

2024 -2025 ANNUAL REPORT



namal
National Asset
Management Ltd.

TABLE OF CONTENTS

About NAMAL.....	01
Chairman’s Review.....	02
Board of Directors.....	04
Management Team.....	07
Investment Manager’s Report.....	09
National Equity Fund.....	15
NAMAL Growth Fund.....	48
NAMAL Income Fund.....	78
NAMAL High Yield Fund.....	105
Corporate Information.....	130
Declaration By Trustees and Managing Company.....	131

ABOUT NAMAL

National Asset Management Limited (NAMAL) is the pioneer Scheme Managing Company in Sri Lanka established in 1991. With over 30 years of experience and a successful track record of investing in equity and fixed income markets, NAMAL launched the first Unit Trust to be licensed in Sri Lanka (National Equity Fund) and the first listed Unit Trust (NAMAL Acuity Value Fund). NAMAL manages four Schemes and offers private portfolio management services. A subsidiary of Union Bank of Colombo PLC, our shareholders include DFCC Bank PLC and Ennid Capital (Pvt) Limited. We have a highly experienced and professional management team with widespread experience in domestic capital markets.

OUR INVESTMENT PHILOSOPHY

Our philosophy is to identify and invest in “compounders” – high-quality companies with dominant business models, intangible assets, pricing power, and low capital intensity. The investment philosophy is clearly reflected in our Investment Management process.

Our primary objective is to provide enhanced long-term growth while ensuring the preservation of capital.

OUR UNIT TRUSTS SCHEMES

Our Unit Trusts Schemes enable individual investors to benefit from professional management, investment performance, portfolio diversification, additional investment alternatives, and risk management for a low minimum investment. In addition, investors have the ability to redeem their investments on a daily basis in the event of an emergency. Investing in Schemes allows you to plan and invest for your future financial wealth, significant life milestones, and your prosperous retirement.

CHAIRMAN'S REVIEW

Dear Shareholders,

It gives me great pleasure to present the annual report and financial statements for the year ended 31st December 2024, a year that marked Sri Lanka's decisive turn towards economic recovery and capital market revitalization.

Economic Resurgence and Market Rebound

The year 2024 witnessed Sri Lanka's economy transitioning from stabilization to growth, with GDP expanding by 2.8% following two consecutive years of contraction. The successful implementation of IMF-backed reforms, including fiscal consolidation measures that reduced the budget deficit to 6.8% of GDP from 8.3%, helped restore macroeconomic stability. CCPI headline Inflation decreased to -1.70% which indicated the country was in a deflation environment, allowing the Central Bank (CBSL) to progressively ease monetary policy twice during the year by reducing - the Standing Deposit Facility Rate (SDFR) by 75 basis points to 8.25%. After years of discussion, the CBSL decided to set a single policy rate stance by eliminating the use of the SDFR and Standard Lending Facility Rate (SLFR) as the official policy interest rate. Crucially, foreign reserves rebounded to US\$ 6.1 Bn, supported by a 10% increase in remittances (US\$ 6.6 Bn) and tremendously improved tourism sector earnings of US\$ 3.2 billion from 2.05 million arrivals.

This favorable macroeconomic environment positively influenced the capital markets and the mutual fund industry. The Colombo Stock Exchange (CSE) experienced a resurgence, with the All-Share Price Index (ASPI) and the S&P SL20 Index earning year-to-date gains of approximately 49.7% and 58.5%, respectively, indicating robust investor confidence and improved corporate earnings across key sectors. The Unit Trust industry witnessed substantial growth, with Assets Under Management (AUM) increasing from LKR. 408 billion to LKR. 545 billion by the end of 2024. Fixed Income Funds attracted considerable inflows due to declining interest rates and favorable yield curves, while Equity Funds benefited from the bullish market sentiment. At NAMAL, our funds capitalized on these market dynamics through active management and strategic asset allocation, delivering robust returns to our investors.

NAMAL's Equity Funds

Following a declining year for Equity markets in 2022, the All-Share Price Index (ASPI) and S&P SL 20 index rebounded by 49.7% and 58.5%, respectively. The ASPI stood at 15,944.61 and the S&P SL20 stood at 4,862.10 for the year ended 2024. Macro conditions improved due to the support given by declining interest rates, lowered inflation, improving disposable incomes allowed investors to move out of conventional instruments and allocate their funds to Equity and Fixed Income Funds. Many sectors of the economy improved with the notable improvements in Materials, Capital Goods, Banking, Leisure, Consumer Services and few more, helped propel the market with tailwinds. However, foreigners remained net sellers in the market, with outflows of around LKR. 10.5 Bn. NAMAL's funds continued to focus on stocks with strong resilience and stable growth potential in keeping with the company's investment philosophy. The National Equity Fund retreated by 34.81%. The NAMAL Growth Fund rose by 31.88% during the year.

Assets under Management of the NAMAL Equity Fund rose by 26% to LKR. 2.4 Bn from LKR. 1.9 Bn. In addition, the NAMAL Growth Fund grew to LKR. 191 Mn from LKR. 160 Mn which constitutes a 19% growth YoY for the year ended 2024.

NAMAL High Yield Fund continues to generate strong returns

The High Yield Fund generated strong returns during the year despite the noteworthy reduction in Treasury Bill and Corporate Debt rates. The benchmark 1 year Treasury Bill yield declined from 12.93% at the start of the year to 8.62% by the end of the Year. NAMAL High Yield Fund generated a 10.79% return for its investors during the period under review which outperformed the 1 Year Treasury Bill rate by the end of the year. NAMAL High Yield held an Asset base of LKR. 1.1 Bn (up 22% YoY).

NAMAL Income Fund opens inflows from the public

The NAMAL Income Fund was restructured during the month of December 2023. The Fund had an

AUM base of LKR. 84 Mn at the start of the year 2024 and grew to LKR. 690 Mn (up 721% YoY). The Management decided to focus on the Fund by bringing in public funds. Since interest rates were not flat and had potential to go down further during the year due to the introduction of the single policy rate of the CBSL, the Fund was revamped to cater to investors looking outside of short-term returns and focusing on Marked to Market gains. The Fund was able to earn an Annual Return of 15.09% for the year 2024.

Earnings

The revamping of the Income Fund, increase in the AUM of the High Yield Fund and the organic asset growth of the Equity Funds promptly assisted the growth of revenue and profitability of the company. Asset Management fees for the full year 2024 stood at LKR. 56.8 Mn versus LKR. 44.1 Mn in 2023 (up 28.9% YoY). Income from Equity Mutual Funds rose to LKR. 40.6 Mn against LKR. 37.6 Mn in 2023 (up 8% YoY) while income from Fixed Income Mutual Funds increased to LKR. 13 Mn compared to LKR. 3.9 Mn in 2023 (up 233.3% YoY). Total income for the year increased to LKR. 70.1 Mn from LKR. 69.1 Mn in the previous year (up 1.3%). While total overheads were recorded at LKR. 62.8 Mn versus LKR. 62.1 Mn in 2023 (up 1.13% YoY). The Company recorded a Profit-Before-Tax of LKR. 7.3 Mn for the year ended 2024 against LKR. 7 Mn in 2023 (up 3.01% YoY).

Prospects for 2025

Following a year of notable economic and political stabilization, 2025 is set to build on this momentum with stronger market fundamentals and improved investor confidence. With GDP growth forecasted to remain around 5%, underpinned by robust tourism receipts, expanding exports, and ongoing infrastructure investment, Sri Lanka is entering a phase of economic normalization. Inflation is expected to remain within the Central Bank's target range, and policy rates are projected to remain stable, encouraging long-term investment and capital formation. On the international front, a soft landing in major economies and moderating global interest rates are expected to support capital flows into emerging and frontier markets, including Sri Lanka.

NAMAL expects strong performance from its fund suite, notably, the NAMAL High Yield Fund, which delivered superior returns in 2024 amid easing interest rates, is projected to continue offering

attractive yields through selective positioning in government securities and high-quality corporate debt. The NAMAL Equity Fund and NAMAL Growth Fund, buoyed by improved market liquidity and sectoral earnings, are expected to benefit from active sector rotation and exposure to growth-oriented counters in banking, capital goods, and consumer sectors. Additionally, the NAMAL Income Fund, which was relaunched in 2024, is expected to attract significant institutional and retail interest in 2025 as a balanced vehicle for investors seeking stable income and mark-to-market gains.

Internationally, we anticipate that a moderation in developed market monetary tightening, combined with increased risk appetite, will lead to greater portfolio flows into frontier markets. Sri Lanka's improving fiscal metrics, IMF compliance, and debt restructuring milestones are likely to contribute to improving credit ratings, making it an attractive destination for foreign institutional investors. NAMAL will continue to monitor global trends—including oil prices, geopolitical shifts, and interest rate policies from the U.S. Federal Reserve and ECB—to dynamically adapt fund strategies and safeguard investor capital.

As we look to 2025, NAMAL remains committed to its principles of disciplined fund management, risk-calibrated investment strategies, and long-term value creation. Our renewed focus on innovation, transparency, and investor education will help reinforce NAMAL's role as a leading asset manager in Sri Lanka.

I take this opportunity to thank our valued investors, the Board of Directors, and all our partners for their unwavering support throughout the year. Most importantly, I extend my deepest appreciation to the team at National Asset Management Limited for their dedication, resilience, and excellence in delivering results in a dynamic economic environment.



Malay Mukherjee
Chairman

BOARD OF DIRECTORS



CHAIRMAN. MR. MALAY MUKHERJEE



MR. WIJENANDA DAMBAWINNE



MR. PRINS PERERA



MR. R A DASSANAYAKE



MR. SANJAY POKHREL



MR. NASSER HAMMAD



MR. DILSHAN RODRIGO



MR. BRIAN JOSEPH

Chairman - Mr. Malay Mukherjee

Mr. Malay Mukherjee counts over 42 years of banking experience primarily in the areas of Risk, Audit, and IT. He holds a Master of Science (MSc) in Physics from Banaras Hindu University, India and was awarded an Honorary Fellowship in Banking and Finance from the Indian Institute of Banking and Finance, India.

Mr. Mukherjee presently serves as the Chairman of UB Finance PLC and Chartered Finance Management Pvt Ltd. He is also a Non-Independent/Non-Executive Director of Union Bank PLC, Director of Nabil Bank Limited, Nepal, an Independent Director of Shivalik Small Finance Bank, India and Dilip Buildcon Limited, India and works as a Consultant to the Asian Development Bank.

He has previously served as the Managing Director and Chief Executive Officer of IFCI Limited, India (December 2013 to December 2016), an Executive Director of the Central Bank of India (September 2012 to December 2013), the General Manager in charge of the Risk Management Department and the Technology Management Department of Indian Bank at its Corporate Office in Chennai, India. He was the Chairman of the Board of Directors of Management Development Institute and Institute of Leadership Development and a Member of the Governing Body of Entrepreneurship Development Institute of India. He was also the Chairman of the Board of Directors of IFCI Factors Limited, IFCI Infrastructure Development Limited, Tourism Finance Corporation of India Limited, IFCI Financial Services Limited, IFCI Venture Capital Funds Limited and Stock Holding Corporation of India Limited.

Mr. Wijenanda Dambawinne

Mr. Dambawinne was appointed to the Union Bank of Colombo PLC as Vice President/Head of Treasury on the 15th of October 2015 and retired from office on the 30th of June 2021. He possesses the ACI Dealing certificate from the ACI Financial Markets Association, which is an international qualification for Foreign Exchange Dealers and has been involved in the Banking Environment for more than 37 years.

Mr. Dambawinne started his career with HSBC, Colombo from February 1984 to September 1987 and subsequently took an appointment with Sampath Bank PLC from October 1987. In his tenure at Sampath Bank PLC until October 2015, he served as Deputy General Manager - Treasury and Global Business and served as a Director of the Board of Sampath Centre, which is a fully owned subsidiary of Sampath Bank PLC from January 2014 to October 2015.

Mr. Prins Perera

Mr. Prins Perera is Senior Vice President Treasury & Investment Banking of DFCC Bank PLC.

Mr. Perera has held several senior positions at Commercial Bank of Ceylon Plc counting over 32 years of banking experience both locally and internationally and retired as Senior DGM Treasury. He has served as a Board member of CBC Myanmar Microfinance Company Limited, a subsidiary of Commercial Bank of Ceylon Plc.

Mr. Perera is a Fellow of Chartered Institute of Management Accountants (FCMA UK), an associate member of Chartered Global Management Accountants (CGMA-UK) and an associate member of Certified Public Accountants (CPA Australia).

He holds a Master's Degree in Financial Economics from University of Colombo, Sri Lanka and a Fellow Member of the Institute of Bankers – Sri Lanka (FBA).

He is a Director of Acuity Stockbrokers (Pvt) Limited, National Asset Management Limited, Rockfort Advisory (Pvt) Ltd, DFCC Consulting (Pvt) Ltd and Lanka Industrial Estates Limited.

Mr. R A Dassanayake

Mr. Dassanayake is the Vice President, Strategic Planning and Subsidiaries of DFCC Bank PLC. He has over 28 years of experience in banking, accounting, and auditing, consulting, and advisory services. He is a director of several subsidiaries and associate companies of DFCC and is also a member of several management committees.

He has held positions as the Head of Budgeting and Planning of DFCC Vardhana Bank PLC, Chief Executive Officer and Chief Risk and Operations Officer of Lankaputhra Development Bank and Partner, Audit Assurance and Consulting of BDO Partners Sri Lanka. He holds his Master's from PIM, University of Sri Jayawardenepura and his first degree in Accountancy from the same university. He is also a Fellow member of CA Sri Lanka and an Associate of CIMA UK. He holds Director positions at Lanka Industrial Estates Limited, Lindel Industrial Laboratories Ltd, Lanka Ventures PLC, LVL Energy Fund Limited, DFCC Consulting (Pvt) Limited and Acuity Securities Ltd and Rockfort Advisory (Pvt) Ltd.

Mr. Sanjay Pokhrel

Mr. Sanjay Pokhrel is a seasoned finance professional with a robust background in mergers and acquisitions, investment management, and risk assessment. He is currently the Head of Mergers & Acquisitions at CG Corp Global in Dubai, UAE, where he leads investment processes, fundraising initiatives, and asset management functions. Sanjay has successfully led and been part of transactions totaling over USD 200 million executed by the group over the last 4 years.

Before his current role, he served as an Investment Officer at One to Watch Nepal Pvt. Ltd, managing renewable energy funds and maintaining high returns for early-stage investment portfolios. Additionally, Sanjay was the Head of Risk and Compliance at Global IME Capital Ltd, contributing to significant business growth and fund raising.

Sanjay holds a CFA Charter, is a Chartered Accountant from ICAI, and has a B. Com (A&F) from IGNOU. His professional engagements include directorships at multiple financial institutions and participation in key committees. He is also certified in International Financial Reporting and has undergone various investment management training programs.

Mr. Nasser Hammad

Mr. Nasser possesses over 20 years of experience in mergers and acquisitions, strategic finance, business partnering, internal controls, treasury management, and corporate governance across diverse sectors both in Sri Lanka and Overseas. He is a CFA Charterholder, a Chartered Management Accountant from the UK, and holds an MBA from the University of Wales. He currently also serves as a Director of Evolution Auto (Pvt) Limited.

Mr. Dilshan Rodrigo

Mr. Dilshan Rodrigo was appointed as the Director/Chief Executive Officer of Union Bank of Colombo PLC in August 2024. He brings over two decades of banking experience, having held senior positions

across various sectors including banking, insurance, investment banking and apparel. He holds an MBA from Cranfield University, UK and is a fellow of both the Chartered Institute of Management Accountants (FCMA) and the Association of Chartered Certified Accountants (FCCA), UK.

Before joining Union Bank, Mr. Rodrigo served as the Executive Director/Chief Operating Officer at Hatton National Bank (HNB), where he oversaw all support functions. He has also held numerous directorships at prominent companies such as HNB Assurance PLC, Guardian Acuity Management Ltd., and served as the Chairman of HNB Finance PLC and Lanka Financial Services Bureau. Additionally, he is a Director of the Credit Information Bureau of Sri Lanka and has been actively involved in professional councils, Sri Lanka Institute of Directors (SLID) and the Asian Bankers Association.

In addition to his professional achievements, Mr. Rodrigo has contributed to academia, teaching undergraduate and postgraduate programs for over a decade.

Mr. Brian Joseph

Mr. Brian Joseph is presently serving as the Vice President and Head of Treasury at Union Bank of Colombo. He carries, over 30 years of comprehensive experience in the banking sector of which comprises 17 years in treasury operations, with proven leadership across prominent local and international banks, including Seylan Bank, ICICI Bank and Habib Bank. Mr. Joseph held the position of Chief Dealer at ICICI Bank, Colombo from 2012 to 2019, followed by serving as Head of Treasury at Habib Bank, Colombo from 2020 to 2023.

He has earned an MBA in International Business from the University Of Colombo and ACI dealing certificate from The Financial Markets Association. Additionally, he has a Diploma in Banking and Finance and a Diploma in Treasury and Risk Management, from the Institute of Bankers, Sri Lanka.

MANAGEMENT TEAM

Mr. Nirupan Wijeyanathan

Chief Executive Officer

Mr. Wijeyanathan has over 32 years of experience in Banking, Finance, Advisory Service, Treasury Management, and Operations. This covers 11 years at Citi Bank N.A. Sri Lanka in the capacity of Vice President – Head Global Markets Corporate Sales & Structuring.

He has vast experience in Trading in Foreign Exchange / Money Market / Fixed Income (Debt Securities) Instruments and Customer Structuring & Advisory. He has been the President of the Sri Lanka Forex Association from 2007-2009 and has been on the Executive Committee for more than 12 years. Mr. Wijeyanathan holds a MBA from Cardiff Metropolitan University, Wales and he is an old boy from St Thomas College, Mt Lavinia.

Ms. Subashini Jeganathan

Head of Finance and Operations

Ms. Jeganathan has over 15 years of experience in the Finance sector in the areas of Financial Accounting, Management Accounting and Auditing. She has worked at DMS Holdings (Pvt) Ltd and 24/7 Techies (Pvt) Ltd prior to joining NAMAL.

Ms. Jeganathan holds an MBA from University of Sri Jayewardenepura. She is also an Associate Member of the Chartered Institute of Management Accountants (UK) and is also a Chartered Global Management Accountant of the Association of International Certified Professional Accountants.

Mr. Akila Alwis

Head of Sales

Mr. Alwis has over 7 years of experience in the Investment Management industry. He was previously employed at Asset Trust Management (Pvt) Ltd. in the capacity of an Equity Research Analyst, Senior Operations Executive and Manager of Business Development covering 4 Mutual Funds and the Private Wealth Management arm. Over the years he has garnered knowledge and experience in portfolio valuation, financial modelling, financial analysis, portfolio management, fund operations, fund cash flow management and sales.

He is licensed as a Registered Investment Advisor by the Securities & Exchange Commission of Sri Lanka (SEC). In addition, he has completed the Certification

in Capital Markets by the SEC of Sri Lanka and 5 certifications from the Corporate Finance Institute of Canada, in field of Financial Analysis and Portfolio Management. He holds a degree from Monash University, Australia. Currently, he is pursuing the Diploma in Portfolio Management by IBSL and the final stage of the Association of Chartered Certified Accountants.

Mr. Sidath Thilakarathna

Head of Fixed Income - Fund Manager

Mr. Thilakarathna has over 6 years of experience in asset management. Prior to joining NAMAL, has worked as the Head of Fixed Income Securities in Asset Trust Management (Pvt) Ltd. He holds a Bachelor's degree in financial engineering from the University of Colombo. He has got International Monetary Board's Certificate in 'Monetary Policy Analysis and Forecasting' and Certificate in 'Financial Market Analysis. Mr. Thilakarathna also has completed the Certificate Course in Treasury and Foreign Exchange Operations (Badge of Excellence), conducted by Centre for Banking Studies, CBSL.

Ms. Amali Perera

Manager Compliance

Ms. Perera's Career spans over 19 years' experience in the fields of Auditing, Banking and Stock Brokering. Having started off her Career at KPMG Sri Lanka, she later joined DFCC Bank. In 2006 she entered the Stock Broking industry as a Research Analyst, and moved towards Finance and Compliance. Having worked 14+ years in the Stock Broking field her experience extends covering Research, Finance and compliance. She is an Associate member of the Chartered Institute of Managements Accountants UK(ACMA), Chartered Global Management Accountants (CGMA) and is a finalist of ACCA UK.

Mr. Kevin Gosset

Operations Manager

Mr. Kevin Gosset has over 11 years of experience in operations management. Prior to joining NAMAL he was a member of the operations team at R R Donnelley.

His corporate career spans experience at Hong Kong & Shanghai Banking Corporation, Hemas Pharmaceuticals (Pvt) Ltd, Softlogic Trading (Pvt) Ltd and Irwin Mitchell Solicitors LLP (U.K.).

Mr. Gosset holds a BA (Hons) in Business Management – Teesside University (UK) and is also certified for Professional Ethical Detailing by Objectives & Establishing Strategic Alliances.

INVESTMENT MANAGER'S REPORT



INVESTMENT MANAGER'S REPORT

Sri Lanka Macro Economy

Economic Growth

During the financial year from 1st April 2024 to 31st March 2025, the Sri Lankan economy showed tangible progress on its path to recovery, supported by improving macroeconomic fundamentals and the continued implementation of structural reforms under the IMF programme. The stabilisation measures initiated in the previous year began to yield more consistent outcomes, leading to greater investor confidence and more predictable market conditions.

