unit holders		245,796,229	1,191,508,354
<b>Total unit holders' funds and liabilities</b>		<u><b>357,746,706</b></u>	<u><b>1,308,603,409</b></u>

The Manager and Trustee are responsible for the preparation and presentation of these financial statements. They were approved by the Manager and adopted by the Trustee.

Signed for and on behalf of the Manager and the Trustee on 28 June 2018.  
INVESTRUST WEALTH MANAGEMENT LIMITED

**DEUTSCHE BANK AG**  
Colombo Branch

  
Authorized Signatory  
Investrust Wealth Management Limited  
Fund Management Company

  
Authorized Signatory  
Deutsche Bank AG  
Trustee

The accounting policies and notes from 1 to 15 form an integral part of these financial statements.



**INVESTRUST MONEY MARKET FUND  
STATEMENT OF CHANGES IN UNIT HOLDERS' FUNDS  
FOR THE YEAR ENDED 31 MARCH 2018**

	2017/2018 Rs.	2016/2017 Rs.
Unit holders' funds at the beginning of the year	1,191,508,354	807,570,238
Increase in net assets attributable to unit holders	198,125,284	72,688,402
Received on unit creations	2,248,290,352	1,502,522,846
Payments on unit redemptions	(3,392,127,761)	(1,191,273,132)
Unit holders' funds at the end of year	<u>245,796,229</u>	<u>1,191,508,354</u>

The accounting policies and notes from 1 to 15 form an integral part of these financial statements.



**INVESTRUST MONEY MARKET FUND  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 31 MARCH 2018**

	2017/2018 Rs.	2016/2017 Rs.
<b>Cash flows from/ (used in) operating activities</b>		
Interest received	226,617,182	88,457,304
Net investment in securities	956,864,146	(354,854,941)
Net increase in financial liabilities	(4,957,590)	(27,160,959)
Tax paid	(23,079,534)	(8,855,450)
Operating expenses paid	(10,293,521)	(4,409,107)
<b>Net cash flows used in operating activities</b>	<b>1,145,150,683</b>	<b>(306,823,153)</b>
<b>Cash flows from/(used in) financing activities</b>		
Cash received on creation of units	2,248,360,352	1,502,452,846
Cash paid on redemption of units	(3,392,127,761)	(1,191,273,132)
Interest paid on borrowings	(1,458,141)	(3,864,726)
<b>Net cash flows from financing activities</b>	<b>(1,145,225,550)</b>	<b>307,314,988</b>
Net decrease in cash and cash equivalents	(74,867)	491,835
Cash and cash equivalents at the beginning of the period	553,173	61,339
Cash and cash equivalents at the end of the period (Note 6)	<b>478,306</b>	<b>553,173</b>

The accounting policies and notes from 1 to 15 form an integral part of these financial statements.





**INVESTRUST MONEY MARKET FUND  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2018**

**1. General information**

Investrust Money Market Fund is an open ended unit trust fund approved by the Securities and Exchange Commission of Sri Lanka. The fund was launched in 15 July 2014.

The management company of the trust, "Investrust Wealth Management Limited"; was a fully owned subsidiary of Investrust Holdings Limited during the reporting period, Subsequent to the change of management of the company on December 05, 2017 it became a fully owned subsidiary of Ceylinco Seraka Limited. Accordingly the ultimate parent of the company is Ceylinco Insurance PLC, which is incorporated and domiciled in Sri Lanka. The registered office of the Manager and its principal place of business is located at No.02, Gower Street, Colombo 05. The Trustee of the fund is Deutsche Bank AG having an established business place at 86, Galle Road, Colombo 03.

The investment objective of the fund is to provide a high level of current income consistent with liquidity and stability of principle.

**2. Preparation of financial statements**

**2.1 Statement of compliance**

These financial statements which comprise the statement of financial position as at 31st March 2018, statement of comprehensive income, statement of changes in unit holders' funds and statement of cash flows for the period ended and a summary of significant accounting policies and other explanatory information have been prepared in accordance with Sri Lanka Accounting Standards (SLFRSs and LKASs) laid down by The institute of Chartered Accountants of Sri Lanka and the requirement of the unit trust code of the Securities and Exchange Commission of Sri Lanka.

