

**FIRST CAPITAL FIXED INCOME FUND
INTERIM FINANCIAL STATEMENTS
FOR SIX MONTHS ENDED 30TH SEPTEMBER 2020**



First Capital

REPORT OF THE MANAGER

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

Fund Performance

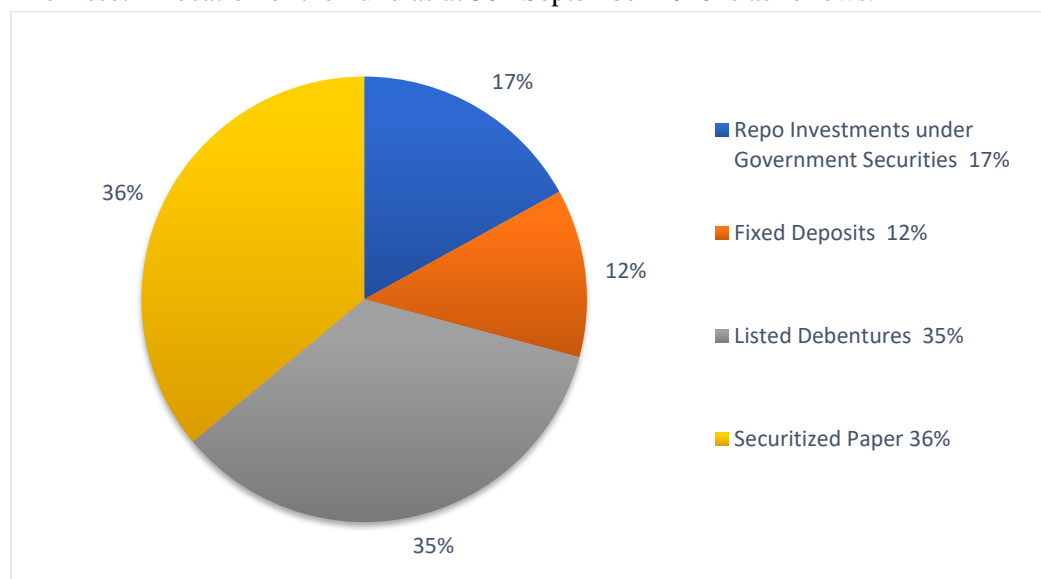
First Capital Fixed Income Fund reported a Profit after Tax of Rs. 76.8Mn for the six months ended 30th September 2020 compared to Rs. 43.9Mn in the corresponding period of the previous year.

The Fund reported an Annualised Return of 19.39% for the six months ended 30th September 2020 compared to the 5-year treasury bond yield (base yield) of 6.67% (source: Central Bank of Sri Lanka - *Daily Reports*; <https://www.cbsl.gov.lk/en/pd-daily-report>). 5-year treasury bond (risk free return) is used to evaluate the performance of the Fund which denotes the return over the risk-free return since there is no appropriate benchmark index for the Fund).

The Annualised Return reported in the corresponding period of the previous year (2019/20) was 11.89% compared to the 5-year treasury bond yield of 10.21% (source: Central Bank of Sri Lanka - *Daily Reports*; <https://www.cbsl.gov.lk/en/pd-daily-report>). The Funds Under Management increased to Rs. 903Mn as at 30th September 2020 compared to Rs. 826.2Mn as at 31st March 2020 (The Fund's yield is variable and subject to change. Past performance is not an indicator of future performance).

Asset Allocation as at 30th September 2020 (%)

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



FIRST CAPITAL ASSET MANAGEMENT LIMITED

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Company Reg. No: PB 187

Appreciations

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

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

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

For Six Months ended 30th September

	2020	2019
	Unaudited	Unaudited
	Rs.	Rs.
Income	51,378,896	43,406,520
Direct expenses	(312)	-
Net trading income	<u>51,378,584</u>	<u>43,406,520</u>
Gain on fair valuation of financial assets	28,492,096	3,512,253
- fair value through profit or loss	<u>79,870,680</u>	<u>46,918,773</u>
Administration and other operating expenses	(3,191,602)	(3,111,607)
Reversal for Impairment of financial assets at amortised cost	104,980	120,510
Profit before taxation	<u>76,784,058</u>	<u>43,927,676</u>
Income tax expenses	-	-
Profit for the period	<u><u>76,784,058</u></u>	<u><u>43,927,676</u></u>
Increase in net assets attributable to unit holders	<u><u>76,784,058</u></u>	<u><u>43,927,676</u></u>

Figures in brackets indicate deductions

The notes form an integral part of these financial statements.

**FIRST CAPITAL FIXED INCOME FUND
STATEMENT OF FINANCIAL POSITION**

As at	30.09.2020 Unaudited Rs.	31.03.2020 Audited Rs.
Assets		
Cash at bank	1,044,510	786,867
Financial assets -at fair value through profit and loss	637,678,229	589,269,610
Financial assets -at amortised cost	262,867,139	236,185,044
Other receivable	3,898,069	1,385,033
Total assets	905,487,947	827,626,554
Liabilities		
Accrued expenses and other liabilities	2,520,617	1,443,282
Total liabilities	2,520,617	1,443,282
Unit holders' funds		
Net assets attributable to unit holders	902,967,330	826,183,272
	902,967,330	826,183,272
Total unit holders' funds and liabilities	905,487,947	827,626,554
Net assets per unit	1,801.01	1,647.86

The notes form an integral part of these financial statements.