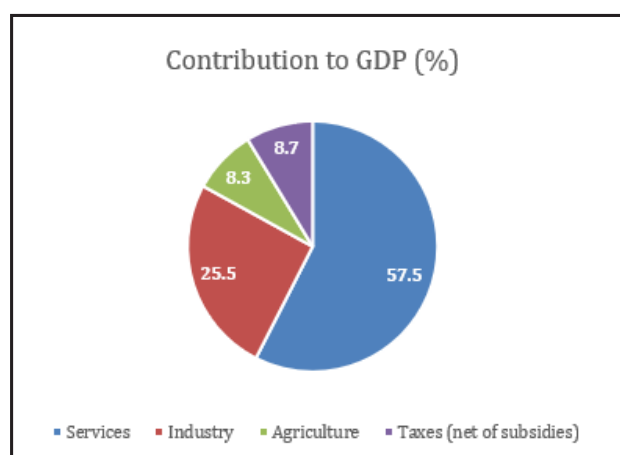
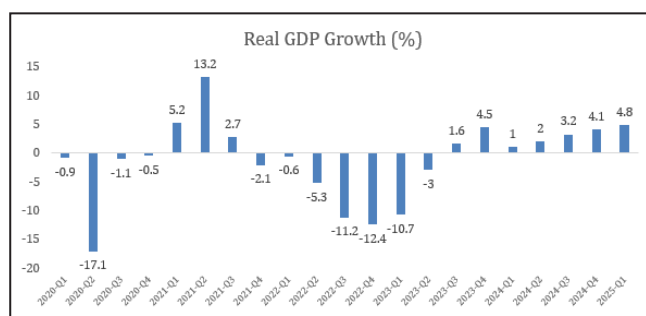
Sri Lanka's real GDP is estimated to have expanded by 3.0% to 3.5% during the year, following a modest contraction in 2023. The recovery was broad-based, underpinned by easing inflationary pressures, improved monetary policy transmission, and a more stable external sector. Inflation remained within single-digit territory for most of the year, allowing the Central Bank to gradually reduce policy rates, which in turn supported credit growth and private sector investment.

The agriculture sector continued its upward trajectory, with improved paddy and vegetable cultivation driven by favourable weather and improved access to fertilisers and agro-inputs. However, performance in traditional export crops such as rubber and coconut remained weak due to global price trends and climatic factors.

In the industry sector, signs of stabilisation became evident. Although construction remained subdued due to funding constraints and subdued private investment, the manufacturing sector recorded a mild recovery in the latter part of the year. Food and beverage production and petroleum-related manufacturing posted gains, while apparel exports showed signs of stabilisation after a challenging period.

The services sector remained the key driver of economic growth, supported by continued momentum in tourism, trade, and transportation. Tourist arrivals improved steadily, aided by political stability, improved infrastructure, and renewed global travel interest. Financial services showed modest recovery with improved market liquidity, while retail and logistics benefitted from rising domestic demand. From an external standpoint, the current account deficit narrowed, supported by stronger worker remittances, improved tourism receipts, and prudent import controls. The Central Bank maintained exchange rate stability and rebuilt reserves gradually through multilateral inflows and market-based adjustments.

Looking ahead, the economic environment presents a cautiously optimistic outlook. While key risks such as global financial volatility and domestic fiscal constraints remain, the progress achieved in stabilising the macroeconomy, restoring investor confidence, and rebuilding institutional credibility bodes well for long-term growth. These developments are especially relevant for the mutual fund industry, as improving market fundamentals and falling interest rates are likely to create more favourable conditions for both equity and fixed income investments in the period ahead.



Inflation

Inflation remained broadly contained throughout the financial year from 1st April 2024 to 31st March 2025, reflecting the continuation of tight monetary and fiscal policy frameworks and the easing of supply-side pressures. Following the significant disinflation observed in 2023, the inflation trajectory during 2024/25 was more stable, with price movements gradually converging toward the Central Bank's medium-term target.

The initial months of the financial year saw a temporary uptick in headline inflation, largely driven by the upward revision in the Value Added Tax (VAT) from 15% to 18% in January 2024, and the removal of several tax exemptions. This led to a noticeable but short-lived rise in consumer prices, particularly in the non-food category. However, this inflationary impact was subsequently offset by the reduction in electricity tariffs implemented in March 2024, along with a moderation in global commodity prices and a strengthening Sri Lankan rupee.

The Colombo Consumer Price Index (CCPI, 2021=100)-based year-on-year headline inflation hovered between 0.7% and 4.5% over most of the year, indicating a relatively stable pricing environment. The annual average inflation for the period remained moderate, with inflation expectations broadly anchored due to consistent policy communication by the Central Bank of Sri Lanka (CBSL) and improving domestic supply chain dynamics.

Food inflation remained low for much of the year, supported by improved harvests and stable agricultural input supplies. However, temporary weather-related disruptions in the fourth quarter of 2024 led to marginal volatility in selected food prices. Non-food inflation, though initially impacted by VAT-related adjustments, stabilised as domestic demand remained measured and global input costs eased. The National Consumer Price Index (NCPI, 2021=100) also reflected similar trends, with headline inflation remaining within a controlled band. Importantly, both core inflation and expectations for future inflation continued to remain well-anchored, supported by the CBSL's inflation targeting framework and reduced fiscal slippage.

Overall, the inflation environment during 2024/25 was more predictable and conducive for investment planning, allowing financial markets—including the mutual fund industry—to operate in a more stable and forward-looking manner. The moderation of

price pressures, combined with falling interest rates, enhanced the overall real return potential for both fixed income and equity market investors.

Monetary policy

During the financial year from 1st April 2024 to 31st March 2025, the Central Bank of Sri Lanka (CBSL) maintained an accommodative monetary policy stance in response to moderating inflation, subdued credit growth, and improving macroeconomic stability. Following a cumulative reduction of 650 basis points in policy rates during 2023, CBSL continued its easing cycle with a further 75 basis point reduction during the year under review.

The year began with a 50-basis point policy rate cut in March 2024, followed by an additional 25 basis point reduction in July 2024. In a significant structural shift, the CBSL introduced a new single policy rate framework in November 2024, the Overnight Policy Rate (OPR)—replacing the dual-rate borrowing and lending corridor system. The OPR was initially set at 8.00%, with symmetric standing facility bounds to enhance policy clarity and transmission. Which transitioned into an overall reduction in the policy rate of 25 basis points.

Throughout the year, CBSL actively engaged with the banking sector to ensure the pass-through of policy easing to market lending rates, including through interest rate guidance and previously imposed caps. These efforts, alongside increased market liquidity and improved investor sentiment, contributed to a gradual reduction in lending rates and enhanced credit availability.

The overall monetary policy environment in 2024/25 was supportive of economic recovery while keeping inflation expectations anchored, creating a stable and predictable interest rate environment for investors. This positively influenced fixed income markets and improved the outlook for equity markets through lower borrowing costs and improved corporate performance.

Interest Rates

Interest rates in the domestic financial system continued their downward trend during the year ended 31st March 2025, reflecting the accommodative monetary policy stance of the Central Bank of Sri Lanka (CBSL), improved liquidity conditions, and

reduced risk premiums. The decline in policy rates increased cumulatively by 100 basis points during the period—was accompanied by increased efforts to ensure effective transmission to market rates.

Overnight liquidity in the domestic money market remained in surplus for most of the year, supported by sustained foreign exchange purchases by the CBSL and the residual impact of the August 2023 reduction in the Statutory Reserve Ratio (SRR) to 2.00%. This surplus liquidity environment allowed short-term market rates to adjust downward more freely, improving access to credit for businesses and households.

The Average Weighted Prime Lending Rate (AWPLR) declined steadily, reaching approximately 8.43% by March 2025, compared to 10.69% a year earlier and a peak of over 21% in early 2023. Interest rates on both outstanding and new rupee deposits continued to decline, while yields on government securities also softened in response to improving macroeconomic indicators and investor confidence following the completion of the Domestic Debt Optimisation (DDO) process.

Overall, the declining interest rate environment during the year under review created favourable conditions for private sector borrowing, improved valuation prospects for fixed income portfolios, and supported broader economic recovery through lower funding costs and improved financial conditions.

External Sector

Sri Lanka's external sector continued to strengthen during the financial year from 1st April 2024 to 31st March 2025, underpinned by the ongoing implementation of the IMF-EFF program, improved trade dynamics, and stronger inflows from services and remittances. The current account remained in surplus for most of the year, supported by a sustained narrowing of the trade deficit and a rebound in tourism earnings.

The merchandise trade deficit remained low compared to historical levels, as restrained import demand and careful foreign exchange management outweighed a modest decline in export performance. Tourism receipts saw a notable recovery during the year, supported by increased arrivals, particularly from South Asia and Europe. Service exports continued to contribute positively to the external account, while workers' remittances recorded consistent growth amid steady outbound labour migration and stronger

use of formal transfer channels.

On the financial account, foreign direct investment (FDI) remained subdued but stable. However, there was a pickup in portfolio inflows of foreign institutional investments, particularly into government securities and the Colombo Stock Exchange, reflecting improved investor sentiment and macroeconomic confidence.

Gross Official Reserves (GOR) improved further during the period, aided by IMF disbursements, funding from multilateral agencies such as the World Bank and ADB, and the Central Bank's continued net purchases of foreign exchange. By the end of the financial year, reserve buffers had strengthened meaningfully, supporting external debt service commitments and currency stability. GOR stood at USD 6.5 billion at the end of March 2025.

The Sri Lankan rupee remained broadly stable, with occasional appreciation driven by favourable market conditions and continued tight FX liquidity management. Overall, the external sector demonstrated resilience and stability during the year, contributing positively to the macroeconomic recovery and enhancing investor confidence in Sri Lanka's financial markets.

Tourism

Sri Lanka's Tourism earnings grew during the period under review 1st April 2024 to 31st March 2025 to USD 3.3 billion from USD 2.6 billion, recording a 26% increase. Tourist arrivals rose to 2,139,957 during the period under review compared to 1,787,408, reflecting a 19.7% growth.

India remained the top source market contributing over 20% of arrivals, followed by Russia (over 9%) and United Kingdom (over 8%). European markets accounted for over 20% of total arrivals, with strong contributions from UK, Germany and France. The sector's recovery was supported by improved air connectivity, the return of Chinese tourists, and higher average spending of over US\$ 180 per day.

Exchange Rate

The Sri Lankan rupee demonstrated greater stability during the period 1st April 2024 to 31st March 2025, appreciating moderately against the US dollar following the sharp fluctuations seen in previous years. After depreciating by 81.2% in 2022 and appreciating by 10.79% in 2023, the rupee gained a further 8.53% between 1st of January 2024 to 31st March 2025, trading within a stable band of Rs. 290-

305 per US dollar for most of the period.

The Central Bank's continued market-determined exchange rate policy, combined with improved foreign exchange liquidity, helped maintain this stability. Key factors supporting the rupee were: a current account surplus of USD 3.1 billion in the Balance of Payments, Tourism earnings growing to USD 3.2 billion, worker remittances increasing to US\$ 6.6 billion by 2024-year end, foreign direct investment (FDI) inflows showed moderate improvement, totaling USD 846 million compared to USD 759 million in 2023. The manufacturing sector attracted 32% of total FDI, followed by telecommunications (28%) and tourism (22%). However, FDI levels remained below the USD 1.2 billion recorded in 2022.

Budget Deficit

During 2024, Sri Lanka marginally reduced its budget deficit to 6.8 percent of GDP, down from 8.3 percent in the previous year. The deficit amounted to approximately Rs. 2 trillion, reflecting the continuation of fiscal consolidation efforts under the IMF's Extended Fund Facility. Government revenue increased sharply by over 30 percent year-on-year to reach Rs. 4.1 trillion, equivalent to about 14 percent of GDP, driven largely by improvements in income tax, VAT, and trade-related taxes. Tax revenue rose from Rs. 2.7 trillion in the previous year to Rs. 3.7 trillion.

As in previous years, the Government continued to rely primarily on domestic sources to finance the budget deficit, given ongoing constraints in accessing international capital markets. Domestic borrowing accounted for most of the financing during the year. The central government debt remained high at an estimated 109.6 percent of GDP, though early signs of stabilisation were observed, supported by strong nominal GDP growth and progress in external debt restructuring under the IMF program.

Equity Market Review

Global equity markets delivered another strong performance in 2024, supported by easing inflation, continued AI-driven growth in the tech sector, and expectations of interest rate cuts by major central banks. The MSCI All Country World Index rose 17.3 percent during the year, with US equities leading gains.

In the US, the S&P 500 gained 25.0 percent, while the tech-heavy Nasdaq surged 29.6 percent, driven by

strong corporate earnings and momentum in artificial intelligence. In Europe, the German DAX advanced 18.8 percent, the FTSE 100 rose 14.9 percent, and the MSCI Europe Index gained 8.3 percent.

Asian markets showed mixed trends. Japan's Nikkei 225 rose 19.2 percent on the back of a weak yen and corporate reforms. China's Shanghai Composite rebounded 13.0 percent, supported by late-year stimulus, while India's Nifty 50 gained 8.8 percent. The MSCI Emerging Markets Index posted a 9.0 percent gain for the year, reflecting improved investor sentiment across key developing economies.

The domestic equity market demonstrated a strong performance during the period under review, with notable gains across key indices, improved market capitalisation, and increased daily turnover. The rally was primarily driven by macroeconomic stabilisation, progress on external debt restructuring, declining inflation, and improved investor sentiment, particularly during the second half of the year.

Accordingly, the All-Share Price Index (ASPI) and the Standard & Poor's Sri Lanka 20 (S&P SL20) index recorded significant gains of 50% and 59%, respectively for the calendar year-end 2024; 38% and 42.7% during the 12-month period ending 31st March 2025, respectively as well. Both indices reached multi-year highs in early 2025, supported by strong buying interest in the banking, capital goods, and diversified financial sectors.

Market capitalisation increased by approximately 34.6 per cent and stood at around Rs. 5.7 trillion (equivalent to approximately USD 20.9 billion) by end-March 2025.

In terms of foreign investor activity, the market recorded a net foreign outflow of approximately Rs. 13.3 billion during the period, in contrast to a net outflow of Rs. 4.3 billion in the previous year. This was largely driven by profit-taking and global reallocation of funds away from emerging markets amid external uncertainties.

Future Economic Outlook

As we enter 2025, Sri Lanka's economic outlook is one of cautious optimism. The country continues to recover from recent economic challenges, supported by fiscal consolidation, monetary stabilisation, and reform momentum under the IMF's Extended Fund Facility (IMF-EFF). While domestic conditions have improved meaningfully, external

risks remain elevated—particularly considering ongoing geopolitical tensions and global interest rate uncertainty. Against this backdrop, we maintain a balanced, risk-conscious approach across both equities and fixed income within our multi-asset portfolios.

Sri Lanka’s economy is forecast to deliver moderate real GDP growth in 2025, driven by continued expansion in services, tourism, and manufacturing. The tourism industry is benefiting from stronger global travel demand, and the services sector—particularly finance, ICT, and transport—remains a key contributor to economic activity. Manufacturing output is stabilising as input costs ease and export markets recover modestly. Agriculture is also poised for a better year due to favourable weather and improved access to farming inputs.

The macroeconomic environment has become more constructive. Inflation, which was a key concern in previous years, has been brought down to manageable levels. The Central Bank of Sri Lanka (CBSL) has adopted a more accommodative monetary stance, supporting domestic liquidity and credit availability. Interest rates have stabilised, creating a more favourable backdrop for fixed income investors and easing funding conditions for corporates.

Nevertheless, global developments continue to cast a shadow. Geopolitical tensions involving Iran, Israel, and Ukraine remain a persistent source of market volatility. These conflicts risk driving commodity prices higher, particularly oil and agricultural products—which could feed back into import inflation and current account pressures. Additionally, heightened global risk aversion may slow capital flows into emerging and frontier markets, potentially limiting liquidity and pricing power in both equity and bond markets.

In this environment, capital markets in Sri Lanka remain delicately positioned. The Colombo Stock Exchange (CSE) has seen a gradual recovery, supported by improved sentiment, attractive

valuations, and a stabilising macro backdrop. However, market liquidity and depth remain modest, and investor confidence is still susceptible to policy shifts and external shocks. Within equities, we remain focused on quality—prioritising companies with strong governance, durable earnings, and clear sectoral tailwinds. We continue to favour sectors such as financials, consumer staples, and export-oriented industrials, which are better positioned to navigate macroeconomic uncertainty.

The fixed income landscape has also improved significantly. Yields have moderated, and the easing interest rate environment has boosted demand for government securities. Credit spreads remain tight, but selective opportunities exist in both sovereign and high-quality corporate debt, particularly where duration and credit risk are well-compensated. Continued fiscal consolidation and progress on debt restructuring are vital for sustaining investor confidence and improving risk-adjusted returns in the fixed income space.

From a portfolio construction perspective, we maintain a diversified allocation across equities and fixed income, balancing risk and return in line with market conditions. Tactical shifts are guided by relative valuations, macro indicators, and liquidity dynamics. In 2025, we expect equity volatility to persist, driven by global events and local reform progress, while the fixed income segment may offer more stable returns, particularly as inflation remains anchored and interest rates normalise.

In conclusion, while the Sri Lankan economy is showing signs of a credible recovery, global uncertainties continue to influence asset class behaviour. Our multi-asset strategy is designed to navigate this evolving landscape through active management, disciplined risk controls, and selective positioning. We believe that a well-balanced allocation between fundamentally sound equities and resilient fixed income instruments remains the optimal approach to capturing long-term value for our investors.

Factor	Link
Economic Data	https://www.cepta.lk/blog/what-recent-electricity-tariff-cuts-really-mean-for-sri-lankan-households/#:~:text=Two%20significant%20tariff%20reductions%20were,further%20average%20reduction%20of%2022.5%25. https://www.cbsl.gov.lk/en/statistics/economic-indicators/monthly-indicators https://www.cbsl.gov.lk/sites/default/files/cbslweb_documents/statistics/mei/MEI_202503_er.pdf https://www.cbsl.gov.lk/sites/default/files/cbslweb_documents/statistics/mei/MEI_202403_e.pdf https://www.cbsl.gov.lk/sites/default/files/cbslweb_documents/statistics/mei/MEI_202412_e.pdf
Inflation	https://www.cbsl.gov.lk/en/measures-of-consumer-price-inflation
Interest Rates	https://www.adaderana.lk/news.php?nid=103799
Tourism	https://www.sltda.gov.lk/storage/common_media/Year_In_Review_2024_Final_2024_Jan-Dec1.pdf
Government Data	https://www.cbsl.gov.lk/sites/default/files/cbslweb_documents/publications/aer/2024/en/Full_Text.pdf https://publicfinance.lk/en/topics-list/budget2024 https://www.cbsl.gov.lk/sites/default/files/cbslweb_documents/publications/aer/2024/en/Full_Text.pdf

INVESTMENT EQUITY FUND



NATIONAL EQUITY FUND

FUND PERFORMANCE REVIEW

Investment Strategy

The NEF follows an actively managed equity investment strategy, focusing on long-term capital appreciation. The Fund allocates a maximum of 80% to equity with the balance invested in fixed income securities.

The fund primarily invests in fundamentally strong, undervalued stocks listed on the Colombo Stock Exchange (CSE), with a preference for companies demonstrating sustainable earnings growth, sound corporate governance, and sectoral leadership. The strategy balances growth and value investing, while actively managing risk through sectoral diversification and periodic portfolio rebalancing based on macroeconomic trends and market conditions.

The Fund aims to deliver consistent returns to investors in the long run rather than track the index.

Asset Allocation

As of March 2025, NEF maintained a diversified portfolio with approximately 66.89% allocated to equities, in line with its strategy to seek long-term capital growth. The remainder is invested in fixed-income and money market instruments to manage risk and maintain liquidity: 26.61% in Treasury Bonds, 3.69% in Commercial Papers, 2.19% in Trust Certificates, and small portions in Repos, Debentures, and Cash equivalents. This allocation reflects a balanced approach, optimizing returns while preserving capital during volatile market conditions.

Performance Review

For the year ending March 2025, NEF delivered a 25.56% return, outperforming the NDBIB-CRISIL 3-Month T-Bill Index (9.84%) but underperforming its benchmark return of 32.52%, which blends 80% ASPI and 20% T-bill index. Over longer periods, NEF has demonstrated consistent performance, achieving 49.20% over 24 months and 145.72% over 60 months, highlighting its ability to capture equity market growth while managing downside risks through strategic asset allocation.