**2.2 Basis of preparation**

The financial statements are prepared in accordance with the relevant Sri Lanka Accounting Standards issued by The Institute of Chartered Accountants of Sri Lanka and adopted as directed by the Securities and Exchange Commission 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 for revaluation of certain financial instruments. 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).

**2.2.1 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 directors are 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 risk and assesses the impact on valuation of investments when determining the fair value. Following are the key sources of estimation uncertainty at the reporting date, that have significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year.



**Fair value of securities not quoted in an active market and over the-counter derivative instruments.**

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.

**2.3 Summary of significant accounting policies****2.3.1 Financial instruments – initial recognition and subsequent measurements****2.3.1.1 Date of recognition**

All financial assets are initially recognized on the trade date, i.e. the date that 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.

**2.3.1.2 Initial measurement of financial instruments**

The classification of financial instruments at initial recognition depends on their purpose and characteristics and the management intention in acquiring them. All financial assets are measured initially at the fair value plus transaction costs, except in the cases of financial assets recorded at fair value through profit or loss.

**2.3.1.3 Financial assets - Loans and receivables**

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted on an active market.

After initial measurement, loans and receivables are subsequently measured at amortized cost using the effective interest rate, less allowance for impairment. The amortization is included in the “interest income” in the statement of comprehensive income. The losses arising from impairment is recognized in the statement of comprehensive income.

Interest income is recognized by applying the effective interest rate, except for short term receivables when the recognition of interest would be immaterial.

**2.3.1.4 Derecognition**

A financial asset is derecognized when,

- a) The rights to receive cash flows from the asset have expired,
- b) The Fund has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either,
  - The Fund has transferred substantially all the risks and rewards of the asset or
  - The Fund has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

**2.3.1.5 Impairment**

For financial assets carried at amortized cost, the Fund first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant.

If there is any objective evidence that an impairment loss has incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred).

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognized in the statement of comprehensive income.

**2.3.2 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.





**2.3.3 Financial liabilities****Initial recognition & measurement**

The Fund's financial liabilities comprise of accrued expenses and other financial liabilities in the statement of financial position.

**Subsequent measurement**

The measurement of financial liabilities depend on their classifications described as follows.

**a) Other financial liabilities**

After initial recognition, other financial liabilities are subsequently measured at amortized cost using the EIR method. Gains and losses are recognized in the profit or loss and other comprehensive income statement when the liabilities are derecognized as well as through the EIR amortization process.

**b) Offsetting of financial instruments**

Financial assets and 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 recognized amount and
- There is an intention to settle on a basis, or to realize the assets and settle the liabilities

**2.3.4 Revenue recognition**

Revenue 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.

**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 from repurchase agreements, corporate debt securities and deposits are recognized at gross of notional tax credit or withholding tax.

**2.3.5 Expenditure recognition**

All expenses, including management fees and trustee fees, are recognized in profit or loss on accruals basis.

The management participation fees, the trustee fees and custodian fees of the fund are as follows.

Management and registration fee		- 0.35% of Net asset value of the fund
Trustee fee	NAV < 500 Mn	- 0.20% of Net asset value of the fund
	NAV 500 Mn - 1,000 Mn	- 0.175% of Net asset value of the fund
	NAV > 1,000 Mn	- 0.15% of Net asset value of the fund
Custody fee		- Flat fee of Rs. 240,000 per annum

**2.3.6 Taxation**

The provision for income tax is based on the elements of income and expenditure as reported in the financial statements and computed in accordance with the provisions of the Inland Revenue Act. According to the Inland Revenue Act No. 10 of 2006. The fund is liable to pay tax at the rate of 10%.

**2.3.7 Unit holders' funds and net assets attributable to unit holders**

Unit holders' funds have been calculated as the difference between the carrying amounts of the assets and the carrying amounts of the liabilities, other than those due to unit holders, as at the reporting date.

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.

Dividend to unit holders is declared according to Explanatory Memorandum. Dividend to unit holders is recognized in the Statement of Changes in Unitholders' Funds as a distribution. Income not distributed is included in net assets attributable to unit holders.