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

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


Mangala Jayashantha
Chief Financial Officer
First Capital Asset Management Limited
Fund Management Company


Dilshan Wirasekara
Director / Chief Executive Officer
First Capital Asset Management Limited
Fund Management Company

FOR BANK OF CEYLON


Authorised Signatories
Bank of Ceylon
Trustee


Dinesh Schaffter
Managing Director
First Capital Asset Management Limited
Fund Management Company

FIRST CAPITAL FIXED INCOME FUND
STATEMENT OF CHANGES IN UNIT HOLDERS' FUNDS

For Six Months ended 30th September 2020

	Unit holders' Capital Rs.	Retained Earnings Rs.	Unit holders' Funds Rs.
Balance as at 01st April 2019 (Audited)	596,746,323	201,042,564	797,788,887
Capital infused during the period	-	-	-
Capital withdrawals made during the period	(60,000,000)	-	(60,000,000)
Increase in net assets attributable to unit holders	-	43,927,676	43,927,676
Balance as at 30th September 2019 (Unaudited)	<u>536,746,323</u>	<u>244,970,240</u>	<u>781,716,563</u>
 Balance as at 01st April 2020 (Audited)	 536,746,323	 289,436,949	 826,183,272
Capital infused during the period	-	-	-
Capital withdrawals made during the period	-	-	-
Increase in net assets attributable to unit holders	-	76,784,058	76,784,058
Balance as at 30th September 2020 (Unaudited)	<u>536,746,323</u>	<u>366,221,007</u>	<u>902,967,330</u>

Figures in brackets indicate deduction.

The notes form an integral part of these financial statements.

**FIRST CAPITAL FIXED INCOME FUND
STATEMENT OF CASH FLOWS**

For Six Months ended 30th September

	2020 Unaudited Rs.	2019 Unaudited Rs.
Cash flows from operating activities		
Profit before taxation	76,784,058	43,927,676
Adjustment for :		
Gain on fair valuation of financial assets - at fair value through profit or loss	(28,492,096)	(3,512,253)
Reversal for Impairment of financial assets at amortised cost	(104,980)	(120,510)
Operating profit before working capital changes	48,186,982	40,294,913
(Increase)/ decrease in financial assets -at fair value through profit or loss	(19,916,523)	26,443,523
Increase in financial assets -at amortised cost	(26,577,115)	(7,025,711)
(Increase)/ decrease in other receivables	(2,513,036)	213,877
Increase/ (decrease) in creditors and accruals	1,077,335	(124,477)
Cash generated flows from operations	257,643	59,802,125
Tax paid	-	-
Net cash flows from operating activities	257,643	59,802,125
Net cash flows from/(used in) investing activities	-	-
Cash flows from financing activities		
Capital redeemed by unit holders (Net)	-	(60,000,000)
Net cash flows from/ (used in) financing activities	-	(60,000,000)
Net increase/ (decrease) in cash and cash equivalents	257,643	(197,875)
Cash and cash equivalents at the beginning of the period	786,867	1,274,432
Cash and cash equivalents at the end of the period	1,044,510	1,076,557

Figures in brackets indicate deductions.

The Notes form an integral part of these financial statements.

FIRST CAPITAL FIXED INCOME FUND
NOTES TO THE FINANCIAL STATEMENTS

1. The number of Units represented by unitholders' funds as at 30th September 2020 is 501,367.
2. The above figures are subject to audit. The same accounting policies as in the Audited Financial Statements for the year ended 31st March 2020 have been followed in the preparation of the above financial statements.
3. There have been no material commitment and contingent liabilities as at the reporting date which require disclosures in the financial statements (No commitment and contingent liabilities as at 31st March 2020).
4. There have been no material events after the reporting period which require adjustments/disclosures in these financial statements.

FIRST CAPITAL FIXED INCOME FUND
NOTES TO THE FINANCIAL STATEMENTS

5. Financial instruments- Fair Value Measurement

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

Level - 1

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

Level - 2

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

Level - 3

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

5.1 Fair values versus the Carrying amounts

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

	As at 30.09.2020		As at 31.03.2020	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	Rs.	Rs.	Rs.	Rs.
Financial assets measured at fair value				
Financial assets - at fair value through profit and loss	637,678,229	637,678,229	589,269,610	589,269,610
	637,678,229	637,678,229	589,269,610	589,269,610
Financial assets not measured at fair value				
Cash at banks and in hand	1,044,510	1,044,510	786,867	786,867
Financial assets at amortised cost	262,867,139	262,867,139	236,185,044	236,185,044
Trade and other receivable	3,898,069	3,898,069	1,385,033	1,385,033
	267,809,718	267,809,718	238,356,944	238,356,944
Total financial investments	905,487,947	905,487,947	827,626,554	827,626,554
Financial liabilities measured at fair value	-	-	-	-
Financial liabilities not measured at fair value				
Accrued expenses and other liabilities	2,520,617	2,520,617	1,443,282	1,443,282
Total financial liabilities	2,520,617	2,520,617	1,443,282	1,443,282