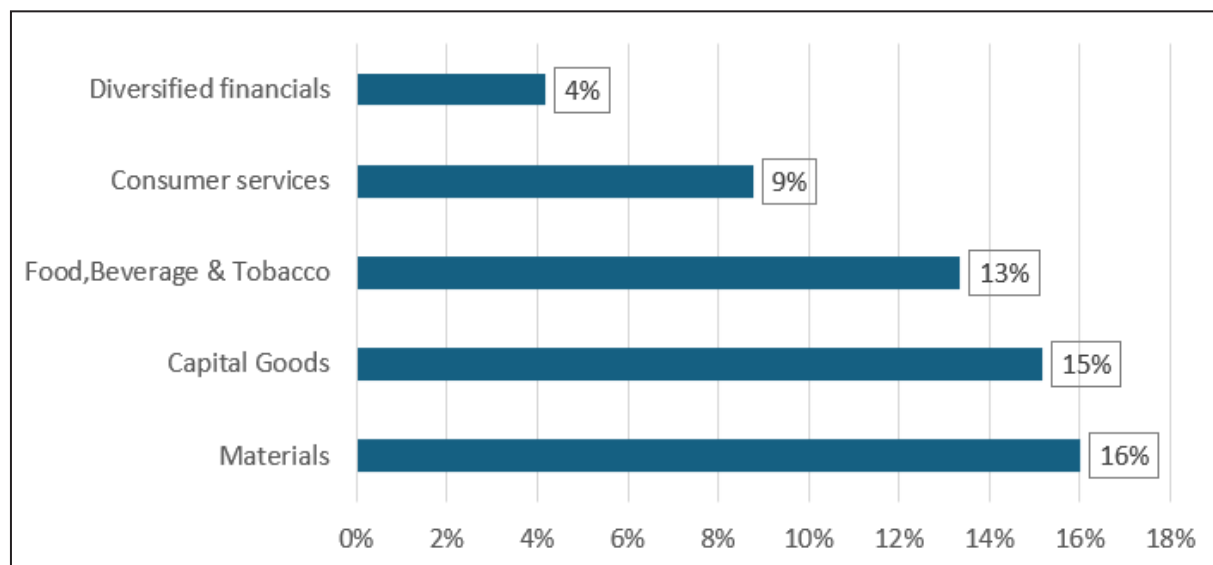
Fund Performance

Index	5 Years	YTD	3 Years	2 Years	1 Year	6 Months	3 Months	1 Month
ASPI	245.93%	38.19%	77.62%	70.03%	38.19%	33.31%	-0.81%	-4.03%
CRISILINDEX	87.80%	9.84%	69.10%	34.76%	9.84%	4.86%	2.14%	0.65%
NEF	145.72%	25.56%	61.47%	49.20%	25.56%	20.25%	1.11%	-1.40%
Benchmark	214.31%	32.52%	75.91%	62.98%	32.52%	27.62%	-0.22%	-3.09%

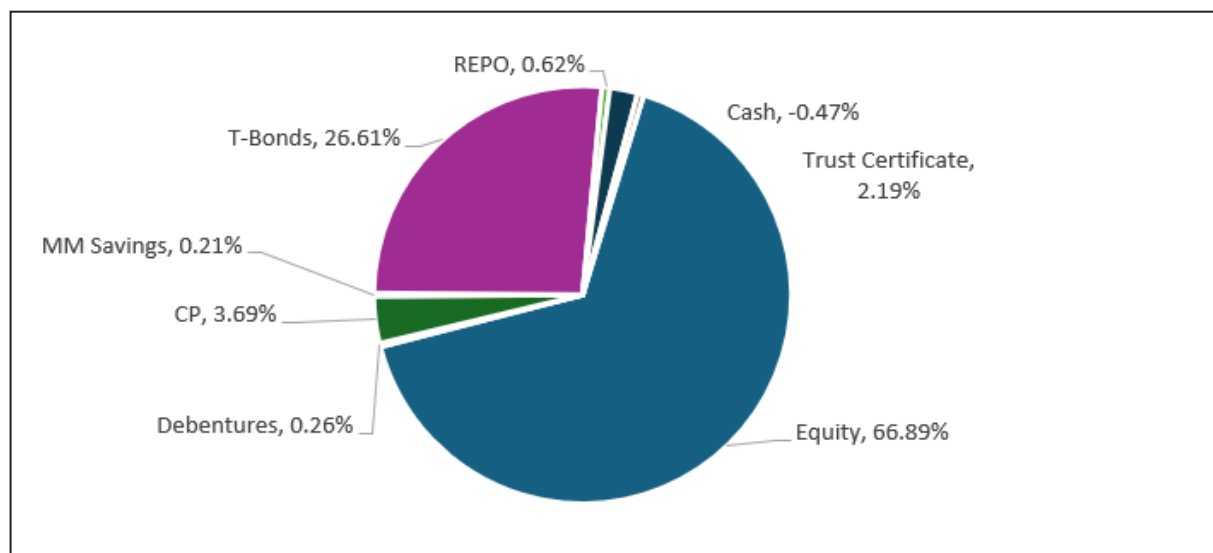
*Note

- 1) Benchmark consists of 80% return of ASPI and 20% return NDBIB-CRISIL 3-month T-Bill Index.
- 2) All returns are adjusted for dividends
- 3) Returns are not annualized
- 4) Past performance should not be taken as a guide to future performance

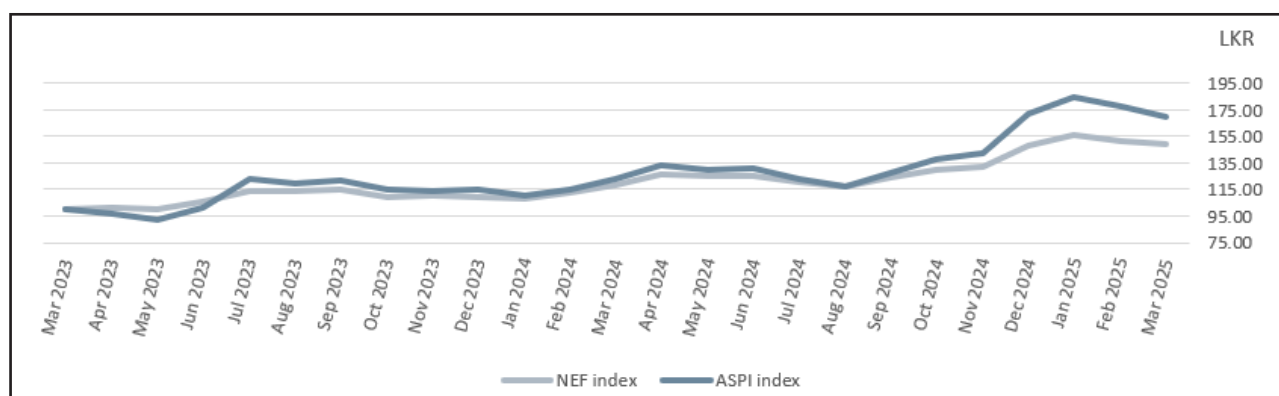
Sector Weighting (Top 5)



Asset Allocation



NEF Index Vs ASPI Index





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INDEPENDENT AUDITOR'S REPORT

Report on the audit of the financial statements

Opinion

We have audited the financial statements of National Equity Fund ("the Fund"), which comprise the statement of financial position as of 31 March 2025, and the statement of profit or loss and other 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 material accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Fund as of 31 March 2025, 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 Code of Ethics for Professional Accountants issued by CA Sri Lanka (Code of Ethics), and we have fulfilled our other ethical responsibilities in accordance with the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

The Fund manager is responsible for the other information. The other information comprises the information include in the annual report of the Fund but does not include the financial statements and our auditor's report thereon. The annual report of the Fund is expected to be made available to us after the date of this auditor's report.

Our opinion on the financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above 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.

When we read the annual report of the Fund, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

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

The Fund manager is 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 the management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, Fund manager is responsible for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless Fund manager 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 Fund manager.
- Conclude on the appropriateness of Fund manager'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 Collective Investment Scheme Code (CIS Code) of the Securities and Exchange Commission of Sri Lanka and trust deed.

Delibe Assola

Deloitte Associates

Chartered Accountants

Colombo

15 July 2025



NATIONAL EQUITY FUND
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2025

	Note	2024/2025 Rs.	2023/2024 Rs.
Investment income			
Dividend income		75,185,653	59,119,981
Interest income	6	87,387,864	191,884,001
Realised gains on financial assets held at fair value through profit or loss	9.6	107,429,766	51,355,047
Unrealised gains on financial assets held at fair value through profit or loss	9.7	311,541,841	84,250,629
Total investment income		<u>581,545,124</u>	<u>386,609,658</u>
Expenses			
Management and registrar's fee		39,821,112	35,257,100
Trustee fees		5,351,458	4,652,446
Auditor's remuneration		539,185	783,756
Bank charges		142,232	31,975
Sundry expenses		802,139	270,633
Brokerage expenses		27,900,892	13,806,280
Consultancy fees		145,000	145,397
Professional charges		76,723	-
Total operating expenses		<u>74,778,741</u>	<u>54,947,587</u>
Profit before tax		506,766,383	331,662,071
Income tax expenses	7	-	-
Profit after tax		<u>506,766,383</u>	<u>331,662,071</u>
Other comprehensive income		-	-
Increase in net assets attributable to unit holders		<u><u>506,766,383</u></u>	<u><u>331,662,071</u></u>

Figures in brackets indicate deductions.

The accounting policies and notes from 1 to 20 form an integral part of these financial statements.



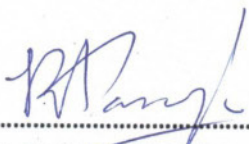
**NATIONAL EQUITY FUND
STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2025**

	Note	As at 31.03.2025 Rs.	As at 31.03.2024 Rs.
Assets			
Cash and cash equivalents	8	6,272,219	70,105,435
Financial assets - fair value through profit or loss	9	2,282,359,656	1,728,723,283
Financial assets - debt instruments at amortised cost	10	158,172,197	242,340,502
Other receivables	11	1,083,649	8,747,092
Income tax recoverable	12	28,733,032	28,733,032
Total assets		<u>2,476,620,754</u>	<u>2,078,649,344</u>
Unit holders' funds and liabilities			
Liabilities			
Accrued expenses and other payables	13	<u>13,579,505</u>	<u>24,252,031</u>
Total liabilities (excluding net assets attributable to unit holders)		<u>13,579,505</u>	<u>24,252,031</u>
Unit holders' funds			
Net assets attributable to unit holders'		<u>2,463,041,249</u>	<u>2,054,397,313</u>
Total unit holders' funds and liabilities		<u>2,476,620,754</u>	<u>2,078,649,344</u>
 Net assets per unit (Rs.)	 14	 52.87	 42.11

The accounting policies and notes from 1 to 20 form an integral part of these financial statements.

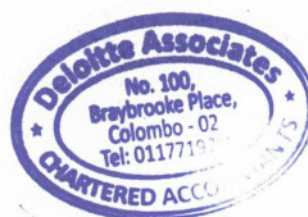
The Management Company of National Equity Fund is responsible for the preparation and presentation of these financial statements in accordance with the Sri Lanka Accounting Standards.

Approved by the Fund Management Company and the Trustee on 15 July 2025.


 Mr. Ravi Dassanayake
 Director
 Fund Management Company


 Mr. Wijenanda Dambawinne
 Director
 Fund Management Company


 Deutsche Bank AG
 Trustee



NATIONAL EQUITY FUND
STATEMENT OF CHANGES IN UNIT HOLDERS' FUNDS
FOR THE YEAR ENDED 31 MARCH 2025

	2024/2025 Rs.	2023/2024 Rs.
Unit holders' funds at the beginning of the year	2,054,397,313	1,868,894,273
Increase in net assets attributable to unit holders	506,766,383	331,662,071
Receipts on unit creations	1,932,898	1,802,704
Payments on unit redemptions	(100,055,344)	(147,961,735)
Unit holders' funds at the end of the period	<u>2,463,041,249</u>	<u>2,054,397,313</u>

Figures in brackets indicate deductions.

The accounting policies and notes from 1 to 20 form an integral part of these financial statements.

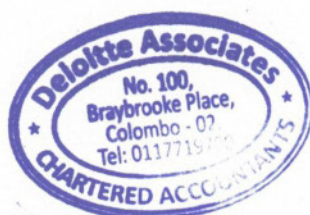


**NATIONAL EQUITY FUND
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2025**

	2024/2025 Rs.	2023/2024 Rs.
Cash flows from operating activities		
Dividends received	82,843,756	54,556,882
Interest received	92,797,678	167,580,816
Net investments in equity securities	(35,590,139)	(390,320,005)
Net investments in debentures	-	34,090,916
Net investments in commercial papers	(10,669,780)	117,941,953
Net investments in treasury bonds	(170,373,448)	(203,408,200)
Net investments in treasury bills	65,724,174	335,594,303
Net investments in repurchase agreements	145,000,000	(160,000,000)
Net investments in trust certificates	(50,000,000)	-
Operating expenses paid	(85,462,424)	(41,581,640)
Net cash generated from / (used in) operating activities	<u>34,269,817</u>	<u>(85,544,975)</u>
Cash flows from financing activities		
Amounts received on unit creations	1,932,898	2,755,085
Amounts paid on unit redemptions	(100,035,931)	(148,603,101)
Net cash used in financing activities	<u>(98,103,034)</u>	<u>(145,848,016)</u>
Net decrease in cash and cash equivalents	(63,833,216)	(231,392,991)
Cash and cash equivalents at the beginning of the year	<u>70,105,435</u>	<u>301,498,426</u>
Cash and cash equivalents at the end of the year	<u><u>6,272,219</u></u>	<u><u>70,105,435</u></u>
At the beginning		
Cash and cash equivalents	<u>70,105,435</u>	<u>301,498,426</u>
	<u><u>70,105,435</u></u>	<u><u>301,498,426</u></u>
At the end		
Cash and cash equivalents	<u>6,272,219</u>	<u>70,105,435</u>
	<u><u>6,272,219</u></u>	<u><u>70,105,435</u></u>

Figures in brackets indicate deductions.

The accounting policies and notes from 1 to 20 form an integral part of these financial statements.



**NATIONAL EQUITY FUND
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2025**

1. Corporate information

1.1 Reporting entity

National Equity Fund is an open-ended balance Fund which is approved by the Securities and Exchange Commission of Sri Lanka. The Fund was launched on 08th December 1991.

The Fund is managed by National Asset Management Limited, which is incorporated and domiciled in Sri Lanka. The registered office of the Management Company is located at No. 7, Glen Aber Place, Colombo 3. The Trustee of the Fund is Deutsche Bank AG whose place of business is at Level 21, One Galle Face Tower, 1A, Centre Road, Galle Face, Colombo – 02.

1.2 Principal activities

The primary investment objective of the Fund is to achieve long term capital appreciation and provide investors with current income through prudent investments in a portfolio of listed shares and fixed income securities, according to the parameters stated in the Collective Investment Scheme Code (CIS Code 2022) of the Securities and Exchange Commission of Sri Lanka.

There were no significant changes in the nature of the principal activities of the unit trust during the period under review.

1.3 Approval of financial statements

The financial statements of the Fund for the period ended 31 March 2025 were authorized for issue by the Fund Management Company and the Trustee on 15 July 2025.

2. Basis of preparation

2.1 Statement of compliance

The financial statements of the unit trust which comprise the statement of financial position, statement of profit or loss and other comprehensive income, statement of changes in unit holders' funds, statement of cash flows and notes thereto have been prepared in accordance with the Sri Lanka Accounting Standards (SLFRS and LKAS) laid down by the Institute of Chartered Accountants of Sri Lanka and adopted as directed by the Securities and Exchange Commission of Sri Lanka.

2.2 Basis of measurement

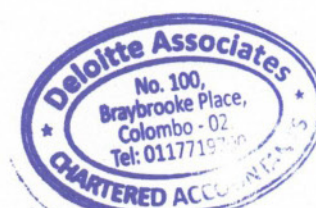
The financial statements have been prepared on the historical cost basis and applied consistently with no adjustments being made for inflationary factors affecting the financial statements, except for the financial assets at fair value through profit or loss.

2.3 Functional and presentation currency

The financial statements are presented in Sri Lankan Rupees, which is the unit trust's functional currency.

2.4 Presentation

Assets and liabilities are grouped by nature and listed in an order that reflects their relative liquidity and maturity pattern. Where appropriate, the material accounting policies are disclosed in the succeeding notes.



NATIONAL EQUITY FUND
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2025



2. Basis of preparation – (Contd.)

2.5 Materiality and aggregation

Each material class of similar items are presented separately in the financial statements. Items of dissimilar nature or function are presented separately unless they are immaterial as permitted by the Sri Lanka Accounting Standard – LKAS 1 – “Presentation of Financial Statements”.

2.6 Statement of cash flows

The statement of cash flows has been prepared using the "Indirect Method" of preparing cash flows in accordance with the Sri Lanka Accounting Standard LKAS 7 - “Statement of Cash Flows”. Cash and cash equivalents comprise short term, highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value.

2.7 Going concern

The management has assessed 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 manager 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.

3. Material accounting policies

3.1 Financial instruments

3.1.1 Initial recognition

Financial assets and liabilities 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 or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the marketplace.

3.1.2 Initial measurement of financial instrument

The classification of financial instruments at initial recognition depends on their contractual terms and the business model for managing the instruments. At initial recognition, the Fund measures a financial asset at its fair value plus transaction costs that are directly attributable to the acquisition, except those financial assets are subsequently measured at fair value through profit or loss. Transaction costs of financial assets carried at fair value through profit or loss are expensed in the statement of profit or loss.

3.1.3 Measurement categories of financial assets

The Fund classifies all its financial assets in the following measurement categories:

- a) those to be measured at amortised cost.
- b) those to be measured at fair value through profit or loss. (FVTPL)

3.1.4 Subsequent measurement

Amortised cost: A debt instrument is measured at amortised cost if it is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and its contractual terms give rise to cash flows that are sole for payments of principal and interest on the principal amount outstanding.

Debt instruments at amortised cost in the statement of financial position comprise of investments in re-sale agreements against government securities and commercial papers. Any gain or loss arising on de-recognition is recognised directly in profit or loss and presented in realized gain/(loss) on debt instruments held at amortised cost.

**NATIONAL EQUITY FUND
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2025**

3. Material accounting policies – (Contd.)

3.1 Financial instruments – (Contd.)

3.1.4 Subsequent measurement – (Contd.)

Fair value through profit or loss: A financial asset is measured at fair value through profit or loss if:

- (a) its contractual terms do not give rise to cash flows on specified dates that are sole payments of principal and interest on the principal amount outstanding.
or
- (b) it is not held within a business model whose objective is either to collect contractual cash flows, or to both collect contractual cash flows and sell.
or
- (c) at initial recognition, it is irrevocably designated as measured at fair value through profit or loss when doing so eliminate or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities or recognizing the gains and losses on them on different bases.

A gain or loss on an equity and debt investment that is subsequently measured at fair value through profit or loss is recognised in profit or loss and presented net within unrealized gains/(losses) in the period in which it arises.

Financial assets at fair value through profit or loss in the statement of financial position comprise of investment in quoted equity securities, unquoted equity securities, quoted debentures, treasury bills and treasury bonds.

3.1.5 Financial liabilities

a) Initial recognition and measurement

The Fund determines the classification of its financial liabilities at initial recognition.

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

b) Subsequent measurement

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

3.1.6 Identification, measurement, and assessment of impairment

The Fund assesses on a forward-looking basis, the expected credit losses (ECLs) associated with its debt instruments not held at fair value through profit or loss. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Fund expects to receive, discounted at an approximation of the original effective interest rate.



**NATIONAL EQUITY FUND
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2025**



3. Material accounting policies – (Contd.)

3.1 Financial instruments – (Contd.)

3.1.6 Identification, measurement, and assessment of impairment – (Contd.)

ECLs are recognized in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL).

For those credit exposures from which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

The Fund uses the ratings from either Fitch Rating Lanka Limited or Lanka Rating Agency Limited to determine the significant deterioration in credit risk and to estimate the ECLs. Movements within the ratings of the investment grade, stipulate significant deterioration of credit risk. This is measured through the two-notch-downgrade of the external credit rating of the counterparty.

ECLs are recognized using a provision for impairment account in profit or loss, with the corresponding amount recognized as a reduction in the carrying amount of the asset in the statement of financial position.

Investment in corporate debt securities measured at amortized cost has been considered for 12-month ECL and as of 31 March 2025, the impact on the financial statements resulting from the same is not significant.

3.1.7 Sale and repurchase agreements

Securities purchased under agreements to resell are recorded under investments. The difference between sale and purchase price is treated as interest and accrued over the life of the agreements using the effective interest method.

3.1.8 De-recognition

A financial asset is de-recognised 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.

3.1.9 Offsetting of financial instruments

Financial assets and financial liabilities are offset, and the net amount reported in the statement of financial position if, and only if:

- a) there is a currently enforceable legal right to offset the recognised amounts and
- b) there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

3.1.10 Dividend income

Dividend income from equity investments at FVTPL is recognised in the statement of profit or loss on an accrual basis when the Fund's right to receive the dividend is established.

NATIONAL EQUITY FUND
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2025

3. Material accounting policies – (Contd.)

3.1 Financial instruments – (Contd.)

3.1.11 Interest income

Interest income presented in the statement of profit or loss include interest on financial instruments measured at amortised cost calculated on an effective interest basis and contractual interest received or receivable on financial instruments measured at fair value through profit or loss.

The effective interest rate is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial instrument (or, where appropriate, a shorter period) to the carrying amount of the financial instrument. When calculating the effective interest rate, the unit trust estimates future cash flows considering all contractual terms of the financial instrument, but not future credit losses.

3.1.12 Gain / (loss) on securities

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

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

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

Realized gains / (losses) on financial assets at fair value through profit or loss includes realized trading gains and losses on sale of financial assets at fair value through profit or loss.

3.1.13 Expenses

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

Management fee is 1.5 % p.a. of the net asset value of the Fund calculated on a daily basis. Registrar fee is 0.25% p.a. of net asset value of the Fund calculated on a daily basis. Trustee fee is 0.20% p.a. of net asset value of the Fund calculated on a daily basis.

3.1.14 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 as described in the Trust Deed and directives issued by the Securities and Exchange Commission of Sri Lanka, by the number of units in issue.



**NATIONAL EQUITY FUND
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2025**

4. Use of estimates and judgments

4.1 Fair value of financial instruments

Management considers credit, liquidity and market risk and assesses the impact on valuation of investments when determining the fair value.

The 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.

Fair value of securities not quoted in an active market

Management uses its judgment in determining the appropriate valuation technique for financial instruments that are not quoted in an active market. However, these are the valuation techniques commonly used by market practitioners. Disclosures for valuation methods and key assumptions used in the valuation of unquoted shares are stated in Note 16.1.1.

4.2 Impairment losses on financial assets – debt instruments at amortised cost

The Fund reviews its financial investments classified as debt instrument at amortized cost at each reporting date to assess whether they are impaired. In particular, management's judgment is required in the estimation of the amount and timing of future cash flows when determining the impairment loss. These estimates are based on assumptions of a number of factors and actual results may differ, resulting in future changes to the allowance.

5. Comparative information

The accounting policies have been consistently applied by the Fund and are consistent with those of the previous year. The previous year's figures and phrases have been re-arranged wherever necessary to conform to current year's presentation / classification.



NATIONAL EQUITY FUND
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2025

	2024/2025	2023/2024
	Rs.	Rs.
6. Interest income		
Interest on commercial papers	14,703,896	22,136,771
Interest on debentures	1,178,381	1,194,523
Interest on savings account	508,171	1,329,154
Interest on money market savings	110,884	7,791,375
Interest on trust certificates	3,286,479	-
Interest on treasury bills	2,906,362	119,348,201
Interest on treasury bonds	59,063,950	33,142,755
Interest on repurchase agreements	5,629,742	6,941,222
	<u>87,387,864</u>	<u>191,884,001</u>

- 6.1** Subsequent to the enactment of the Inland Revenue Act No. 24 of 2017, effective from 1 April 2018, interest income has been recognized net of withholding tax as the Fund considers its income to be a 'pass-through' to its unit holders.