**2.3.8 New accounting standards issued but not yet effective**

A number of new standards and amendments to standards, which have been issued but not yet effective as at the Reporting date, have not been applied in preparing these Financial Statements for the year ended 31st March 2018. Pending detail review the financial impact is not reasonably estimated as at the date of publication of these financial statements.

Accounting standard	Summary of the requirements
SLFRS 9- "Financial Instruments"	<p>SLFRS 9, issued in 2014 which replaces the existing guidance in LKAS 39 – "Financial Instruments: Recognition and Measurement" is effective for annual reporting periods beginning on or after January 1, 2018.</p> <p>The improvements introduced by SLFRS 9 includes a logical model for classification and measurement, a single, forward-looking 'expected loss' impairment model and a substantially reformed approach to hedge accounting.</p>
SLFRS 15- "Revenue from Contracts with Customers"	<p>SLFRS 15 establishes a comprehensive framework for determining whether, how much, and when revenue is recognized. New qualitative and quantitative disclosure requirements aim to enable Financial Statements users to understand the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers.</p> <p>Entities will apply five-step model to determine when to recognize revenue and at what amount. The model specified that revenue is recognized when or as an entity transfers control of goods and services to a customer at the amount to which the entity expects to be entitled. Depending on whether certain criteria are met, revenue is recognized.</p> <p>It replaces existing revenue recognition guidance, including LKAS 18 on "Revenue" and LKAS 11 on "Construction Contracts" and IFRIC 13 on "Customer Loyalty Programmes".</p> <p>SLFRS 15 is effective for annual reporting periods beginning on or after January 1, 2018.</p>
SLFRS 16- "Leases"	<p>SLFRS 16 eliminates the current dual accounting model for lessees which distinguishes between On-Balance Sheet finance leases and Off-Balance Sheet operating leases. Instead there will be a single On-Balance Sheet accounting model that is similar to current finance lease accounting.</p> <p>SLFRS 16 is effective for annual reporting periods beginning on or after January 1, 2019.</p>

Financial impacts of the above new accounting standards have not been assessed.



	2017/2018 Rs.	2016/2017 Rs.
<b>3. Interest income</b>		
Interest on repos	3,787,529	398,433
Interest on sale and buy back treasury bonds	13,264,937	50,737,480
Interest on trust certificate	31,623,399	16,943,397
Interest on deposits	93,411,568	9,844,937
Interest on commercial papers	89,641,817	11,008,089
	<u>231,729,250</u>	<u>88,932,336</u>
<b>4. Finance costs</b>		
Bank charges	142,529	128,300
Interest expenses	1,285,306	3,687,643
	<u>1,427,835</u>	<u>3,815,943</u>
<b>5. Income tax expense</b>		
Income tax recognized in profit or loss (Note 5.1)	<u>22,039,292</u>	<u>7,955,100</u>
<b>5.1 The tax charges for the year reconciled to the accounting profit as follows:</b>		
Accounting profit chargeable for current tax	220,164,576	80,643,502
Tax effect on chargeable profits	22,016,458	8,064,350
<i>Adjusted for the tax effect of:</i>		
Tax effect on allowable credits	-	-
Tax effect on non deductible expenses	109,250	-
Tax effect on non-cash profits	(86,416)	(109,250)
Current tax expense	<u>22,039,292</u>	<u>7,955,100</u>
Effective tax rate	10.01%	9.86%
	<b>31.03.2018</b>	<b>31.03.2017</b>
	<b>Rs.</b>	<b>Rs.</b>
<b>6. Cash at bank</b>		
Cash at bank - Deutsche bank	<u>478,306</u>	<u>553,173</u>
<b>7. Income tax receivable</b>		
Balance at the beginning of the year	2,168,923	1,268,573
<i>Current tax assets</i>		
Notional tax credit	4,867,587	6,807,931
Withholding tax receivable	18,211,947	2,047,520
	<u>25,248,457</u>	<u>10,124,023</u>
<i>Current tax liabilities</i>		
Income tax payable	(22,039,292)	(7,955,100)
Balance at the end of the year	<u>3,209,165</u>	<u>2,168,923</u>