FIRST CAPITAL FIXED INCOME FUND
NOTES TO THE FINANCIAL STATEMENTS

5.2 Financial instruments- Fair Value

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

As at 30th September 2020

	Total Carrying Value	Level 1	Level 2	Level 3	Total Fair Value
	Rs.	Rs.	Rs.	Rs.	Rs.
Financial assets measured at fair value					
Financial assets -at fair value through profit and loss					
Investment in listed debentures	313,182,443	-	313,182,443	-	313,182,443
Investment in securitized papers	324,495,786	-	324,495,786	-	324,495,786
	637,678,229	-	637,678,229	-	637,678,229
Financial assets not measured at fair value					
Financial assets at amortised cost	262,867,139	-	-	262,867,139	262,867,139
	262,867,139	-	-	262,867,139	262,867,139
Total financial assets	900,545,368	-	637,678,229	262,867,139	900,545,368

As at 31st March 2020

	Total Carrying Value	Level 1	Level 2	Level 3	Total Fair Value
	Rs.	Rs.	Rs.	Rs.	Rs.
Financial assets measured at fair value					
Financial assets -at fair value through profit and loss					
Investment in debentures	298,263,633	-	298,263,633	-	298,263,633
Investment in securitized papers	291,005,977	-	291,005,977	-	291,005,977
	589,269,610	-	589,269,610	-	589,269,610
Financial assets not measured at fair value					
Financial assets at amortised cost	236,185,044	-	-	236,185,044	236,185,044
	236,185,044	-	-	236,185,044	236,185,044
Total financial assets	825,454,654	-	589,269,610	236,185,044	825,454,654

FIRST CAPITAL FIXED INCOME FUND
NOTES TO THE FINANCIAL STATEMENTS

5.3 Measurement of fair values

5.3 (a) Valuation techniques and significant unobservable inputs

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

Financial instruments measured at fair value

Type	Valuation Technique	Significant Unobservable Inputs	Inter-relationship between Significant Unobservable Inputs and Fair Value Measurement
Investment in listed debentures	The valuation model is based on Yield Curve of the Government Securities. Yields relating to Government Securities based on the maturities of the respective debentures is interpolated in the valuation considering the initial risk premiums (at the time of issue) of the investee companies are constant as at the reporting date.	Risk premium of the investee companies (1.64% - 5.20%)	The estimated fair value would increase/decrease if risk premium of the investee company is lower or higher
Investment in Securitized Papers	The valuation model is based on Yield Curve of the Government Securities. Yields relating to Government Securities based on the maturities of the respective Securitized paper is interpolated in the valuation considering the initial risk premiums (at the time of issue) of the investee companies are constant as at the reporting date.	Risk premium of the investee companies (4.35% - 5.79%)	The estimated fair value would increase/decrease if risk premium of the investee company is lower or higher

FIRST CAPITAL FIXED INCOME FUND
NOTES TO THE FINANCIAL STATEMENTS

5.4 Financial instruments - Accounting classifications

As at 30th September 2020

	Financial assets - FVTPL	Financial assets/ liabilities at amortised cost	Total carrying amount	Fair value
	Rs.	Rs.	Rs.	Rs.
Financial assets measured at fair value				
Financial assets - FVTPL	637,678,229	-	637,678,229	637,678,229
	637,678,229	-	637,678,229	637,678,229
Financial assets not measured at fair value				
Cash at banks and in hand	-	1,044,510	1,044,510	1,044,510
Financial assets at amortised cost	-	262,867,139	262,867,139	262,867,139
Trade and other receivable		3,898,069	3,898,069	3,898,069
	-	267,809,718	267,809,718	267,809,718
Total financial assets	637,678,229	267,809,718	905,487,947	905,487,947

As at 31st March 2020

	Financial assets - FVTPL	Financial assets/ liabilities at amortised cost	Total carrying amount	Fair value
	Rs.	Rs.	Rs.	Rs.
Financial assets measured at fair value				
Financial assets - FVTPL	589,269,610	-	589,269,610	589,269,610
	589,269,610	-	589,269,610	589,269,610
Financial assets not measured at fair value				
Cash at banks and in hand	-	786,867	786,867	786,867
Financial assets at amortised cost	-	236,185,044	236,185,044	236,185,044
Trade and other receivable		1,385,033	1,385,033	1,385,033
	-	238,356,944	238,356,944	238,356,944
Total financial assets	589,269,610	238,356,944	827,626,554	827,626,554

First Capital Fixed Income Fund**Reconciliation for the Net Asset Value reported as at 30th September 2020**

	Rs.
Net Asset Value of the Fund as per Monthly Return	903,001,949
Adjustment on provision for financial asset - at amortised cost as per SLFRS 9	(34,619)
Net Asset Value of the Fund as per Interim Financial Statements	902,967,330