7. Income tax expenses

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 Inland Revenue Act.

The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date. The fund is not liable to pay income tax as at the reporting date in accordance with the Inland Revenue Act No. 24 of 2017 as amended by the Inland Revenue (Amendment) Act No. 10 of 2021 and subsequent amendments thereto. The fund's income generated through investment business are treated as "pass through vehicles" under the provisions of Inland Revenue Act No. 24 of 2017 as amended by the Inland Revenue (Amendment) Act No. 10 of 2021 and subsequent amendments thereto.

Reconciliation between current tax expense and the accounting profit

	2024/2025	2023/2024
	Rs.	Rs.
Accounting profit from ordinary activities before tax	506,766,383	331,662,071
Less:- Exempted income	<u>(506,766,383)</u>	<u>(331,662,071)</u>
Taxable income	<u>-</u>	<u>-</u>
Income tax provision for the year	<u>-</u>	<u>-</u>



NATIONAL EQUITY FUND
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2025

	31.03.2025	31.03.2024
	Rs.	Rs.
8. Cash and cash equivalents		
Savings account -Deutsche Bank (<i>Note 8.1</i>)	1,057,678	14,623,108
Money market savings - HNB (<i>Note 8.1</i>)	184,284	180,925
Money market savings - NDB (<i>Note 8.1</i>)	5,030,257	55,301,402
	<u>6,272,219</u>	<u>70,105,435</u>

- 8.1** Bank balances are maintained only to settle day to day operations.. Balance in Deutsche bank as at 31 March 2025 is with credit rating of (A-), balance in HNB is with credit rating of (A-) and balance in NDB is with credit rating of (AA).

	31.03.2025	31.03.2024
	Rs.	Rs.
9. Financial assets - fair value through profit or loss		
Investments in quoted equity securities (<i>Note 9.1</i>)	1,613,688,854	1,168,630,796
Investments in unquoted equity securities (<i>Note 9.2</i>)	13,650,344	16,942,022
Investments in quoted debentures (<i>Note 9.3</i>)	6,431,017	6,543,449
Investments in treasury bonds (<i>Note 9.4</i>)	648,589,442	459,471,135
Investments in treasury bills (<i>Note 9.5</i>)	-	77,135,881
	<u>2,282,359,656</u>	<u>1,728,723,283</u>



NATIONAL EQUITY FUND
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2025



9. Financial assets - fair value through profit or loss (contd.)

9.1 Investments in quoted equity securities

	As at 31.03.2025	As at 31.03.2024
	Rs.	Rs.
Cost as at 31 March	1,373,556,071	1,231,627,281
Appreciation/(depreciation) of market value quoted equity securities	240,132,784	(62,996,485)
Market Value as at 31 March	<u>1,613,688,854</u>	<u>1,168,630,796</u>

9.1.1 Company	As at 31 March 2025			As at 31 March 2024		
	Number of shares	Market value	Holdings as a % of net asset value	Number of shares	Market value	Holdings as a % of net asset value
		Rs.			Rs.	
Banks						
Hatton National Bank PLC	72,000	21,960,000	0.9%	360,926	64,966,680	3.2%
Sampath Bank PLC	282,509	34,607,353	1.4%	371,956	29,756,480	1.4%
National Development Bank PLC	-	-	-	249,521	16,967,428	0.8%
Nations Trust Bank PLC	-	-	-	343,903	36,969,573	1.8%
Commercial Bank Of Ceylon PLC	291,611	43,012,623	1.7%	200,000	19,540,000	1.0%
Pan Asia Banking Corporation PLC	-	-	-	100,000	2,130,000	0.1%
		<u>99,579,975</u>	<u>4.0%</u>		<u>170,330,161</u>	<u>8.3%</u>
Insurance						
HNB Assurance PLC	230,000	17,871,000	0.7%	-	-	-
Janashakthi Insurance Company PLC	436,510	32,127,136	1.3%	-	-	-
Softlogic Capital PLC	-	-	-	1,673,542	11,380,086	0.6%
		<u>49,998,136</u>	<u>2.0%</u>		<u>11,380,086</u>	<u>0.6%</u>
Food, Beverage And Tobacco						
Kelani Valley Plantations PLC	-	-	-	400,000	29,600,000	1.4%
Ceylon Cold Stores PLC	-	-	-	350,000	18,865,000	0.9%
Sunshine Holdings PLC	-	-	-	372,145	22,142,628	1.1%
Agarapatana Plantations PLC	-	-	-	700,000	5,180,000	0.3%
Three Acre Farms PLC	223,149	66,888,913	2.7%	156,458	43,104,179	2.1%
Bairaha Farms PLC	625,382	103,031,685	4.2%	512,363	88,638,799	4.3%
Ceylon Grain Elevators PLC	541,218	101,748,984	4.1%	154,628	26,364,074	1.3%
Lankem Developments PLC	856,737	15,164,245	0.6%	-	-	-
Lankem Developments PLC-Right Issue	285,579	485,484	0.0%	-	-	-
Lanka Milk Foods (CWE) PLC	878,542	38,128,723	1.5%	-	-	-
		<u>325,448,033</u>	<u>13.2%</u>		<u>233,894,680</u>	<u>11.4%</u>
Materials						
Tokyo Cement Company (Lanka) PLC	1,274,940	100,720,260	4.1%	1,320,301	57,961,214	2.8%
Alumex Limited	3,458,389	52,567,513	2.1%	3,816,949	36,642,710	1.8%
CIC Holdings PLC	590,000	69,177,500	2.8%	616,200	41,642,100	2.0%
Dipped Products PLC	1,120,813	61,644,715	2.5%	500,000	15,200,000	0.7%
Lanka Aluminium Industries PLC	2,030,539	69,241,380	2.8%	335,249	7,878,352	0.4%
Swisstek (Ceylon) PLC	790,072	36,817,355	1.5%	-	-	-
		<u>390,168,723</u>	<u>15.8%</u>		<u>159,324,376</u>	<u>7.8%</u>
Consumer Durables and Apparels						
Hayleys Fabric PLC	595,354	26,790,930	1.1%	100,000	4,110,000	0.2%
		<u>26,790,930</u>	<u>1.1%</u>		<u>4,110,000</u>	<u>0.2%</u>
Investment Banking & Brokerage						
Capital Alliance PLC	-	-	-	1,043,080	55,283,240	2.7%
First Capital Treasuries PLC	-	-	-	1,100,931	27,192,996	1.3%
		<u>-</u>	<u>-</u>		<u>82,476,236</u>	<u>4.0%</u>

NATIONAL EQUITY FUND
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2025



9. Financial assets - fair value through profit or loss (Contd.)

9.1.1 Company	As at 31 March 2025			As at 31 March 2024		
	Number of shares	Market value	Holdings as a % of net asset value	Number of shares	Market value	Holdings as a % of net asset value
		Rs.			Rs.	
Consumer Services						
Hayleys (Amaya) Leisure PLC	452,211	12,752,350	0.5%	400,000	8,000,000	0.4%
Serendib Hotels PLC	1,542,149	28,529,757	1.2%	400,000	5,600,000	0.3%
Marawila Resorts PLC	5,119,711	34,814,035	1.4%	2,815,232	9,571,789	0.5%
Citrus Leisure PLC	2,000,000	7,800,000	0.3%	-	-	-
The Kingsbury PLC	407,173	4,845,359	0.2%	-	-	-
Aitken Spence Hotel Holdings PLC	500,000	40,050,000	1.6%	-	-	-
		<u>128,791,500</u>	<u>5.2%</u>		<u>23,171,789</u>	<u>1.1%</u>
Capital Goods						
Access Engineering PLC	-	-	-	502,762	11,362,421	0.6%
Hemas Holdings PLC	-	-	-	961,779	77,327,032	3.8%
John Keels Holdings PLC	5,000,000	101,000,000	4.1%	568,268	110,243,992	5.4%
Lanka Tiles PLC	-	-	-	367,190	18,983,723	0.9%
Royal Ceramics Lanka PLC	-	-	-	482,813	15,015,484	0.7%
Central Industries PLC	255,000	37,357,500	1.5%	110,000	12,210,000	0.6%
Colombo Fort Land & Building Company PLC	-	-	-	333,747	10,012,410	0.5%
ACL Cables PLC	1,058,114	129,089,908	5.2%	605,226	50,899,507	2.5%
Hayleys PLC	406,880	55,742,560	2.3%	344,750	28,303,975	1.4%
Colombo Dockyard PLC	-	-	-	147,374	7,162,376	0.3%
Sierra Cables PLC	2,966,681	46,576,892	1.9%	-	-	-
		<u>369,766,860</u>	<u>15.0%</u>		<u>341,520,920</u>	<u>16.6%</u>
Utilities						
Resus Energy PLC	1,149,360	30,458,040	1.2%	-	-	-
		<u>30,458,040</u>	<u>1.2%</u>		<u>-</u>	<u>-</u>
Diversified Financials						
First Capital Holdings PLC	-	-	-	1,235,463	42,499,927	2.1%
LB Finance PLC	-	-	-	100,000	6,270,000	0.3%
Commercial Credit And Finance PLC	500,000	28,200,000	1.1%	-	-	-
Vallibel Finance PLC	1,361,953	73,681,657	3.0%	-	-	-
		<u>101,881,657</u>	<u>4.1%</u>		<u>48,769,927</u>	<u>2.4%</u>
Energy						
Lanka IOC PLC	715,000	90,805,000	3.7%	600,000	70,050,000	3.4%
		<u>90,805,000</u>	<u>3.7%</u>		<u>70,050,000</u>	<u>3.4%</u>
Retailing						
Singer (Sri Lanka) PLC	-	-	-	335,709	5,404,915	0.3%
		<u>-</u>	<u>-</u>		<u>5,404,915</u>	<u>0.3%</u>
Transportation						
Expolanka Holdings PLC	-	-	-	120,915	18,197,708	0.9%
		<u>-</u>	<u>-</u>		<u>18,197,708</u>	<u>0.9%</u>
Total value of quoted equity securities		<u><u>1,613,688,854</u></u>	<u><u>65.5%</u></u>		<u><u>1,168,630,796</u></u>	<u><u>47.4%</u></u>
				As at	As at	
				31.03.2025	31.03.2024	
				Rs.	Rs.	
9.2 Investments in unquoted equity securities						
Cost as at 31 March				17,493,837	17,493,837	
Depreciation of market value unquoted equity securities				(3,843,493)	(551,815)	
Market value as at 31 March				<u>13,650,344</u>	<u>16,942,022</u>	

NATIONAL EQUITY FUND
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2025

9. Financial assets - fair value through profit or loss (Contd.)

9.2 Investments in unquoted equity securities (Contd.)

9.2.1

Company	As at 31 March 2025			As at 31 March 2024		
	Number of shares	Market value	Holdings as a % of net asset value	Number of shares	Market value	Holdings as a % of net asset value
		Rs.			Rs.	
Laugfs Leisure Limited	1,318,182	4,745,455	0.2%	1,318,182	7,304,668	0.4%
Laugfs Leisure Limited - non voting	663,000	2,386,800	0.1%	663,000	3,673,996	0.2%
Laugfs Eco Sri Limited	1,318,182	4,336,819	0.2%	1,318,182	3,967,728	0.2%
Laugfs Eco Sri Limited - non voting	663,000	2,181,270	0.1%	663,000	1,995,630	0.1%
Total value of unquoted equity securities		<u>13,650,344</u>	<u>0.6%</u>		<u>16,942,022</u>	<u>0.8%</u>

9.2.2 On 28 December 2017, the Board of Directors of Laugfs Gas PLC approved a restructuring initiative to be facilitated via a scheme of arrangement and initiated the process of obtaining necessary legal, regulatory and shareholder approvals.

As a result, the subsidiaries, Laughs Leisure Limited and Laughs Eco Sri Limited witnessed a restructuring of their shares via a share split to mirror their shareholding with Laughs Gas PLC's shareholding structure. The said subsidiaries will be subsequently listed by way of introduction to the Colombo Stock Exchange.

Further, as a part of the segregation process, all the shareholders of Laughs Gas PLC were entitled to an identical shareholding in the individual companies in addition to the shares which each shareholder holds in Laughs Gas PLC. Vesting of shares occurred on the 31 of March 2018.

9.2.3 Method of valuation, key assumptions used in the fair value calculation and the changes in assumptions

The above investments have been valued based on Level 3, unobservable inputs using the best available information in the absence of Level 1 inputs (inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities) and Level 2 inputs (inputs other than quoted prices included within Level 1 that are observable either directly or indirectly)

The Fund has used company's net asset base valuation to measure the fair value of all above investments.

Principal assumptions including unobservable inputs used in determining the fair value and reconciliation of fair value measurements of financial instruments are shown in Note 16.



NATIONAL EQUITY FUND
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2025

9.3 Investments in quoted debentures	As at 31 March 2025		As at 31 March 2024	
	Value	Holdings as a % of net asset value	Value	Holdings as a % of net asset value
	Rs.		Rs.	
Name of the issuer				
Commercial Bank	6,431,017	0.3%	6,543,449	0.3%
	<u>6,431,017</u>		<u>6,543,449</u>	
9.4 Investment in treasury bonds				
Wealth Securities Limited	540,424,548	21.9%	459,471,135	22.4%
Acuity Securities Ltd	108,164,893	4.4%	-	-
	<u>648,589,442</u>		<u>459,471,135</u>	
9.5 Investment in treasury bills				
Wealth Securities Limited	-	-	77,135,881	3.8%
	<u>-</u>		<u>77,135,881</u>	
9.6 Realised gains on financial assets at fair value through profit or loss			2024/2025	2023/2024
			Rs.	Rs.
Proceeds on sales of equity securities			1,255,911,813	423,404,387
Average cost of equity securities sold			<u>(1,149,570,247)</u>	<u>(377,606,157)</u>
Net realized gain on equity securities			<u>106,341,566</u>	<u>45,798,230</u>
Proceed on realization of government securities			97,027,450	1,132,534,263
Cost of government securities			<u>(95,939,250)</u>	<u>(1,126,977,446)</u>
Net realized gain on government securities			<u>1,088,200</u>	<u>5,556,817</u>
Total realized gain			<u>107,429,766</u>	<u>51,355,047</u>
9.7 Unrealised gains on financial assets held at fair value through profit or loss				
Gains on equity securities			299,837,591	48,260,885
Gains on debt securities			<u>11,704,249</u>	<u>35,989,744</u>
Total unrealized gains			<u>311,541,841</u>	<u>84,250,629</u>



NATIONAL EQUITY FUND
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2025

	31.03.2025	31.03.2024
	Rs.	Rs.
10. Financial assets - debt instruments at amortised cost		
Investments In commercial papers (Note 10.1)	89,872,485	79,538,310
Investments In repurchase agreements (Note 10.2)	15,013,233	162,802,192
Investments In trust certificates without coupon (Note 10.3)	53,286,480	-
	<u>158,172,197</u>	<u>242,340,502</u>

10.1 Investments In commercial papers

Name of the issuer	As at 31 March 2025		As at 31 March 2024	
	Value	Holdings as a % of net asset value	Value	Holdings as a % of net asset value
	Rs.		Rs.	
LOLC Holdings PLC	89,872,485	3.6%	79,538,310	3.9%
	<u>89,872,485</u>		<u>79,538,310</u>	

10.2 Investments In repurchase agreements

Safe Holdings (Pvt) Ltd	-	-	82,586,302	4.0%
Acuity Securities Ltd	-	-	80,215,890	3.9%
DFCC Bank	15,013,233	0.6%	-	-
	<u>15,013,233</u>		<u>162,802,192</u>	

This represent investment in resale agreements entirely backed by government securities. No impairment provisions derived through these investments.

10.3 Investment in trust certificates without coupon

Alliance Finance Co. Ltd	53,286,480	2.2%	-	-
	<u>53,286,480</u>		<u>-</u>	<u>-</u>

	31.03.2025	31.03.2024
	Rs.	Rs.
11. Other receivables		
Dividend receivable	1,080,000	8,738,103
Receivables on unit creations	3,649	3,649
Other receivables	-	5,340
	<u>1,083,649</u>	<u>8,747,092</u>
12. Income tax recoverable		
WHT recoverable	28,733,032	28,733,032
	<u>28,733,032</u>	<u>28,733,032</u>



As of 31 March 2025, the income tax receivable balance comprises the WHT recoverable of Rs.28,733,032/- (2024 - Rs.28,708,032/-) which intends to claim by means of a refund. Subsequent to the enactment of the new Inland Revenue Act No. 24 of 2017, effective from 01 April 2018, an eligible unit trust would not be liable for income tax on any income which is a 'pass-through' to its unit holders.

NATIONAL EQUITY FUND
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2025



	31.03.2025	31.03.2024
	Rs.	Rs.
13. Accrued expenses and other payables		
Fund management and registrar fee payable	10,998,285	8,658,711
Trustee fee payable	1,478,031	1,163,622
Auditor's remuneration payable	539,185	783,756
Payable on unit redemptions	167,878	148,465
CDS payable	-	13,172,544
Consultancy fee payable	324,220	324,933
Other payables	71,904	-
	<u>13,579,505</u>	<u>24,252,031</u>

- 14. Net assets per unit**
Reconciliation between the net asset value as per financial statements and the published net asset value.

	31.03.2025	31.03.2024
	Rs.	Rs.
Net asset value as per financial statements	2,463,041,249	2,054,397,313
Fair value adjustment on unquoted shares	3,288,762	3,541,881
Under provision of audit fee adjustment	-	243,093
Net of opening balance adjustments	-	(551,134)
Income Tax receivable	(28,733,032)	(28,733,032)
Published net asset value	<u>2,437,596,979</u>	<u>2,028,898,121</u>
 Total no of units outstanding	 46,103,858	 48,183,611
 Net assets value per unit (Rs.)	 <u>52.87</u>	 <u>42.11</u>

Movements in the number of units and net assets attributable to unit holders during the year were as follows:

	No. of Units	Rs.
Balance as at 1 April 2023	51,937,881	1,868,894,273
Increase due to unit creation during the year	46,347	1,802,704
Decrease due to unit redemption during the year	(3,800,617)	(147,961,735)
Increase in net assets attributable to unit holders	-	331,662,071
Balance as at 31 March 2024	<u>48,183,611</u>	<u>2,054,397,313</u>
 Increase due to unit creation during the year	 44,635	 1,932,898
Decrease due to unit redemption during the year	(2,124,388)	(100,055,344)
Increase in net assets attributable to unit holders	-	506,766,383
Balance as at 31 March 2025	<u>46,103,858</u>	<u>2,463,041,249</u>

NATIONAL EQUITY FUND
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2025



15. Analysis of financial instrument by measurement basis

The following tables compare the fair values of the financial instruments with their carrying values.

As at 31 March 2025	Measured at fair value Rs.	Carried at cost Rs.	Amortised cost Rs.	Total Rs.
Assets				
Cash at bank	-	-	6,272,219	6,272,219
Financial assets				
Financial assets measured at fair value through profit or loss	2,282,359,656	-	-	2,282,359,656
Financial assets measured at amortised cost	-	-	158,172,197	158,172,197
Other receivables	-	-	1,083,649	1,083,649
Total	<u>2,282,359,656</u>	<u>-</u>	<u>165,528,065</u>	<u>2,447,887,722</u>
Liabilities				
Accrued expenses and other liabilities	-	13,579,505	-	13,579,505
Total	<u>-</u>	<u>13,579,505</u>	<u>-</u>	<u>13,579,505</u>
As at 31 March 2024	Measured at fair value Rs.	Carried at cost Rs.	Amortised cost Rs.	Total Rs.
Assets				
Cash at bank	-	-	70,105,435	70,105,435
Financial assets				
Financial assets measured at fair value through profit or loss	1,728,723,283	-	-	1,728,723,283
Financial assets measured at amortised cost	-	-	242,340,502	242,340,502
Other receivables	-	-	8,747,092	8,747,092
Total	<u>1,728,723,283</u>	<u>-</u>	<u>321,193,029</u>	<u>2,049,916,312</u>
Liabilities				
Accrued expenses and other payables	-	24,252,031	-	24,252,031
Total	<u>-</u>	<u>24,252,031</u>	<u>-</u>	<u>24,252,031</u>

16. Determining of fair value and hierarchy of fair value

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

As at 31 March 2025	Level 1 Rs.	Level 2 Rs.	Level 3 Rs.	Total fair value Rs.
Financial assets measured at fair value				
Financial assets recognised through profit or loss - measured at fair value				
- Investments in quoted equity securities	1,613,688,854	-	-	1,613,688,854
- Investments in unquoted equity securities	-	-	13,650,344	13,650,344
- Investments in quoted debentures	-	6,431,017	-	6,431,017
- Investments in treasury bonds	648,589,442	-	-	648,589,442
	<u>2,262,278,296</u>	<u>6,431,017</u>	<u>13,650,344</u>	<u>2,282,359,656</u>
As at 31 March 2024				
Financial assets measured at fair value				
Financial assets recognised through profit or loss - measured at fair value				
- Investments in quoted equity securities	1,168,630,796	-	-	1,168,630,796
- Investments in unquoted equity securities	-	-	16,942,022	16,942,022
- Investments in quoted debentures	-	6,543,449	-	6,543,449
- Investments in treasury bonds	459,471,135	-	-	459,471,135
- Investments in treasury bills	77,135,881	-	-	77,135,881
	<u>1,705,237,812</u>	<u>6,543,449</u>	<u>16,942,022</u>	<u>1,728,723,283</u>

Level 1 - Financial Instruments that are measured in whole or in partly 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 regular 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 the market transactions involving comparable securities.

Level 3 - Financial Instruments that are not supported by observable market prices information.