	31.03.2018	31.03.2017
	Rs.	Rs.
<b>8. Loans and receivables</b>		
Investment in treasury bills repos	9,605,918	-
Investment in sale and buy backed treasury bonds	-	374,094,007
Investment in trust certificate	254,600,574	128,097,410
Investment in deposits	57,920,489	300,983,250
Investment in commercial papers	31,932,254	502,636,647
	<u>354,059,235</u>	<u>1,305,811,313</u>
<b>9. Accrued expenses</b>		
Management fees	209,504	324,879
Trustee fees	116,326	168,519
Custodian fees	23,440	23,441
Auditor's remuneration	119,756	108,869
	<u>469,026</u>	<u>625,708</u>
<b>10. Other financial liabilities</b>		
Payable on units redeemed	111,481,451	-
Payable on reverse repo	-	116,469,347
	<u>111,481,451</u>	<u>116,469,347</u>

**11. Capital management**

The fund's capital is represented by redeemable units with no par value and is reflected in the Statement of Financial Position as amount attributable to Unit holders. In accordance with the accounting policies and the risk management policies in note 13, the fund endeavours to invest contributions received in appropriate investments, while maintaining sufficient liquidity to meet any withdrawal requests. The terms and conditions attached to units in the fund can be found in the Trust Deed.

	31.03.2018		31.03.2017	
	Units	Rs.	Units	Rs.
Units at the beginning of the year	94,008,965.4	1,191,508,354	70,125,890	807,570,238
Units issued during the year	170,909,279.4	2,248,290,352	121,340,799	1,502,522,846
Units redeemed/ cancelled during the year	(247,727,887.9)	(3,392,127,761)	(97,457,724)	(1,191,273,132)
Increase in net assets attributable to unit holders	-	198,125,284	-	72,688,402
Units at the end of the year	<u>17,190,356.9</u>	<u>245,796,229</u>	<u>94,008,965</u>	<u>1,191,508,354</u>

The number of unit holders as at 31 March 2018 is, recorded as 33, with the changes made to the taxation regime by the adoption of the Inland Revenue Act No.24 of 2017, tax exemption provided for unit holders have been discontinued. In addition, as per the management, the current interpretation of the said Act, the effective taxation on unit holders who invests through unit trusts are much higher than that of direct, plain vanilla investments such as term deposits.

**12. Related party transactions****a) Responsible entity**

The responsible entity of Investrust Money Market Fund is Investrust Wealth Management Ltd.

**b) Key management personnel**

Related parties are identified in accordance with Sri Lanka Accounting standards, LKAS 24, Related Party disclosures.

Mr. Uswattaliyanage Sudath Nilupul Prasanna Perera, Mr. Ranil Prasad Pathirana and Mr. Ranatunga Arachchige Chaminda Dilruck Ranatunga, were the board of directors of Investrust Wealth Management Ltd. during the reporting period. Subsequent to the change of management of the company on December 05, 2017, Mr. Suresh Kumarapperuma, Mr. Asoka Sirisena and Mr. Hemantha Chandana were appointed to the board on December 05, 2017.



c) **Key management personnel unit holdings**

The following key management personnel and their close family members of Investrust Wealth Management Ltd hold units in the fund during the period and ceased their authority and responsibility for planning, directing and controlling of activities of the entity with the change of management on December 05, 2017. Therefore the transactions mentioned below are the transactions entered during the period of their control;

Unit Holder	Nature of relationship	Transactions during the period		Unit holding as at 31.03.2018	
		Investments Rs.	Redemptions Rs.	No. of units	Fair Value Rs.
Mr. R P Pathirana	Director	-	-	11,023.9	155,590
Mr. R A C D Ranathunga	Director	200,000	2,200,000	-	-
Mrs. N. S. Pahalavithana	Fund Manager	447,179	550,000	-	-
Mrs. A D A Pathirana	Spouse of the Director	-	-	334,177.1	4,716,542
Mrs. K D A V W Ranathunga	Spouse of the Director	200,000	9,811,656	-	-

Subsequent to the change of management, none of the key management personnel of Investrust Wealth Management Limited entered in to any transaction with the fund.