NATIONAL EQUITY FUND
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2025



16 Determining of fair value and hierarchy of fair value (Contd.)

16.1 Measurement of fair values

16.1.1 Valuation techniques and significant unobservable inputs

The following table show the valuation techniques used in measuring Level 2 and Level 3 fair values, as well as the significant unobservable inputs used.

Financial assets/ financial liabilities	Valuation technique(s) and key input(s)	Significant Unobservable inputs	Relationship and sensitivity of unobservable inputs to fair value
Investment in debenture	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.	Risk premium of the investee companies (0.54%)	Higher the risk premium, the lower the fair value. If the risk premium was 0.5% higher, the fair value would decrease by Rs 63,521. If the risk premium was 0.5% lower, the fair value would increase by Rs.64,408. (while all other variables were held constant)
Investment in unquoted equity investments	The valuation model is based on the net assets value per share. The total equity attributable to parent company's shareholders are divided by the total no of shares.	Net asset per share of Laughs Leisure Limited and Laughs Eco Sri Limited are Rs. 3.60 and Rs 3.29 respectively	Higher the net asset per share, higher the fair value. If the net asset per share was 1% higher, the fair value would increase by Rs 136,519. If the net asset per share was 1% lower, the fair value would decrease by Rs 136,519. (while all other variables were held constant)

16.1.2 Reconciliation of level 2 and level 3 fair value measurements of financial instruments

	Debentures Rs.	Unquoted equity investments Rs.	Total Rs.
Balance as at 1 April 2023	4,628,479	19,740,063	24,368,542
Interest accrued	335,755	-	335,755
Gain / (loss) on fair valuation in profit or loss	1,579,215	(2,798,041)	(1,218,826)
Balance as at 31 March 2024	6,543,449	16,942,022	23,485,471
Balance as at 01 April 2024	6,543,449	16,942,022	23,485,471
Interest reversal	(3,228)	-	(3,228)
Gain / (loss) on fair valuation in profit or loss	(109,204)	(3,291,678)	(3,400,882)
Balance as at 31 March 2025	6,431,017	13,650,344	20,081,361

16.1.3 Financial instruments for which fair value approximates carrying value

For financial assets and financial liabilities that have a short term maturity (original maturity less than a year), it is assumed that the carrying amount approximates their fair values.

NATIONAL EQUITY FUND
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2025



17. Financial risk management

Overview

The unit trust has exposure to the following risks via financial instruments.

- Market risk
- Liquidity risk
- Credit risk
- Operational risk

This note presents information about the unit trust's exposure to each of the above risks and the objectives, policies and processes for measuring and managing risk.

17.1 Risk management framework

The Board of Directors of fund management company has the overall responsibility for the establishment and oversight of the fund's risk management framework. The managing company reviews wide-ranging risk categories that includes market, liquidity, credit and operational risk and, manage these risks prudently. This process consists of identifying and analysing the risk confronted by the unit trust, and set appropriate risk limits and controls to monitor risk and adherence to limits.

17.1(a) Market risk

Market risk is the risk that changes in market prices, such as interest rates which will affect the unit trust's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

Management of market risk includes the following elements.

- Overall authority for managing market risk is vested with fund management company.
- The operational authority for managing market risk is vested with the investment/portfolio managers.

The following table demonstrates the sensitivity of the statement of profit or loss and other comprehensive income to reasonably possible changes in interest rates /market prices, with all other variables held constant.

	Increase/ (decrease) in basis points	Effect on the profit for the year ended	
		31.03.2025 Rs.	31.03.2024 Rs.
Increase in treasury bonds interest rate	+0.5%	(24,175,677)	(5,255,061)
Decrease in treasury bonds interest rate	-0.5%	14,476,946	5,098,702
Increase in treasury bills interest rate	+0.5%	-	(88,686)
Decrease in treasury bills interest rate	-0.5%	-	8,097
Increase in debenture interest rate	+0.5%	(63,521)	(83,948)
Decrease in debenture interest rate	-0.5%	64,408	84,951
Increase in quoted equity securities price	+1%	16,136,889	11,686,308
Decrease in quoted equity securities price	-1%	(16,136,889)	(11,686,308)

However, due to unquoted equity securities valued based on the net asset value of share issued company, it is reasonably expected that the fluctuation in interest rate or market price will not materially impact the net assets value of the Fund.

NATIONAL EQUITY FUND
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2025

17. Financial risk management (Contd.)

17.1.(b) Liquidity risk

Liquidity risk is the risk that the unit trust will have in meeting its obligations due to inadequate financial resources as and when they fall due. This risk arises due to mismatching in the timing of cash flows.

Management of liquidity risk includes the following elements:

Taking steps to ensure, as far as possible, that it will always have adequate financial resources to meet its liabilities when they fall due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the unit trust's reputation.

Maturity analysis of the financial assets and financial liabilities

Expected undiscounted cash flows

	Up to 3 months	3 Months to 1 year	1-3 years	3-5 years	Over 5 years
	Rs.	Rs.	Rs.	Rs.	Rs.
As at 31 March 2025					
Assets					
Cash at bank	6,272,219	-	-	-	-
Financial assets at fair value through profit or loss					
Investments in quoted equity securities	1,613,688,854	-	-	-	-
Investments in unquoted equity securities	13,650,344	-	-	-	-
Investments in quoted debentures	-	332,527	6,098,489	-	-
Investments in treasury bonds	71,605,000	106,105,000	404,875,000	173,375,000	-
Financial assets - at amortised cost					
Investments in commercial papers	91,163,655	-	-	-	-
Investments in repurchase agreements	15,013,233	-	-	-	-
Investment in trust certificates	-	6,750,000	13,500,000	63,500,000	-
Other receivables	1,083,649	-	-	-	-
Total financial assets	1,812,476,954	113,187,527	424,473,489	236,875,000	-

Expected undiscounted cash flows

	Up to 3 months	3 Months to 1 year	1-3 years	3-5 years	Over 5 years
	Rs.	Rs.	Rs.	Rs.	Rs.
As at 31 March 2024					
Assets					
Cash at bank	70,105,435	-	-	-	-
Financial assets at fair value through profit or loss					
Investments in quoted equity securities	1,168,630,796	-	-	-	-
Investments in unquoted equity securities	16,942,022	-	-	-	-
Investments in quoted debentures	-	1,240,400	6,910,800	-	-
Investments in treasury bonds	11,250,000	40,000,000	432,625,000	123,000,000	-
Investments in treasury bills	18,084,000	60,000,000	-	-	-
Financial assets - at amortised cost					
Investments in commercial papers	-	83,513,464	-	-	-
Investments in repurchase agreements	163,254,795	-	-	-	-
Investment in trust certificates	-	-	-	-	-
Other receivables	8,747,092	-	-	-	-
Total financial assets	1,457,014,140	184,753,864	439,535,800	123,000,000	-



NATIONAL EQUITY FUND
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2025

17. Financial risk management (contd.)

17.1.(c) Credit risk

Credit risk is the risk of financial loss to the unit trust if a client or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the unit trust's investment in corporate debt securities and investment in reverse repo agreements.

Management of credit risk includes the following components:

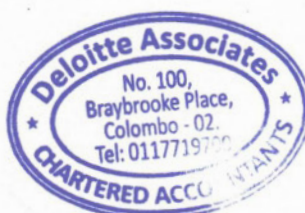
- Formulating credit policies in consultation with business units covering collateral requirements, credit assessment, risk grading and reporting, documentary and legal procedures and compliance with regulatory and statutory requirements.
- Establishing the authorisation structure for the approval and renewal of credit facilities.
- Limiting concentration of exposures to counterparties.

Credit risk by class of financial assets

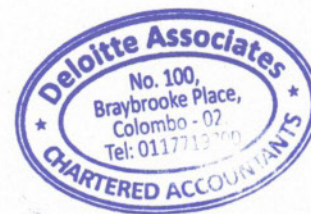
As at 31 March 2025	12 Month expected credit losses	Life time expected credit losses not credit impaired	Life time expected credit losses credit impaired	Total
	Rs.	Rs.	Rs.	Rs.
Assets				
Cash at bank	6,272,219	-	-	6,272,219
Financial assets - at amortised cost	158,172,197	-	-	158,172,197
Total financial assets	<u>164,444,416</u>	<u>-</u>	<u>-</u>	<u>164,444,416</u>

As at 31 March 2024	12 Month expected credit losses	Life time expected credit losses not credit impaired	Life time expected credit losses credit impaired	Total
	Rs.	Rs.	Rs.	Rs.
Assets				
Cash at bank	70,105,435	-	-	70,105,435
Financial assets - at amortised cost	242,340,502	-	-	242,340,502
Total financial assets	<u>312,445,937</u>	<u>-</u>	<u>-</u>	<u>312,445,937</u>

There are no differences in the net exposure to the credit risk and the maximum exposure to the credit risk for the above financial assets.



NATIONAL EQUITY FUND
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2025



17. Financial risk management (Contd.)
17.1.(c) Credit risk (Contd.)

Analysis of concentration risk of financial investments

The following table shows the risk concentration by sector for the components of the statement of financial position.

	Cash at Bank	Financial assets measured at fair value through profit or loss	Financial assets measured at amortised cost	Total Financial Assets
	Rs.	Rs.	Rs.	Rs.
As at 31 March 2025				
Sector wise breakdown				
Government	-	648,589,442	15,013,233	663,602,675
Corporate	6,272,219	1,633,770,215	143,158,965	1,783,201,398
Total	6,272,219	2,282,359,656	158,172,197	2,446,804,072
As at 31 March 2024				
Sector wise breakdown				
Government	-	536,607,016	162,802,192	699,409,208
Corporate	70,105,435	1,192,116,267	79,538,310	1,341,760,012
Total	70,105,435	1,728,723,283	242,340,502	2,041,169,220

Analysis of credit quality of financial investments

As at 31 March 2025

	Risk Status	Financial assets measured at fair value through profit or loss	Financial assets measured at amortised cost	Total financial assets
		Rs.	Rs.	Rs.
Government securities	Risk free	648,589,442	15,013,233	663,602,675
Debt instruments having credit ratings				
AA+ to A+	Low risk	-	-	-
A to BBB+	Medium risk	6,431,017	143,158,965	149,589,981
Below BBB	High risk	-	-	-

As at 31 March 2024

	Risk Status	Financial assets measured at fair value through profit or loss	Financial assets measured at amortised cost	Total financial assets
		Rs.	Rs.	Rs.
Government securities	Risk free	536,607,016	162,802,192	699,409,208
Debt instruments having credit ratings				
AA+ to A+	Low risk	-	-	-
A to BBB+	Medium risk	6,543,449	79,538,310	86,081,759
Below BBB	High risk	-	-	-

**NATIONAL EQUITY FUND
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2025**

17. Financial risk management (Contd.)

17.1.(d) Operational risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the fund's involvement with financial instruments, including processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviors.

The unit trust's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the business reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity.

The primary responsibility for the development and implementation of controls to address operational risk is assigned to senior management within each business unit. This responsibility is supported by the development of overall unit trust's standards for the management of operational risk in the following areas:

- Requirements for appropriate segregation of duties, including the independent authorisation of transactions
- Requirements for the reconciliation and monitoring of the transaction
- Compliance with regulatory and other legal requirements
- Documentation of controls and procedures.
- Development of business contingency plans
- Training and professional development
- Ethical and business standards.
- Risk mitigation, including insurance where this is effective



NATIONAL EQUITY FUND
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2025

18. Related party disclosures

The Fund carries out transactions with parties who are defined as related parties as per Sri Lanka Accounting Standard (LKAS 24), "Related Party Disclosure", in the ordinary course of its business. The details of such transactions are reported below.

18.1 Transaction with managing company

Company Name and Nature of Relationship	Nature of Transaction	Year ended 31.03.2025		Year ended 31.03.2024	
		Transaction Value	Outstanding Balance	Transaction Value	Outstanding Balance
		Rs.	Rs.	Rs.	Rs.
National Asset Management Limited (Managing company)	Management fee	34,290,402	(9,470,746)	30,357,106	(7,456,112)
	Registrar's fee	5,530,710	(1,527,540)	4,899,994	(1,202,599)

18.2 Transaction with trustee

Company Name and Nature of Relationship	Nature of Transaction	Year ended 31.03.2025		Year ended 31.03.2024	
		Transaction Value	Outstanding Balance	Transaction Value	Outstanding Balance
		Rs.	Rs.	Rs.	Rs.
Deutsche Bank (Trustee)	Trustee fee	5,351,458	(1,478,031)	4,652,446	(1,163,622)

18.3 Transaction with ultimate parent company/ parent company/ immediate parent company, subsidiaries of the immediate parent of the managing company

Company Name and Nature of Relationship	Nature of Transaction	Year ended 31.03.2025		Year ended 31.03.2024	
		Transaction Value	Outstanding Balance	Transaction Value	Outstanding Balance
		Rs.	Rs.	Rs.	Rs.
DFCC Bank PLC (A shareholder of managing company)	Investments in units	-	-	10,526,910	(10,526,910)
	No. of units as of 31 March 2025 is 250,000 (31 March 2024: 250,000)				



NATIONAL EQUITY FUND
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2025

18. Related party disclosures (Contd.)

18.3 Transactions with key management personnel (KMP) and their close family members (CFM)

According to Sri Lanka Accounting Standard LKAS 24 - "Related Party Disclosures", Key Management Personnel, are those having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of that entity. Accordingly, the Board of Directors of Managing company has been classified as key management personnel of the entity.

Close Family Members of a Key Management Personnel are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity. They may include;

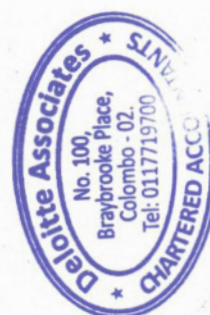
- a. that person's children and spouse or domestic partner;
- b. children of that person's spouse or domestic partner; and
- c. dependents of that person or that person's spouse or domestic partner.

Close family members are related parties to the Entity.

Name of KMP/CFM	Relationship	Nature of the transaction	Year ended 31.03.2025		Year ended 31.03.2024	
			No of Unit Holdings	Value of Unit Holdings	No of Unit Holdings	Value of Unit Holdings
				Rs.		Rs.
Mr. Indrajit Asela Wickramasinghe	Director of the management company	Investments in units	-	-	200	8,422

Key management personnel are paid by National Asset Management Limited. Payments made from the Fund to National Asset Management Limited do not include any amounts directly attributable to the compensation of key management personnel.

Apart from those details disclosed, key management personnel have not entered into any other transactions involving the Fund during the financial year.



NATIONAL EQUITY FUND
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2025

18. Related party disclosures (Contd.)

18.4 Directorships in other companies

The Directors of National Assets Management Limited (Managing Company of the Unit Trust) are also Directors of the following companies (as of 31 March 2025).

Name of the company	Relationship	Mr. Malay Mukherjee	Mr. Nasser Hamad	Mr. Nirupan Wijeyanathan	Mr. Dilshan Rodrigo	Mr. Prins Perera	Mr. Wijenanda Dambawin	Mr. Brian Joseph	Mr. Ravi Dassanayake	Mr. Sanjay Pokhrel
Union Bank of Colombo PLC	Related party through KMP	Director	-	-	Director	-	-	-	-	Director
UB Finance PLC	Related party through KMP	Chairman	-	-	Director	-	-	-	-	-
Rockfort Advisory (Pvt) Ltd	Related party through KMP	-	-	Director	-	Director	Director	-	Director	Director
DFCC Consulting (Pvt) Ltd	Related party through KMP	-	-	-	-	Director	-	-	Director	-

19. Capital commitments and contingent liabilities

There were no material capital commitments and contingent liabilities as at the reporting date which require disclosure in these financial statements.

20. Events occurred after the reporting period

There were no material events after the reporting period, which require adjustments to or disclosures in these financial statements.



NAMAL GROWTH FUND



NAMAL GROWTH FUND

FUND PERFORMANCE REVIEW

Investment Strategy

NAMAL Growth Fund (NGF) aims to provide long term capital appreciation by investing in equity. The Fund allocates a maximum of 90% to equity with the balance invested in fixed income securities.

The NAMAL Growth Fund (NGF) follows an actively managed, equity-focused investment strategy aimed at delivering long-term capital appreciation. The fund primarily invests in listed equities across high-growth sectors of the Colombo Stock Exchange, with a strong emphasis on fundamental analysis and stock selection. NGF targets companies with robust earnings potential, sustainable business models, and strong corporate governance. While it may hold a portion of assets in fixed-income instruments for risk management, the core focus remains on capitalizing on equity market opportunities through a disciplined, research-driven approach.

Asset Allocation

As at March 2025, the NAMAL Growth Fund (NGF) maintains a predominantly equity-based portfolio with 89% invested in listed equities, reflecting its growth-oriented strategy. The remaining 11% is allocated across low-risk, interest-bearing instruments to maintain liquidity and manage risk: 6% in repos and 5% in Treasury Bills. This allocation structure supports the fund's objective of capital appreciation while providing flexibility during volatile market conditions.

Performance Review

For the 12-month period ending March 2025, NGF recorded a return of 21.94%, underperforming its benchmark return of 38.19%, which is composed of 90% ASPI and 10% T-Bill Index. Over the medium and long term, NGF posted returns of 61.52% (36 months) and 154.83% (60 months), demonstrating its consistent ability to generate capital growth. Despite short-term underperformance, the fund's active equity exposure positions it to benefit from market rallies over time.

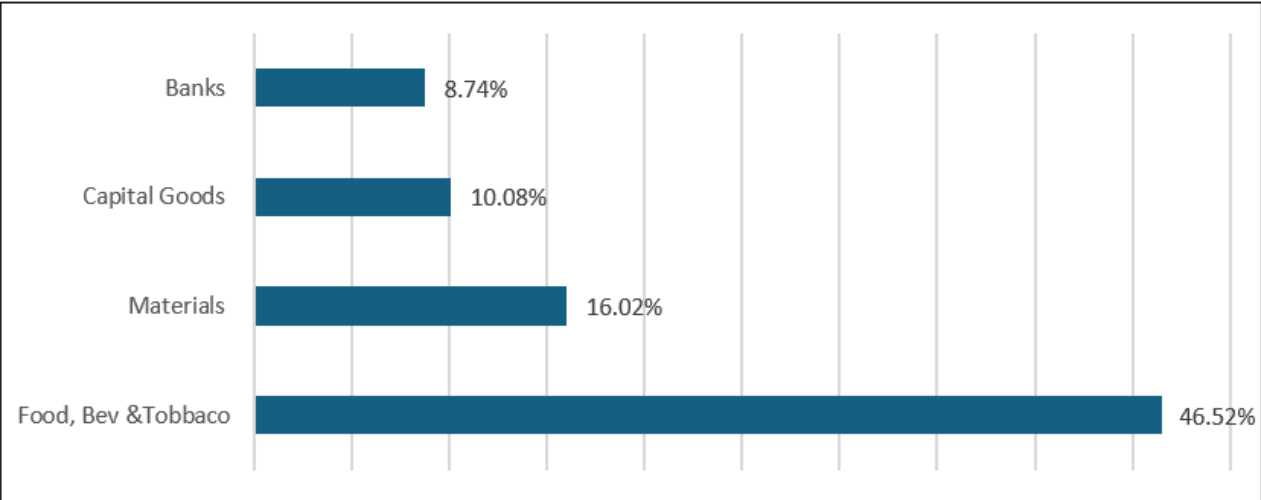
Fund Performance

Index	5 Years	YTD	3 Year	2 Year	1 Year	6 Months	3 Months	1 Month
ASPI	245.93%	38.19%	77.62%	70.03%	38.19%	33.31%	-0.81%	-4.03%
CRISIL91-day	87.80%	9.84%	69.10%	34.76%	9.84%	4.86%	2.14%	0.65%
NGF	154.83%	21.94%	61.52%	48.66%	21.94%	19.84%	2.02%	-2.40%
Benchmark	230.12%	35.35%	76.77%	66.50%	35.35%	30.46%	(0.52%)	(3.56%)

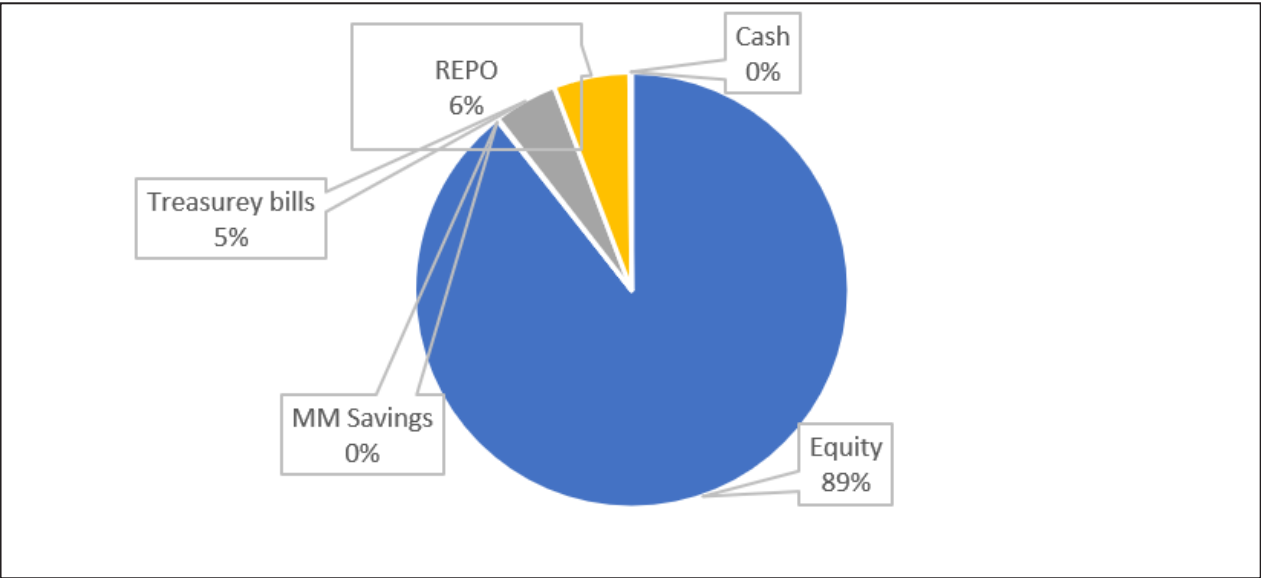
*Note

- 1) Benchmark consists of 90% return of ASPI and 10% return NDBIB-CRISIL 3 month T-Bill Index.
- 2) All returns are adjusted for dividends
- 3) Returns are not annualized
- 4) Past performance should not be taken as a guide to future performance

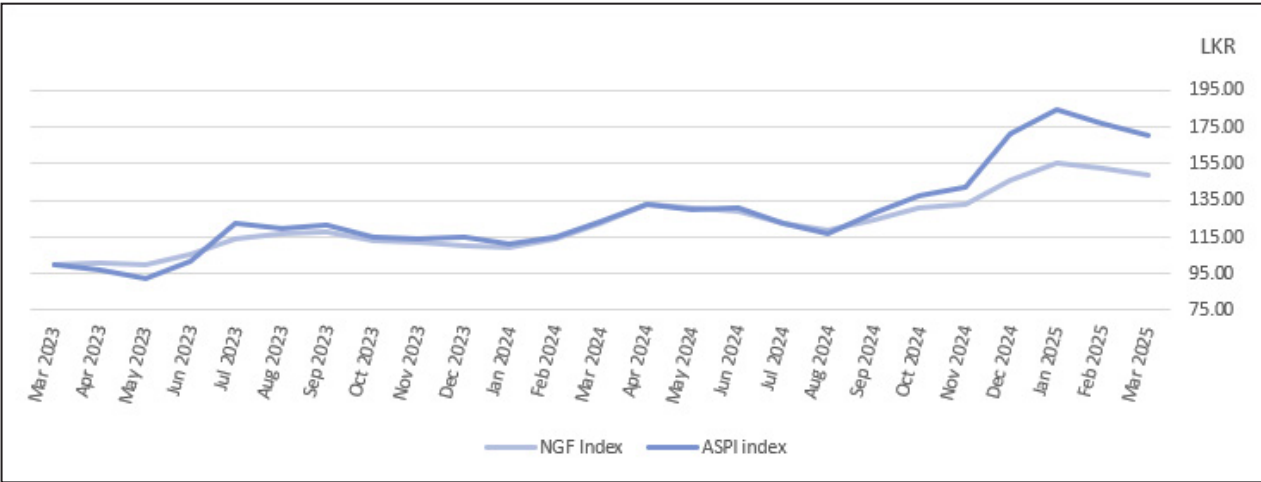
Sector Weighting (Top 5)



Asset Allocation



NGF Index Vs ASPI Index





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INDEPENDENT AUDITOR'S REPORT TO THE UNIT HOLDERS OF NAMAL GROWTH FUND

Report on the audit of the financial statements

Opinion

We have audited the financial statements of NAMAL Growth Fund ("the Fund"), which comprise the statement of financial position as of 31 March 2025, and the statement of profit or loss and other 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 material accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Fund as of 31 March 2025, 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 Code of Ethics for Professional Accountants issued by CA Sri Lanka (Code of Ethics), and we have fulfilled our other ethical responsibilities in accordance with the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

The Fund manager is responsible for the other information. The other information comprises the information include in the annual report of the Fund but does not include the financial statements and our auditor's report thereon. The annual report of the Fund is expected to be made available to us after the date of this auditor's report.

Our opinion on the financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above 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.

When we read the annual report of the Fund, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

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

The Fund manager is 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 the management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, Fund manager is responsible for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless Fund manager 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 Fund manager.
- Conclude on the appropriateness of Fund manager'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 Collective Investment Scheme Code (CIS Code) of the Securities and Exchange Commission of Sri Lanka and trust deed.

Deloitte Associates
Deloitte Associates
Chartered Accountants
Colombo

15 July 2025



NAMAL GROWTH FUND
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2025

	Note	2024/2025 Rs.	2023/2024 Rs.
Investment income			
Dividend income		7,925,051	4,938,218
Interest income	6.	2,027,594	8,878,094
Realised gains on financial assets held at fair value through profit or loss	9.3	27,133,802	4,484,872
Unrealised gains on financial assets held at fair value through profit or loss	9.4	7,925,419	20,521,812
Total investment income		<u>45,011,866</u>	<u>38,822,996</u>
Expenses			
Management and registrar's fee		3,182,684	3,128,470
Trustee fees		549,916	530,186
Auditor's remuneration		682,521	620,474
Bank charges		87,420	8,135
Consultancy charges		145,000	145,397
Brokerage expenses		3,133,615	2,181,716
Other expenses		33,756	23,767
Professional Charges		76,723	-
Total operating expenses		<u>7,891,635</u>	<u>6,638,145</u>
Profit before tax		37,120,231	32,184,851
Income tax expense	7.	-	-
Profit after tax		<u>37,120,231</u>	<u>32,184,851</u>
Other comprehensive income		-	-
Net increase in net assets attributable to unit holders		<u><u>37,120,231</u></u>	<u><u>32,184,851</u></u>

Figures in brackets indicate deductions.

The accounting policies and notes from 1 to 20 form an integral part of these financial statements.



NAMAL GROWTH FUND
STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2025

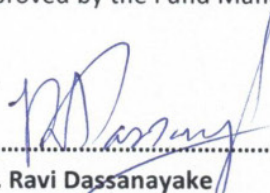
	Note	31.03.2025 Rs.	31.03.2024 Rs.
Assets			
Cash and cash equivalents	8.	935,942	564,197
Financial assets - fair value through profit or loss	9.	171,917,560	158,903,636
Financial assets - debt instruments at amortised cost	10.	20,256,774	12,028,874
Other receivables	11.	866,764	828,689
Income tax recoverable	12.	3,220,785	3,220,785
Total assets		<u>197,197,825</u>	<u>175,546,181</u>
Unit holders' funds and liabilities			
Liabilities			
Accrued expenses and other payables	13.	1,542,298	1,360,961
Total liabilities (excluding net assets attributable to unit holders' fund)		<u>1,542,298</u>	<u>1,360,961</u>
Unit holders' fund			
Net assets attributable to unit holders		<u>195,655,527</u>	<u>174,185,220</u>
Total unit holders' funds and liabilities		<u>197,197,825</u>	<u>175,546,181</u>
 Net assets per unit (Rs.)	14.	222.43	182.41

Figures in brackets indicate deductions.


The accounting policies and notes from 1 to 20 form an integral part of these financial statements.

The Management Company of NAMAL Growth Fund is responsible for the preparation and presentation of these financial statements in accordance with the Sri Lanka Accounting Standards.

Approved by the Fund Management Company and the Trustee on 15 July 2025



Mr. Ravi Dassanayake
 Director
 Fund Management Company



Deutsche Bank AG
 Trustee



Mr. Wijenanda Dambawinne
 Director
 Fund Management Company



NAMAL GROWTH FUND
STATEMENT OF CHANGES IN UNIT HOLDERS' FUNDS
FOR THE YEAR ENDED 31 MARCH 2025

	2024/2025 Rs.	2023/2024 Rs.
Unit holders' funds at the beginning of the period	174,185,220	212,696,303
Increase in net assets attributable to unit holders	37,120,231	32,184,851
Receipts on unit creations	363,278	477,705
Payments on unit redemptions	(16,013,202)	(71,173,639)
Unit holders' funds at the end of the period	<u>195,655,527</u>	<u>174,185,220</u>

Figures in brackets indicate deductions.

The accounting policies and notes from 1 to 20 form an integral part of these financial statements.



NAMAL GROWTH FUND
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2025

	2024/2025 Rs.	2023/2024 Rs.
Cash Flows from operating activities		
Dividends received	7,886,976	4,957,968
Interest received	2,038,410	11,064,771
Net investments in equity securities	22,046,161	(37,315,922)
Net investments in treasury bills	(9,239,580)	54,463,115
Net investments in repurchase agreements	1,000,000	(12,000,000)
Operating expenses paid	(7,786,928)	(6,631,979)
Net cash generated from operating activities	<u>15,945,039</u>	<u>14,537,953</u>
Cash flows from financing activities		
Amount received on unit creations	363,278	477,705
Amount paid on unit redemptions	(15,936,572)	(71,173,546)
Net cash used in financing activities	<u>(15,573,294)</u>	<u>(70,695,841)</u>
Net increase / (decrease) in cash and cash equivalents	371,745	(56,157,888)
Cash and cash equivalents at the beginning of the year	<u>564,197</u>	<u>56,722,085</u>
Cash and cash equivalents at the end of the year	<u><u>935,942</u></u>	<u><u>564,197</u></u>
At the beginning		
Cash and cash equivalents	<u>564,197</u>	<u>56,722,085</u>
	<u><u>564,197</u></u>	<u><u>56,722,085</u></u>
At the end		
Cash and cash equivalents	<u>935,942</u>	<u>564,197</u>
	<u><u>935,942</u></u>	<u><u>564,197</u></u>

Figures in brackets indicate deductions.

The accounting policies and notes from 1 to 20 form an integral part of these financial statements.



**NAMAL GROWTH FUND
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2025**



1. Corporate information

1.1 Reporting entity

NAMAL Growth Fund is an open-ended growth Fund which is approved by the Securities and Exchange Commission of Sri Lanka. The Fund was launched on 08th December 1991.

The Fund is managed by National Asset Management Limited, which is incorporated and domiciled in Sri Lanka. The registered office of the Management Company is located at No. 7, Glen Aber Place, Colombo 3. The Trustee of the Fund is Deutsche Bank AG whose place of business is at Level 21, One Galle Face Tower, 1A, Centre Road, Galle Face, Colombo 02.

1.2 Principal activities

The primary investment objective of the Fund is to achieve medium to long term capital appreciation through prudently investing in a portfolio of quoted shares, according to the parameters stated in the Collective Investment Scheme Code (CIS Code 2022) of the Securities and Exchange Commission of Sri Lanka

There were no significant changes in the nature of the principal activities of the unit trust during the period under review.

1.3 Approval of financial statements

The financial statements of the Fund for the period ended 31 March 2025 were authorized for issue by the Fund Management Company and the Trustee on 15 July 2025.

2. Basis of preparation

2.1 Statement of compliance

The financial statements of the unit trust which comprise the statement of financial position, statement of profit or loss and other comprehensive income, statement of changes in unit holders' Funds, statement of cash flows and notes thereto have been prepared in accordance with the Sri Lanka Accounting Standards (SLFRS and LKAS) laid down by the Institute of Chartered Accountants of Sri Lanka and adopted as directed by the Securities and Exchange Commission of Sri Lanka.

2.2 Basis of measurement

The financial statements have been prepared on the historical cost basis and applied consistently with no adjustments being made for inflationary factors affecting the financial statements, except for the financial assets at fair value through profit or loss.

2.3 Functional and presentation currency

The financial statements are presented in Sri Lankan Rupees, which is the unit trust's functional currency.

2.4 Presentation

Assets and liabilities are grouped by nature and listed in an order that reflects their relative liquidity and maturity pattern. Where appropriate, the material accounting policies are disclosed in the succeeding notes.

2.5 Materiality and aggregation

Each material class of similar items are presented separately in the financial statements. Items of dissimilar nature or function are presented separately unless they are immaterial as permitted by the Sri Lanka Accounting Standard – LKAS 1 – "Presentation of Financial Statements".

NAMAL GROWTH FUND
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2025

2. Basis of preparation – (Contd.)

2.6 Statement of cash flows

The statement of cash flows has been prepared using the "Direct Method" of preparing cash flows in accordance with the Sri Lanka Accounting Standard LKAS 7 - "Statement of Cash Flows". Cash and cash equivalents comprise short term, highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value.

2.7 Going concern

The management has assessed 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 manager 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.

3. Material accounting policies

3.1 Financial instruments

3.1.1 Initial recognition

Financial assets and liabilities 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 or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the marketplace.

3.1.2 Initial measurement of financial instrument

The classification of financial instruments at initial recognition depends on their contractual terms and the business model for managing the instruments. At initial recognition, the Fund measures a financial asset at its fair value plus transaction costs that are directly attributable to the acquisition, except those financial assets are subsequently measured at fair value through profit or loss. Transaction costs of financial assets carried at fair value through profit or loss are expensed in the statement of profit or loss.

3.1.3 Measurement categories of financial assets

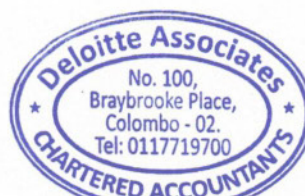
The Fund classifies all its financial assets in the following measurement categories:

- a) those to be measured at amortised cost.
- b) those to be measured at fair value through profit or loss. (FVTPL)

3.1.4 Subsequent measurement

Amortised cost: A debt instrument is measured at amortised cost if it is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and its contractual terms give rise to cash flows that are sole for payments of principal and interest on the principal amount outstanding.

Debt instruments at amortized cost in the statement of financial position comprise of investments in resale agreements against government securities and treasury bills. Any gain or loss arising on de-recognition is recognized directly in profit or loss and presented in realized gain/(loss) on debt instruments held at amortized cost.



**NAMAL GROWTH FUND
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2025**



3. Material accounting policies – (Contd.)

3.1 Financial instruments – (Contd.)

3.1.4 Subsequent measurement – (Contd.)

Fair value through profit or loss: A financial asset is measured at fair value through profit or loss if:

- (a) its contractual terms do not give rise to cash flows on specified dates that are sole payments of principal and interest on the principal amount outstanding.
or
- (b) it is not held within a business model whose objective is either to collect contractual cash flows, or to both collect contractual cash flows and sell.
or
- (c) at initial recognition, it is irrevocably designated as measured at fair value through profit or loss when doing so eliminate or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities or recognizing the gains and losses on them on different bases.

A gain or loss on a debt investment that is subsequently measured at fair value through profit or loss is recognised in profit or loss and presented net within unrealized gains/(losses) in the period in which it arises.

Financial assets at fair value through profit or loss in the statement of financial position comprise of investment in quoted equity securities and unquoted equity securities.

3.1.5 Financial liabilities

a) Initial recognition and measurement

The Fund determines the classification of its financial liabilities at initial recognition.

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

b) Subsequent measurement

After initial recognition, 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.

3.1.6 Identification, measurement, and assessment of impairment

The Fund assesses on a forward-looking basis, the expected credit losses (ECLs) associated with its debt instruments not held at fair value through profit or loss. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Fund expects to receive, discounted at an approximation of the original effective interest rate.

ECLs are recognized in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL).

**NAMAL GROWTH FUND
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2025**

3. Material accounting policies – (Contd.)

3.1 Financial instruments – (Contd.)

3.1.6 Identification, measurement, and assessment of impairment – (Contd.)

For those credit exposures from which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

The Fund uses the ratings from either Fitch Rating Lanka Limited or Lanka Rating Agency Limited to determine the significant deterioration in credit risk and to estimate the ECLs. Movements within the ratings of the investment grade, stipulate significant deterioration of credit risk. This is measured through the two-notch-downgrade of the external credit rating of the counterparty.

ECLs are recognized using a provision for impairment account in profit and loss, with the corresponding amount recognized as a reduction in the carrying amount of the asset in the statement of financial position.

Investment in corporate debt securities measured at amortized cost has been considered for 12-month ECL and as of 31 March 2025, the impact on the financial statements resulting from the same is not significant.

3.1.7 Sale and repurchase agreements

Securities purchased under agreements to resell are recorded under investments. The difference between sale and purchase price is treated as interest and accrued over the life of the agreements using the effective interest method.

3.1.8 De-recognition

A financial asset is de-recognised 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.

3.1.9 Offsetting of financial instruments

Financial assets and financial liabilities are offset, and the net amount reported in the statement of financial position if, and only if:

- a) there is a currently enforceable legal right to offset the recognised amounts and
- b) there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

3.1.10 Dividend income

Dividend income from equity investments at FVTPL is recognised in the statement of profit or loss on an accrual basis when the Fund's right to receive the dividend is established.



**NAMAL GROWTH FUND
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2025**

3. Material accounting policies – (Contd.)

3.1 Financial instruments – (Contd.)

3.1.11 Interest income

Interest income presented in the statement of profit or loss include interest on financial instruments measured at amortised cost calculated on an effective interest basis and contractual interest received or receivable on financial instruments measured at fair value through profit or loss.

The effective interest rate is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial instrument (or, where appropriate, a shorter period) to the carrying amount of the financial instrument. When calculating the effective interest rate, the unit trust estimates future cash flows considering all contractual terms of the financial instrument, but not future credit losses.

3.1.12 Gain / (loss) on securities

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

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

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

Realized gains / (losses) on financial assets at fair value through profit or loss includes realized trading gains and losses on sale of financial assets at fair value through profit or loss.

3.1.13 Expenses

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

Management fee is 1.5 % p.a. of the net asset value of the Fund calculated on a daily basis. Registrar fee is 0.25% p.a. of net asset value of the Fund calculated on a daily basis. Trustee fee is 0.25% p.a. of net asset value of the Fund calculated on a daily basis.

3.1.14 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 as described in the Trust Deed and directives issued by the Securities and Exchange Commission of Sri Lanka, by the number of units in issue.



**NAMAL GROWTH FUND
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2025**

4. Use of estimates and judgments

4.1 Fair value of financial instruments

Management considers credit, liquidity and market risk and assesses the impact on valuation of investments when determining the fair value. The 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.

Fair value of securities not quoted in an active market

Management uses its judgment in determining the appropriate valuation technique for financial instruments that are not quoted in an active market. However, these are the valuation techniques commonly used by market practitioners. Disclosures for valuation methods and key assumptions used in the valuation of unquoted shares are stated in Note 16.1.1.

4.2 Impairment losses on financial assets – debt instruments at amortised cost

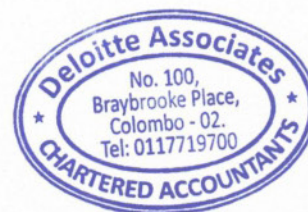
The Fund reviews its financial investments classified as debt instrument at amortized cost at each reporting date to assess whether they are impaired. In particular, management's judgment is required in the estimation of the amount and timing of future cash flows when determining the impairment loss. These estimates are based on assumptions of a number of factors and actual results may differ, resulting in future changes to the allowance.

5. Comparative information

The accounting policies have been consistently applied by the Fund and are consistent with those of the previous year. The previous year's figures and phrases have been re-arranged wherever necessary to conform to current year's presentation / classification.



NAMAL GROWTH FUND
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2025



	2024/2025 Rs.	2023/2024 Rs.
6. Investment income		
Interest on savings account	116,510	337,313
Interest on money market savings	7,190	1,086,034
Interest on treasury bills	470,740	7,387,098
Interest on repurchase agreements	1,433,154	67,649
	<u>2,027,594</u>	<u>8,878,094</u>

- 6.1** Subsequent to the enactment of the Inland Revenue Act No. 24 of 2017, effective from 1 April 2018, interest income has been recognized net of withholding tax as the Fund considers its income to be a 'pass-through' to its unit holders.

7. Income tax expenses

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 Inland Revenue Act.

The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date. The fund is not liable to pay income tax as at the reporting date in accordance with the Inland Revenue Act No. 24 of 2017 as amended by the Inland Revenue (Amendment) Act No. 10 of 2021 and subsequent amendments thereto. The fund's income generated through investment business are treated as "pass through vehicles" under the provisions of Inland Revenue Act No. 24 of 2017 as amended by the Inland Revenue (Amendment) Act No. 10 of 2021 and subsequent amendments thereto.

Reconciliation between current tax expense and the accounting profit

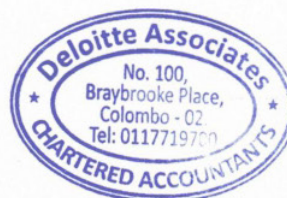
	2024/2025 Rs.	2023/2024 Rs.
Accounting profit from ordinary activities before tax	37,120,231	32,184,851
Less:- Exempted income	<u>(37,120,231)</u>	<u>(32,184,851)</u>
Taxable income	<u>-</u>	<u>-</u>
Income tax provision for the year	<u>-</u>	<u>-</u>
	31.03.2025	31.03.2024
	Rs.	Rs.

8. Cash and cash equivalents

Savings account -Deutsche bank (Note 8.1)	726,050	360,395
Money market savings - HNB (Note 8.1)	209,892	203,802
	<u>935,942</u>	<u>564,197</u>

- 8.1** Bank balances are maintained only to settle day to day operations. Balance in Deutsche bank as at 31 March 2025 is with credit rating of (A-) and balance in HNB as at 31 March 2025 is with Credit rating of (A).