d) **Other transactions with the Fund**

No key management personnel have entered into a material contract with the fund during the financial year and there were no material contracts involving key management personnel's interest existing at year end.

e) **Transactions with the related entities**

The management company and other related parties held units in the fund as follows:

Unit Holder	Nature of relationship	Transactions during the period		Unit holding as at 31.03.2018	
		Investments Rs.	Redemptions Rs.	No. of units	Fair Value Rs.
<u>Related entities before the change of management</u>					
Investrust Holdings Limited	Member of same group	-	820,000	-	-
Investrust Capital (Pvt) Limited	Member of same group	1,300,000	7,630,000	-	-
Capitalink Partners (Pvt) Limited	Common director	-	500,000	-	-

On 17 July 2017, the previous management of Investrust Money Market Fund, had purchased trust certificates with face value LKR 141,296,424.53 from People's Leasing Insurance PLC. The tenor of the certificates ranged from 3 to 4 years. Investrust Money Market Fund had entered into a Sale and Buy back agreement with Investrust Capital (Pvt) Limited, which enabled the said certificates to be rolled over in less than 1 year periods for last 3 years, under the verification of the trustee (Deutsche Bank AG, Colombo Branch).

On 28 November, 2017 the previous management had issued a deal confirmation to the trustee on the latest buy & sell back of trust certificates to be enacted on 13th December 2017. At the reporting date the value of that investment was Rs. 130,152,627.44, which is included in the value of investments in Trust Certificates under note no. 8 of these financial statements.



Other Related entities

Investrust Wealth Management Limited	Management company	3,500,000	30,093,369	252,518.0	3,564,014
Serene Resorts Ltd	Member of same group	175,000,000	5,000,000	12,340,661.3	174,030,474

The fees were charged by the management company and trustee for services provided during the year and the balances outstanding from such dues as at year end are as disclosed below:

Name of the company	Nature of relationship	Nature of the transaction	Transaction value Rs.	Balance outstanding as at 31.03.2018 Rs.
Investrust Wealth Management Limited	Fund management company	Management fees	6,274,581	209,504
Deutsche Bank	Trustee & Custodian	Trustee fees Custodian fees	3,105,546 275,999	116,326 23,440

**13. Financial instruments and risk management****(a) Financial instruments**

The Investrust Money Market Fund invests in commercial papers, fixed deposits offered by banks and finance companies, and government securities issued by the Treasury. Both corporate customers and retail customers can invest in the fund to obtain relatively high returns on long term. The main purpose of these financial instruments is to generate a return on the investment made by Unit holders. The Fund's principal financial liabilities comprise amounts attributable to Unit holders, which are the amounts owed to Unit holders of the fund. The fund also has other financial instruments such as receivables and payables which arise directly from its operations.

In accordance with LKAS 39 Financial Instruments: Recognition and Measurement, the fund's investments and receivables are classified as 'loans and receivables'. Amounts attributable to Unit holders are classified as 'equity' and are carried at the redemption amount being net asset value. Payables are designated as 'other financial liabilities' at amortized cost.

**(b) Financial risk management objectives, policies and processes**

The investment activities of the fund are exposed to different financial risk aspects such as market risks (including interest rate risk), credit risk and liquidity risk.

Investrust Wealth Management Limited has an in house investment committee comprising the fund manager, analysts, CEO, and compliance officer, which meet once a month to review such risks that affects the funds activities. The committee has defined the in-house investment policy and the risk management framework that governs the investment activities in Investrust Money Market Fund. The investment committee reviews the risk management procedures and ensures the fund manager complies with the Unit Trust code, Directives passed by the SEC, and the internal investment policy.

**(c) Market risk**

Market risk represents the risk that the value of the fund's investments portfolios will fluctuate as a result of changes in market prices.

Market risk consists of the interest rate risk and currency risk where the fund is not exposed to the currency risk as all its investments are made in Sri Lanka rupees. Therefore, interest rate risk will be the source of market risk for the fund.