NAMAL GROWTH FUND
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2025



	31.03.2025 Rs.	31.03.2024 Rs.
9. Financial assets - fair value through profit or loss		
Investments in quoted equity securities (Note 9.1)	162,986,073	147,818,389
Investments in unquoted equity securities (Note 9.2)	8,931,487	11,085,247
	<u>171,917,560</u>	<u>158,903,636</u>
9.1 Investments in quoted equity securities		
Cost as at 31 March	142,525,719	137,438,077
Appreciation of market value quoted equity securities	20,460,354	10,380,312
Market value as at 31 March	<u>162,986,073</u>	<u>147,818,389</u>

9.1.1	31 March 2025			31 March 2024		
Company	Number of shares	Market value Rs.	Holdings as a % of net asset value	Number of shares	Market value Rs.	Holdings as a % of net asset value
Banks						
Hatton National Bank PLC	57,405	17,508,525	8.9%	20,000	3,600,000	2.1%
Sampath Bank PLC	-	-	-	70,000	5,600,000	3.2%
Nations Trust Bank PLC	-	-	-	51,035	5,486,263	3.1%
		<u>17,508,525</u>	<u>8.9%</u>		<u>14,686,263</u>	<u>8.4%</u>
Food beverage and tobacco						
Three Acre Farms PLC	17,024	5,102,944	2.6%	17,024	4,690,112	2.7%
Bairaha Farms PLC	110,000	18,122,500	9.3%	110,000	19,030,000	10.9%
Lion Brewery Ceylon PLC	11,656	14,820,604	7.6%	11,656	11,111,082	6.4%
Ceylon Grain Elevators PLC	85,000	15,980,000	8.2%	70,000	11,935,000	6.9%
Melstacorp PLC	202,000	25,654,000	13.1%	-	-	-
Ceylon Tobacco Company PLC	10,000	13,502,500	6.9%	-	-	-
		<u>93,182,548</u>	<u>48%</u>		<u>46,766,194</u>	<u>27%</u>
Capital goods						
Hemas Holdings PLC	-	-	-	151,489	12,179,716	7.0%
John Keels Holdings PLC	1,000,000	20,200,000	10.3%	110,000	21,340,000	12.3%
ACL Cables PLC	-	-	-	242,550	20,398,455	11.7%
		<u>20,200,000</u>	<u>10.3%</u>		<u>53,918,171</u>	<u>31.0%</u>
Materials						
Tokyo Cement Company (Lanka) PLC	50,000	3,950,000	2.0%	116,000	5,472,400	3.1%
Alumex PLC	-	-	-	600,000	5,760,000	3.3%
CIC Holdings PLC	100,000	11,725,000	6.0%	-	-	0.0%
Haycarb PLC	200,000	16,420,000	8.4%	-	-	0.0%
		<u>32,095,000</u>	<u>16.4%</u>		<u>11,232,400</u>	<u>6.4%</u>

NAMAL GROWTH FUND
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2025



9. Financial assets - fair value through profit or loss (Contd.)

9.1 Investments in quoted equity securities

9.1.1

Company	31 March 2025			31 March 2024		
	Number of shares	Market value	Holdings as a % of net asset value	Number of shares	Market value	Holdings as a % of net asset value
		Rs.			Rs.	
Utilities						
Resus Energy PLC	-	-	-	350,830	6,174,608	3.5%
		-	-		6,174,608	3.5%
Diversified Financials						
First Capital Treasuries PLC	-	-	-	50,000	1,235,000	0.7%
First Capital Holdings PLC	-	-	-	69,890	2,404,216	1.4%
		-	-		3,639,216	2.1%
Retailing						
Singer Sri Lanka PLC	-	-	-	708,170	11,401,538	6.5%
		-	-		11,401,538	6.5%
Total value of quoted equity		<u>162,986,073</u>	<u>83.3%</u>		<u>147,818,389</u>	<u>84.9%</u>

31.03.2025 **31.03.2024**
Rs. **Rs.**

9.2 Investments in unquoted equity securities

Cost as at 31 March	11,446,303	11,446,303
Depreciation of market value unquoted equity securities	(2,514,816)	(361,056)
Market value as at 31 March	<u>8,931,487</u>	<u>11,085,247</u>

9.2.1

Company	31 March 2025			31 March 2024		
	Number of shares	Market value	Holdings as a % of net asset value	Number of shares	Market value	Holdings as a % of net asset value
		Rs.			Rs.	
Laugfs Leisure Limited	1,198,934	4,316,163	2.2%	1,198,934	6,643,859	3.8%
Laugfs Leisure Limited - non voting	97,363	350,507	0.2%	97,363	539,534	0.3%
Laugfs Eco Limited	1,198,934	3,944,493	2.0%	1,198,934	3,608,791	2.1%
Laugfs Eco Limited - non voting	97,363	320,324	0.2%	97,363	293,063	0.2%
Total value of unquoted equity securities		<u>8,931,487</u>	<u>4.6%</u>		<u>11,085,247</u>	<u>6.4%</u>

NAMAL GROWTH FUND
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2025

9. Financial assets - fair value through profit or loss (Contd.)

9.2 Investments in unquoted equity securities (Contd.)

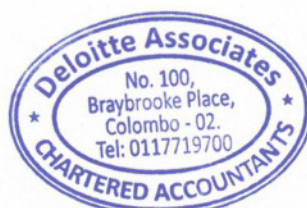
- 9.2.2** On 28 December 2017, the Board of Directors of Laughs Gas PLC approved a restructuring initiative to be facilitated via a scheme of arrangement and initiated the process of obtaining necessary legal, regulatory and shareholder approvals.

As a result, the subsidiaries, Laughs Leisure Limited, Laughs Eco Sri Limited witnessed a restructuring of their shares via a share split to mirror their shareholding with Laughs Gas PLC's shareholding structure. The said subsidiaries will be subsequently listed by way of introduction to the Colombo Stock Exchange.

Further, as a part of the segregation process, all the shareholders of Laughs Gas PLC were entitled to an identical shareholding in the individual companies in addition to the shares which each shareholder holds in Laughs Gas PLC. Vesting of shares occurred on 31 March 2018.

Principal assumptions including unobservable inputs used in determining the fair value and reconciliation of fair value measurements of financial instruments are shown in Note 16.

	2024/2025 Rs.	2023/2024 Rs.
9.3 Realised gains on financial assets at fair value through profit or loss		
Proceeds of equity shares sold	151,607,398	79,225,135
Average cost of equity shares sold	(124,473,596)	(75,055,418)
Net realized gain on shares	<u>27,133,802</u>	<u>4,169,717</u>
 Proceeds of treasury bills sold	 -	 70,980,865
Average cost of treasury bills sold	 -	 (70,665,710)
Net realized gain on treasury bills	<u>-</u>	<u>315,155</u>
 Total net realized gain	<u>27,133,802</u>	<u>4,484,872</u>
 9.4 Unrealised gains on financial assets held at fair value through profit or loss		
Gain on quoted equity securities	10,078,136	20,790,828
Loss on unquoted equity securities	(2,151,853)	-
Loss on debt securities	(864)	(269,016)
Total net unrealized gain	<u>7,925,419</u>	<u>20,521,812</u>



NAMAL GROWTH FUND
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2025

	31.03.2025	31.03.2024
	Rs.	Rs.
10. Financial assets - debt instruments at amortised cost		
Investments In repurchase agreements (<i>Note 10.1</i>)	11,009,704	12,028,874
Investments in treasury bills (<i>Note 10.2</i>)	9,247,070	-
	<u>20,256,774</u>	<u>12,028,874</u>

10.1 Investments In repurchase agreements

	31 March 2025		31 March 2024	
Name of the issuer	Value	Holdings as a % of net asset value	Value	Holdings as a % of net asset value
	Rs.		Rs.	
DFCC Bank	11,009,704	5.6%	12,028,874	5.6%
	<u>11,009,704</u>		<u>12,028,874</u>	

This represent investments in resale agreements entirely backed by government securities. No impairment provisions derived through these investments.

10.2 Investments in treasury bills

	31 March 2025		31 March 2024	
Name of the issuer	Value	Holdings as a % of net asset value	Value	Holdings as a % of net asset value
	Rs.		Rs.	
Wealth Trust Securities (Pvt) Ltd	9,247,070	4.7%	-	-
	<u>9,247,070</u>		<u>-</u>	

This represent investments in resale agreements entirely backed by government securities. No impairment provisions derived through these investments.

	31.03.2025	31.03.2024
	Rs.	Rs.
11. Other receivables		
Dividend receivable	861,075	823,000
Receivables on unit creations	5,689	5,689
	<u>866,764</u>	<u>828,689</u>



NAMAL GROWTH FUND
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2025



	31.03.2025	31.03.2024
	Rs.	Rs.
12. Income tax recoverable		
WHT recoverable	3,220,785	3,220,785
	<u>3,220,785</u>	<u>3,220,785</u>

As of 31st March 2025, the income tax receivable balance comprises WHT recoverable of Rs.3,220,785/- (2023/24 - Rs.3,220,785/-). which intends to claim by means of a refund. Due to eligible unit trust would not be liable for income tax as per Inland Revenue Act No. 24 of 2017 (pass-through vehicle) this balance is carrying forward.

13. Accrued expenses and other payables		
Fund management and registrar fee payable	289,836	252,853
Trustee fee payable	50,079	43,689
Auditor's remuneration payable	682,521	620,474
Consultancy fees payable	439,159	439,872
Other payable	80,703	4,073
	<u>1,542,298</u>	<u>1,360,961</u>

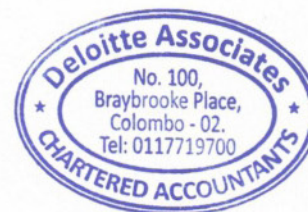
- 14. Net assets per unit**
Reconciliation between the net asset value as per financial statements and the published net asset value.

	31.03.2025	31.03.2024
	Rs.	Rs.
Net asset value as per financial statements	195,655,527	174,185,220
Fair value adjustment on unquoted shares	2,151,853	3,826,988
Under provision of audit fee adjustment	245,930	182,686
Net of opening balance adjustments	-	(406,990)
Income tax receivable	(3,220,785)	(3,220,785)
Published net asset value	<u>194,832,525</u>	<u>174,567,119</u>
Total no of units outstanding	875,936	957,005
Net assets value per unit (Rs.)	<u>222.43</u>	<u>182.41</u>

Movements in the number of units and net assets attributable to unit holders during the year were as follows:

	No. of Units	Rs.
Balance as at 1 April 2024	1,400,612	212,696,303
Increase due to unit creations during the year	2,853	477,705
Decrease due to unit redemptions during the year	(446,460)	(71,173,639)
Increase in net assets attributable to unit holders	-	32,184,851
Balance as at 31 March 2024	<u>957,005</u>	<u>174,185,220</u>
Increase due to unit creations during the year	1,810	363,278
Decrease due to unit redemptions during the year	(82,879)	(16,013,202)
Increase in net assets attributable to unit holders	-	37,120,231
Balance as at 31 March 2025	<u>875,936</u>	<u>195,655,527</u>

NAMAL GROWTH FUND
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2025



15. Analysis of financial instrument by measurement basis

The following tables compare the fair values of the financial instruments with their carrying values.

As at 31 March 2025	Measured at fair value Rs.	Carried at cost Rs.	Amortised cost Rs.	Total Rs.
Assets				
Cash at bank	-	-	935,942	935,942
Financial assets				
Financial assets measured at fair value through profit or loss	171,917,560	-	-	171,917,560
Financial assets measured at amortised cost	-	-	20,256,774	20,256,774
Other receivables	-	-	866,764	866,764
Total	171,917,560	-	22,059,480	193,977,040
Liabilities				
Accrued expenses and other liabilities	-	1,542,298	-	1,542,298
Total	-	1,542,298	-	1,542,298
As at 31 March 2024	Measured at fair value Rs.	Carried at cost Rs.	Amortised cost Rs.	Total Rs.
Assets				
Cash at bank	-	-	564,197	564,197
Financial assets				
Financial assets measured at fair value through profit or loss	158,903,636	-	-	158,903,636
Financial assets measured at amortised cost	-	-	12,028,874	12,028,874
Other receivables	-	-	828,689	828,689
Total	158,903,636	-	13,421,760	172,325,396
Liabilities				
Accrued expenses and other payables	-	1,360,961	-	1,360,961
Total	-	1,360,961	-	1,360,961

16. Determining of fair value and hierarchy of fair value

The following table shows an analysis of financial instruments at fair value and by level of fair value hierarchy.

As at 31 March 2025	Level 1 Rs.	Level 2 Rs.	Level 3 Rs.	Total fair value Rs.
Financial assets measured at fair value				
Financial assets recognised through profit or loss - measured at fair value				
- Investments in quoted equity investments	162,986,073	-	-	162,986,073
- Investments in unquoted equity investments	-	-	8,931,487	8,931,487
	162,986,073	-	8,931,487	171,917,560
As at 31 March 2024	Level 1 Rs.	Level 2 Rs.	Level 3 Rs.	Total fair value Rs.
Financial assets measured at fair value				
Financial assets recognised through profit or loss - measured at fair value				
- Investments in quoted equity investments	147,818,389	-	-	147,818,389
- Investments in unquoted equity investments	-	-	11,085,247	11,085,247
	147,818,389	-	11,085,247	158,903,636

Level 1 - Financial Instruments that are measured in whole or in partly 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 regular 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 the market transactions involving comparable securities.

Level 3 - Financial instruments that are not supported by observable market prices information.

Due to the nature of the short term maturity, carrying value of the financial asset at amortised cost are approximated to their fair value.

NATIONAL EQUITY FUND
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2025

16. Determining of fair value and hierarchy of fair value (Contd.)

16.1 Measurement of fair values

16.1.1 Valuation techniques and significant unobservable inputs

The following table shows the valuation techniques used in measuring Level 2 and Level 3 fair values, as well as the significant unobservable inputs used.

Financial assets/ financial liabilities	Valuation technique(s) and key input(s)	Significant Unobservable inputs	Relationship and sensitivity of unobservable inputs to fair value
Investments in unquoted equity investments	The valuation model is based on the net assets value per share. The total equity attributable to parent company's shareholders are divided by the total no of shares.	Net asset per share of Laughs Leisure Limited and Laughs Eco Sri Limited are Rs.3.60 and Rs 3.29 respectively.	Higher the net asset per share, higher the fair value. If the net asset per share was 1% higher, the fair value would increase by Rs.89,325. If the net asset per share was 1% lower, the fair value would decrease by Rs.89,325. (while all other variables were held constant)

16.1.2 Reconciliation of level 3 fair value measurements of financial instruments

	Unquoted equity investments Rs.	Total Rs.
Balance as at 1 April 2023	14,367,863	14,367,863
Loss on fair valuation in profit or loss	(3,282,616)	(3,282,616)
Balance as at 31 March 2024	11,085,247	11,085,247
Balance as at 1 April 2024	11,085,247	11,085,247
Loss on fair valuation in profit or loss	(2,152,749)	(2,152,749)
Balance as at 31 March 2025	8,932,498	8,932,498

16.1.3 Financial instruments for which fair value approximates carrying value

For financial assets and financial liabilities that have a short term maturity (original maturity less than a year), it is assumed that the carrying amount approximates their fair values.



NAMAL GROWTH FUND
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2025



17. Financial risk management

Overview

The unit trust has exposure to the following risks via financial instruments.

- Market risk
- Liquidity risk
- Credit risk
- Operational risk

This note presents information about the unit trust's exposure to each of the above risks and the objectives, policies and processes for measuring and managing risk.

17.1 Risk management framework

The Board of Directors of fund management company has the overall responsibility for the establishment and oversight of the Fund's risk management framework. The managing company reviews wide-ranging risk categories that includes market, liquidity, credit and operational risk and, manage these risks prudently. This process consists of identifying and analysing the risk confronted by the unit trust, and set appropriate risk limits and controls to monitor risk and adherence to limits.

17.1(a) Market risk

Market risk is the risk that changes in market prices, such as interest rates which will affect the unit trust's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

Management of market risk includes the following elements.

- Overall authority for managing market risk is vested with fund management company.
- The operational authority for managing market risk is vested with the investment/portfolio managers.

The following table demonstrates the sensitivity of the statement of comprehensive income to reasonably possible changes in interest rates /market prices, with all other variables held constant.

	Increase/ (decrease) in basis points	Effect on the profit for the year ended	
		31.03.2025 Rs.	31.03.2024 Rs.
Increase in treasury bills interest rate	+0.5%	(1,049)	-
Decrease in treasury bills interest rate	-0.5%	36	-
Increase in quoted equity securities price	+1%	1,629,842	2,658,994
Decrease in quoted equity securities price	-1%	(1,629,842)	(2,658,994)

NAMAL GROWTH FUND
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2025

17. Financial risk management (Contd.)

17.1.(b) Liquidity risk

Liquidity risk is the risk that the unit trust will have in meeting its obligation due to inadequate financial resources as and when they fall due. This risk arises due to mismatching the timing of cash flows.

Management of liquidity risk includes the following elements:

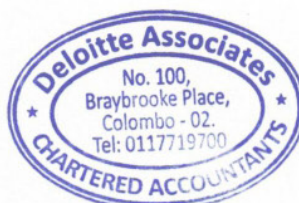
Taking steps to ensure, as far as possible, that it will always have adequate financial resources to meet its liabilities as and when they fall due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the unit trust's reputation.

Maturity analysis of the financial assets and financial liabilities

Expected undiscounted cash flows

	Up to 3 months Rs.	3 months to 1 year Rs.	1-3 years Rs.	3-5 years Rs.	Over 5 years Rs.
As at 31 March 2025					
Assets					
Cash at bank	935,942	-	-	-	-
Financial assets at fair value through profit or loss					
Investments in quoted equity securities	162,986,073	-	-	-	-
Investments in unquoted equity securities	8,931,487	-	-	-	-
Financial assets - at amortised cost					
Investments in treasury bills		10,000,000			
Investments in repurchase agreements	11,009,704	-	-	-	-
Other receivables	866,764	-	-	-	-
Total financial assets	184,729,970	10,000,000	-	-	-

	Up to 3 months Rs.	3 months to 1 year Rs.	1-3 years Rs.	3-5 years Rs.	Over 5 years Rs.
As at 31 March 2024					
Assets					
Cash at bank	564,197	-	-	-	-
Financial assets at fair value through profit or loss					
Investments in quoted equity securities	147,818,389	-	-	-	-
Investments in unquoted equity securities	11,085,247	-	-	-	-
Financial assets - at amortised cost					
Investments in repurchase agreements	12,028,874	-	-	-	-
Other receivables	828,689	-	-	-	-
Total financial assets	172,325,396	-	-	-	-



NAMAL GROWTH FUND
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2025

17. Financial risk management (Contd.)

17.1.(c) Credit risk

Credit risk is the risk of financial loss to the unit trust if a client or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the unit trust's investment in corporate debt securities and investment in reverse repo agreements.

Management of credit risk includes the following components:

- Formulating credit policies in consultation with business units covering collateral requirements, credit assessment, risk grading and reporting, documentary and legal procedures and compliance with regulatory and statutory requirements.
- Establishing the authorisation structure for the approval and renewal of credit facilities.
- Limiting concentration of exposures to counterparties.

Credit quality by class of financial assets

As at 31 March 2025	12 Month expected credit losses	Life time expected credit losses not credit impaired	Life time expected credit losses credit impaired	Total
	Rs.	Rs.	Rs.	Rs.
Assets				
Cash at bank	935,942	-	-	935,942
Financial assets - at amortised cost	11,009,704	-	-	11,009,704
Total financial assets	11,945,646	-	-	11,945,646

As at 31 March 2024	12 Month expected credit losses	Life time expected credit losses not credit impaired	Life time expected credit losses credit impaired	Total
	Rs.	Rs.	Rs.	Rs.
Assets				
Cash at bank	564,197	-	-	564,197
Financial assets - at amortised cost	12,028,874	-	-	12,028,874
Total financial assets	12,593,071	-	-	12,593,071



NAMAL GROWTH FUND
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2025

17. Financial risk management (Contd.)

17.1.(c) Credit risk (Contd.)

Analysis of concentration risk

The following table shows the risk concentration by sector for the components of the statement of financial position.

	Cash at bank	Financial assets measured at fair value through profit or loss	Financial assets measured at amortised cost	Total financial assets
	Rs.	Rs.	Rs.	Rs.
As at 31 March 2025				
Sector wise breakdown				
Government	-	-	20,256,774	20,256,774
Corporate	935,942	171,917,560	-	172,853,502
Total	<u>935,942</u>	<u>171,917,560</u>	<u>20,256,774</u>	<u>193,110,276</u>
As at 31 March 2024				
Sector wise breakdown				
Government	-	-	12,028,874	12,028,874
Corporate	564,197	158,903,636	-	159,467,833
Total	<u>564,197</u>	<u>158,903,636</u>	<u>12,028,874</u>	<u>171,496,707</u>

Credit quality analysis of financial investments

As at 31 March 2025

	Risk status	Financial assets measured at fair value through profit or loss	Financial assets measured at amortised cost	Total financial assets
		Rs.	Rs.	Rs.
Government securities	Risk free	-	20,256,774	20,256,774



NAMAL GROWTH FUND
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2025

17. Financial risk management (Contd.)

17.1.(c) Credit risk (Contd.)

As at 31 March 2024

	Risk status	Financial assets measured at fair value through profit or loss Rs.	Financial assets measured at amortised cost Rs.	Total financial assets Rs.
Government securities	Risk free	-	12,028,874	12,028,874

17.1.(d) Operational risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Fund's involvement with financial instruments, including processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behavior.

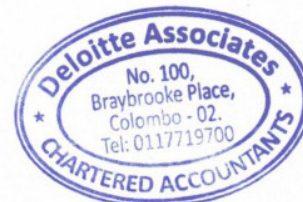
The unit trust's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the business reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity.

The primary responsibility for the development and implementation of controls to address operational risk is assigned to senior management within each business unit. This responsibility is supported by the development of overall unit trust's standards for the management of operational risk in the following areas:

- Requirements for appropriate segregation of duties, including the independent authorisation of transactions
- Requirements for the reconciliation and monitoring of the transaction
- Compliance with regulatory and other legal requirements
- Documentation of controls and procedures.
- Development of business contingency plans
- Training and professional development
- Ethical and business standards.
- Risk mitigation, including insurance where this is effective



NAMAL GROWTH FUND
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2025



18. Related party disclosures

The Fund carries out transactions with parties who are defined as related parties as per Sri Lanka Accounting Standard (LKAS 24), "Related Party Disclosure", in the ordinary course of its business. The details of such transactions are reported below.