**(i) Interest rate risk**

The risk of fluctuations in the value of investments due to the movements in interest rates. If interest rates rise the value of investments that are already committed by the fund may decline and vice versa. To reduce the impact of this risk, Investrust Money Market Fund holds a portfolio of investments with short-term durations with a maximum maturity period of 1 year. The balance of the duration (duration mix) is based on Investrust Wealth Management investment team's view on interest rate outlook, which is established after thorough analysis into the country's macroeconomic situation and historic movements in interest rates.



The following sensitivity analysis summarizes the fund's sensitivity for the movements of the interest rates. This has been evaluated based on the managements best estimates including historical correlation of the funds. However, the actual movements in the risk variables may be different from the expected performance due to market and economic factors.

<b>Impact on operating profit/Net assets attributable to unit holders</b>	<b>31.03.2018</b>	<b>31.03.2017</b>
Change in interest rates of the fund investment in financial instruments		
+ 1%	2,317,293	889,323
- 1%	(2,317,293)	(889,323)

**(d) Credit risk**

Due to the nature of its investments, Investrust Money Market Fund has high exposure to credit risk, which refers to the risk arising from a borrower's failure to repay his obligations. To reduce the likelihood of this risk, Investrust Money Market fund only holds securities that are rated BBB- or above by Fitch ratings. The selection of securities two notches above the "junk grade" provides the Fund with sufficient time to react if there's a ratings downgrade in any of the securities the fund holds. Further, the fund adheres to the maximum permissible single issuer exposure of 15% as per the Unit Trust code, and the investment team would reduce this limit further for selected issuers based on in-house credit research and due diligence.

**(e) Liquidity risk**

The risk that the fund will encounter difficulty in raising funds to meet its obligation to pay Unit holders. To enhance the liquidity, 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 there is no concentration of risk. Fund's investments are committed only in securities with no exposure to unlisted instruments. Further, as per the internal policy, the fund holds at least 70% of its investments in liquid securities which are having maturities below 91days in addition to having 3% of the portfolio in cash. The investment committee would increase these limits if it predicts large redemptions time to time.

The following table analyses the fund's maturity groupings based on the remaining period at the end of reporting period.

<b>Financial assets</b>	<b>31.03.2018</b>			
	<b>Less than 1 month</b>	<b>1-6 months</b>	<b>6-12 months</b>	<b>Total</b>
Cash and cash equivalents	478,306	-	-	478,306
Income tax receivable	-	-	3,209,165	3,209,165
Loans and receivables	61,614,124	133,574,452	158,870,659	354,059,235
	<b>62,092,430</b>	<b>133,574,452</b>	<b>162,079,824</b>	<b>357,746,706</b>

<b>Financial liabilities</b>	<b>31.03.2018</b>			
	<b>Less than 1 month</b>	<b>1-6 months</b>	<b>6-12 months</b>	<b>Total</b>
Accrued expenses	349,270	119,756	-	469,026
Other financial liabilities	111,481,451	-	-	111,481,451
	<b>111,830,721</b>	<b>119,756</b>	<b>-</b>	<b>111,950,477</b>





**(e) Liquidity risk - (Contd..)****Financial assets**

	31.03.2017			Total
	Less than 1 month	1-6 months	6-12 months	
Cash and cash equivalents	553,173	-	-	553,173
Receivable on unit creation	-	70,000	-	70,000
Income tax receivable	-	-	2,168,923	2,168,923
Loans and receivables	551,660,541	626,053,363	128,097,408	1,305,811,313
	<b>552,213,714</b>	<b>626,123,363</b>	<b>130,266,331</b>	<b>1,308,603,409</b>

**Financial liabilities**

	31.03.2017			Total
	Less than 1 month	1-6 months	6-12 months	
Accrued expenses	516,839	108,869	-	625,708
Other Financial liabilities	116,469,347	-	-	116,469,347
	<b>116,986,186</b>	<b>108,869</b>	<b>-</b>	<b>117,095,055</b>

**14. Commitments and contingencies**

There were no significant commitments or contingent liabilities outstanding as at the reporting date which require adjustments to/and disclosures in the financial statements.

**15. Events after the reporting period**

There were no significant events that occurred after the reporting period which require adjustments to/and disclosures in the financial statements.



**Corporate information**

With Effect from 10th July, 2018 Investrust Wealth Management Limited has changed its name as Premier Wealth Management Limited.

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