18.1 Transaction with managing company

Company Name and Nature of Relationship	Nature of Transaction	Year ended 31.03.2025		Year ended 31.03.2024	
		Transaction Value	Outstanding Balance	Transaction Value	Outstanding Balance
		Rs.	Rs.	Rs.	Rs.
National Assets Management Limited (Managing Company)	Management fee	2,728,015	(248,431)	2,681,546	(216,731)
	Registrar's fees	454,669	(41,405)	446,924	(36,122)

18.2 Transaction with trustee

Company Name and Nature of Relationship	Nature of Transaction	Year ended 31.03.2025		Year ended 31.03.2024	
		Transaction Value	Outstanding Balance	Transaction Value	Outstanding Balance
		Rs.	Rs.	Rs.	Rs.
Deutsche Bank (Trustee)	Trustee fee	549,916	(50,079)	530,186	(43,689)

18.3 Transaction with ultimate parent company/ parent company/ immediate parent company, subsidiaries of the immediate parent of the managing company

Company Name and Nature of Relationship	Nature of Transaction	Year ended 31.03.2025		Year ended 31.03.2024	
		Transaction Value	Outstanding Balance	Transaction Value	Outstanding Balance
		Rs.	Rs.	Rs.	Rs.
DFCC Bank PLC (A shareholder of managing company)	Investments in units	28,273,524	(28,273,524)	28,273,524	(28,273,524)

No. of units as of 31 March 2025 is 155,000 (31 March 2024: 155,000)

18.3 Transactions with key management personnel (KMP) and their close family members (CFM)

According to Sri Lanka Accounting Standard LKAS 24 - "Related Party Disclosures", Key Management Personnel, are those having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of that entity. Accordingly, the Board of Directors of Managing company has been classified as key management personnel of the entity.

Close Family Members of a Key Management Personnel are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity. They may include;

- that person's children and spouse or domestic partner;
- children of that person's spouse or domestic partner; and
- dependants of that person or that person's spouse or domestic partner.

Close family members are related parties to the Entity.

Key management personnel are paid by National Asset Management Limited. Payments made from the Fund to National Asset Management Limited do not include any amounts directly attributable to the compensation of key management personnel.

However, key management personnel have not entered into any other transactions involving the Fund during the financial year.

NAMAL GROWTH FUND
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2025

18. Related party disclosures (contd.)

18.4 Directorships in other companies

The Directors of National Assets Management Limited (Managing Company of the unit trust) are also Directors of the following companies (as of 31

Name of the company	Relationship	Mr. Malay Mukherjee	Mr. Nasser Hamad	Mr. Nirupan Wijeyanathan	Mr. Dilshan Rodrigo	Mr. Prins Perera	Mr. Wijenanda Dambawinne	Mr. Brian Joseph	Mr. Ravi Dassanayake	Mr. Sanjay Pokhrel
Union Bank of Colombo PLC	Related party through KMP	Director	-	-	Director	-	-	-	-	Director
UB Finance PLC	Related party through KMP	Chairman	-	-	Director	-	-	-	-	-
Rockfort Advisory (Pvt) Ltd	Related party through KMP	-	-	Director	-	Director	Director	-	Director	Director
DFCC Consulting (Pvt) Ltd	Related party through KMP	-	-	-	-	Director	-	-	Director	-

19. Capital commitments and contingent liabilities

There were no material capital commitments and contingent liabilities as at the reporting date which require disclosure in the financial statements.

20. Events occurred after the reporting period

There were no material events after the reporting period, which require adjustments to or disclosures in the financial statements.



NAMAL INCOME FUND



NAMAL INCOME FUND

FUND PERFORMANCE REVIEW

Investment Strategy

NAMAL Income Fund (NIF) invests in medium-long term government securities and investment grade corporate debts. Investments are subject to a detailed analysis to manage duration, ensure credit quality and investor protection.

Asset Allocation

The Fund had invested 40% in Treasury Bonds and 22% in Investment grade Commercial Papers, 7% in fixed deposits and 16% in Cash & 7% in Treasury Bills as at the end March 2025. 8% has a maturity profile of 5-10 years, 14% in 3-6 months and 15% in 4-5 years.

Performance Review

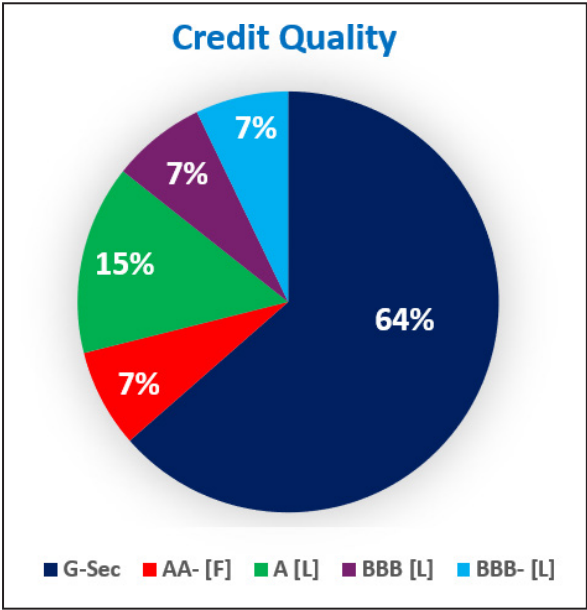
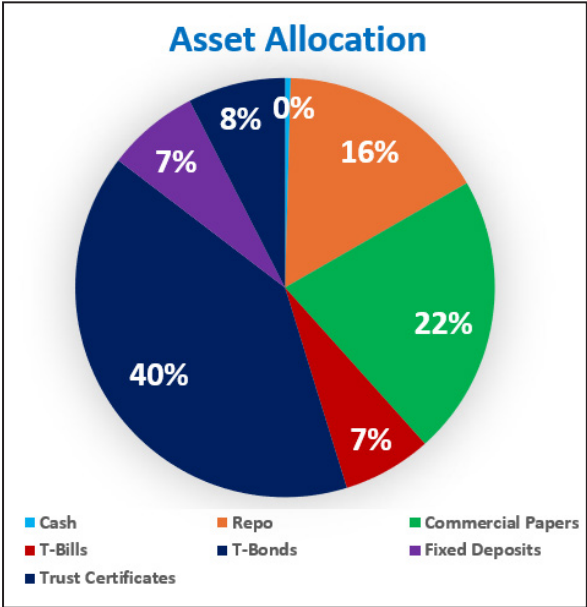
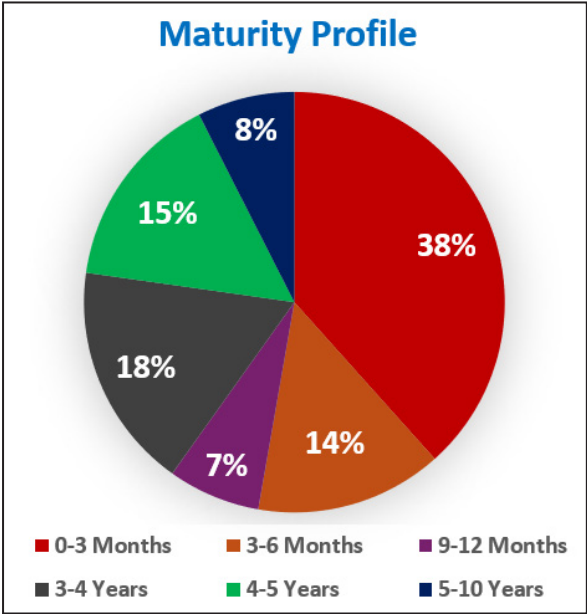
The Fund generated a return of 12.58% for the year ended 31st March 2025. The Fund did not pay any dividends for FY2025.

Fund Performance

Fund Performance as at 31st March 2025 (Annualized)					
	3 months	6 months	12 months	24 months	36 months
NAMAL Income Fund	10.03%	17.07%	12.58%	7.54%	1.77%
Government Securities	8.33%¹	10.11%²	9.88%³	27.48%⁴	14.14%⁵

*Note

Links
1) 3 Months T-Bill offer rate published by CBSL on 31st Dec 2024 https://view.officeapps.live.com/op/view.aspx?src=https%3A%2F%2Fwww.cbsl.gov.lk%2Fsites%2Fdefault%2Ffiles%2Fcbsslweb_documents%2Fabout%2Fnewreport_20241231.xls&wdOrigin=BROWSELINK
2) 6 Months T-Bill offer rate published by CBSL on 30th Sep 2024 https://view.officeapps.live.com/op/view.aspx?src=https%3A%2F%2Fwww.cbsl.gov.lk%2Fsites%2Fdefault%2Ffiles%2Fcbsslweb_documents%2Fabout%2Fnewreport_20240930.xls&wdOrigin=BROWSELINK
3) 12 Months T-Bill offer rate published by CBSL on 31st Mar 2024 https://view.officeapps.live.com/op/view.aspx?src=https%3A%2F%2Fwww.cbsl.gov.lk%2Fsites%2Fdefault%2Ffiles%2Fcbsslweb_documents%2Fabout%2Fnewreport_20240328.xls&wdOrigin=BROWSELINK
4) 2 Year T-Bond offer rate published by CBSL on 31st Mar 2023 https://view.officeapps.live.com/op/view.aspx?src=https%3A%2F%2Fwww.cbsl.gov.lk%2Fsites%2Fdefault%2Ffiles%2Fcbsslweb_documents%2Fabout%2Fnewreport_20230331.xls&wdOrigin=BROWSELINK
5) 3 Year T-Bond offer rate published by CBSL on 31st Mar 2022 https://view.officeapps.live.com/op/view.aspx?src=https%3A%2F%2Fwww.cbsl.gov.lk%2Fsites%2Fdefault%2Ffiles%2Fcbsslweb_documents%2Fabout%2Fnewreport_20220331.xls&wdOrigin=BROWSELINK





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

Report on the audit of the financial statements

Opinion

We have audited the financial statements of NAMAL Income Fund ("the Fund"), which comprise the statement of financial position as of 31 March 2025, and the statement of profit or loss and other 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 material accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Fund as of 31 March 2025, 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 Code of Ethics for Professional Accountants issued by CA Sri Lanka (Code of Ethics), and we have fulfilled our other ethical responsibilities in accordance with the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

The Fund manager is responsible for the other information. The other information comprises the information include in the annual report of the Fund but does not include the financial statements and our auditor's report thereon. The annual report of the Fund is expected to be made available to us after the date of this auditor's report.

Our opinion on the financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above 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.

When we read the annual report of the Fund, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

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

The Fund manager is 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 the management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, Fund manager is responsible for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless Fund manager 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 Fund manager.
- Conclude on the appropriateness of Fund manager'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 Collective Investment Scheme Code (CIS Code) of the Securities and Exchange Commission of Sri Lanka and trust deed.


Deloitte Associates
Chartered Accountants
Colombo

15 July 2025



NAMAL INCOME FUND
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2025

	Note	2024/2025 Rs.	2023/2024 Rs.
Investment Income			
Interest income	6.	69,443,140	17,728,565
Realised gains on financial assets held at fair value through profit or loss	9.3	6,907,985	2,276,405
Unrealised gains on financial assets held at fair value through profit or loss	9.4	11,025,677	5,544,554
Total investment income		<u>87,376,802</u>	<u>25,549,524</u>
Expenses			
Management and registrar's fee		6,598,542	1,144,204
Trustee and custodian fees		459,604	452,272
Auditor's remuneration		483,687	522,504
Bank charges		132,065	36,500
Profession fees		76,723	-
Other expenses		160,000	146,379
Total operating expenses		<u>7,910,621</u>	<u>2,301,859</u>
Profit before tax		79,466,181	23,247,665
Income tax expense	7.	-	-
Profit after tax		<u>79,466,181</u>	<u>23,247,665</u>
Other comprehensive income		-	-
Increase in net assets attributable to unit holders		<u><u>79,466,181</u></u>	<u><u>23,247,665</u></u>

Figures in brackets indicate deductions.

The accounting policies and notes from 1 to 19 form an integral part of these financial statements.



NAMAL INCOME FUND
STATEMENT OF CHANGES IN UNIT HOLDERS' FUNDS
FOR THE YEAR ENDED 31 MARCH 2025

	2024/2025 Rs.	2023/2024 Rs.
Unit holders' funds at the beginning of the year	764,529,099	4,048,470
Increase in net assets attributable to unit holders	79,466,181	23,247,665
Receipts on unit creations	1,545,954,635	812,331,874
Payments on unit redemptions	(1,683,244,916)	(75,098,910)
Unit holders' funds at the end of the year	<u>706,704,999</u>	<u>764,529,099</u>

Figures in brackets indicate deductions.

The accounting policies and notes from 1 to 19 form an integral part of these financial statements.

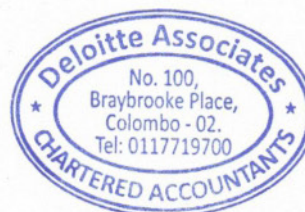


NAMAL INCOME FUND
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2025

	2024/2025 Rs.	2023/2024 Rs.
Cash flows from operating activities		
Interest received	66,458,283	7,322,654
Net investments in fixed deposits	-	(49,397,735)
Net Repurchase agreements	(90,000,000)	(22,464,641)
Net Investment in commercial papers	(20,926,617)	(130,000,000)
Net Investment in treasury bills	(571,638)	(47,546,600)
Net Investment in treasury bonds	227,820,922	(477,022,417)
Net investments in trust certificates	(52,606,045)	-
Operating expenses paid	(7,900,813)	(1,775,215)
Net cash generated from / (used in) operating activities	<u>122,274,092</u>	<u>(720,883,954)</u>
Cash flows from financing activities		
Amounts received on unit creations	1,545,954,635	812,331,874
Amounts paid on unit redemptions	(1,683,244,916)	(75,098,910)
Net cash (used in) / generated from financing activities	<u>(137,290,281)</u>	<u>737,232,964</u>
Net (decrease) / increase in cash and cash equivalents	<u>(15,016,189)</u>	<u>16,349,010</u>
Cash and cash equivalents at the beginning of the year	<u>18,104,895</u>	<u>1,755,885</u>
Cash and cash equivalents at the end of the year	<u><u>3,088,706</u></u>	<u><u>18,104,895</u></u>
At the beginning of the year		
Cash at banks	<u>18,104,895</u>	<u>1,755,885</u>
	<u><u>18,104,895</u></u>	<u><u>1,755,885</u></u>
At the end of the year		
Cash at banks	<u>3,088,706</u>	<u>18,104,895</u>
	<u><u>3,088,706</u></u>	<u><u>18,104,895</u></u>

Figures in brackets indicate deductions.

The accounting policies and notes from 1 to 19 form an integral part of these financial statements.



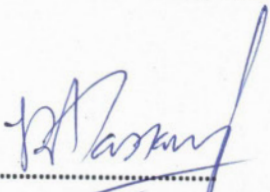
NAMAL INCOME FUND
STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2025

	Note	31.03.2025 Rs.	31.03.2024 Rs.
Assets			
Cash and cash equivalents	8.	3,088,706	18,104,895
Financial assets - fair value through profit or loss	9	332,885,569	538,797,369
Financial assets - debt instruments at amortised cost	10.	372,112,215	208,998,518
Total assets		<u>708,086,490</u>	<u>765,900,782</u>
Unit holders' funds and liabilities			
Liabilities			
Accrued expenses and other payables	11.	1,381,491	1,371,683
Total liabilities (excluding net assets attributable to unit holders)		<u>1,381,491</u>	<u>1,371,683</u>
Unit holders' fund			
Net assets attributable to unit holders		706,704,999	764,529,099
Total unit holders' funds and liabilities		<u>708,086,490</u>	<u>765,900,782</u>
 Net asset value per unit (Rs.)	 12	 14.57	 12.94

The accounting policies and notes from 1 to 19 form an integral part of these financial statements.

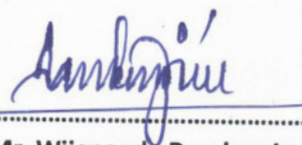
The Management Company of NAMAL Income Fund is responsible for the preparation and presentation of these financial statements in accordance with the Sri Lanka Accounting Standards.

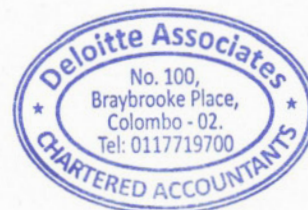
Approved by the Fund Management Company and the Trustee on 15 July 2025.


Mr. Ravi Dassanayake
 Director
 Fund Management Company

DEUTSCHE BANK AG
 Colombo Branch

 Authorised Signatories
Deutsche Bank AG
 Trustee


Mr. Wijenanda Dambawinne
 Director
 Fund Management Company



NAMAL INCOME FUND
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2025



1. Corporate information

1.1 Reporting entity

NAMAL Income Fund is an open-ended fixed income Fund which is approved by the Securities and Exchange Commission of Sri Lanka. The Fund was launched on 08th December 1991.

The Fund is managed by National Asset Management Limited, which is incorporated and domiciled in Sri Lanka. The registered office of the Management Company is located at No. 7, Glen Aber Place, Colombo 3. The Trustee of the Fund is Deutsche Bank AG whose place of business is at Level 21, One Galle Face Tower, 1A, Centre Road, Galle Face, Colombo – 02.

1.2 Principal activities

The primary investment objective of the Fund is to provide investors with a semiannual income at low level of risk through prudently investing in fixed income securities, according to the parameters stated in the Collective Investment Scheme Code (CIS Code 2022) of the Securities and Exchange Commission of Sri Lanka

There were no significant changes in the nature of the principal activities of the unit trust during the period under review.

1.3 Approval of financial statements

The financial statements of the Fund for the period ended 31 March 2025 were authorized for issue by the Fund Management Company and the Trustee on 15 July 2025.

2. Basis of preparation

2.1 Statement of compliance

The financial statements of the Unit trust which comprise the statement of financial position, statement of profit or loss and other comprehensive income, statement of changes in unit holders' Funds, statement of cash flows and notes thereto have been prepared in accordance with the Sri Lanka Accounting Standards (SLFRS and LKAS) laid down by the Institute of Chartered Accountants of Sri Lanka and adopted as directed by the Securities and Exchange Commission of Sri Lanka.

2.2 Basis of measurement

The financial statements have been prepared on the historical cost basis and applied consistently with no adjustments being made for inflationary factors affecting the financial statements, except for the financial assets at fair value through profit or loss.

2.3 Functional and presentation currency

The financial statements are presented in Sri Lankan Rupees, which is the unit trust's functional currency.

2.4 Presentation

Assets and liabilities are grouped by nature and listed in an order that reflects their relative liquidity and maturity pattern. Where appropriate, the material accounting policies are disclosed in the succeeding notes.

2.5 Materiality and aggregation

Each material class of similar items are presented separately in the financial statements. Items of dissimilar nature or function are presented separately unless they are immaterial as permitted by the Sri Lanka Accounting Standard – LKAS 1 – "Presentation of Financial Statements".

NAMAL INCOME FUND
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2025



3. Material accounting policies – (Contd.)

3.1 Financial instruments – (Contd.)

3.1.4 Subsequent measurement – (Contd.)

Fair value through profit or loss: A financial asset is measured at fair value through profit or loss if:

- (a) its contractual terms do not give rise to cash flows on specified dates that are sole payments of principal and interest on the principal amount outstanding.
or
- (b) it is not held within a business model whose objective is either to collect contractual cash flows, or to both collect contractual cash flows and sell.
or
- (c) at initial recognition, it is irrevocably designated as measured at fair value through profit or loss when doing so eliminate or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities or recognizing the gains and losses on them on different bases.

A gain or loss on a debt investment that is subsequently measured at fair value through profit or loss is recognised in profit or loss and presented net within unrealized gains/(losses) in the period in which it arises.

Financial assets at fair value through profit or loss in the statement of financial position comprise of investment in treasury bills and treasury bonds.

3.1.5 Financial liabilities

a) Initial recognition and measurement

The Fund determines the classification of its financial liabilities at initial recognition.

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

b) Subsequent measurement

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

3.1.6 Identification, measurement, and assessment of impairment

The Fund assesses on a forward-looking basis, the expected credit losses (ECLs) associated with its debt instruments not held at fair value through profit or loss. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Fund expects to receive, discounted at an approximation of the original effective interest rate.

ECLs are recognized in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL).

NAMAL INCOME FUND
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2025

2. Basis of preparation – (Contd.)

2.6 Statement of cash flows

The statement of cash flows has been prepared using the "Indirect Method" of preparing cash flows in accordance with the Sri Lanka Accounting Standard LKAS 7 - "Statement of Cash Flows". Cash and cash equivalents comprise short term, highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value.

2.7 Going concern

The management has assessed 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 manager 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.

3. Material accounting policies

3.1 Financial instruments

3.1.1 Initial recognition

Financial assets and liabilities 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 or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the marketplace.

3.1.2 Initial measurement of financial instrument

The classification of financial instruments at initial recognition depends on their contractual terms and the business model for managing the instruments. At initial recognition, the Fund measures a financial asset at its fair value plus transaction costs that are directly attributable to the acquisition, except those financial assets are subsequently measured at fair value through profit or loss. Transaction costs of financial assets carried at fair value through profit or loss are expensed in the statement of profit or loss.

3.1.3 Measurement categories of financial assets

The Fund classifies all its financial assets in the following measurement categories:

- a) those to be measured at amortised cost.
- b) those to be measured at fair value through profit or loss. (FVTPL)

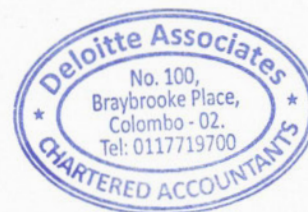
3.1.4 Subsequent measurement

Amortised cost: A debt instrument is measured at amortised cost if it is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and its contractual terms give rise to cash flows that are sole for payments of principal and interest on the principal amount outstanding.

Debt instruments at amortised cost in the statement of financial position comprise of investments in resale agreements against government securities, Fixed deposits, and commercial papers. Any gain or loss arising on de-recognition is recognised directly in profit or loss and presented in realized gain/(loss) on debt instruments held at amortised cost.



**NAMAL INCOME FUND
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2025**



3. Material accounting policies – (Contd.)

3.1 Financial instruments – (Contd.)

3.1.6 Identification, measurement, and assessment of impairment – (Contd.)

For those credit exposures from which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

The Fund uses the ratings from either Fitch Rating Lanka Limited or Lanka Rating Agency Limited to determine the significant deterioration in credit risk and to estimate the ECLs. Movements within the ratings of the investment grade, stipulate significant deterioration of credit risk. This is measured through the two-notch-downgrade of the external credit rating of the counterparty.

ECLs are recognized using a provision for impairment account in profit or loss, with the corresponding amount recognized as a reduction in the carrying amount of the asset in the statement of financial position.

Investment in corporate debt securities measured at amortized cost has been considered for 12-month ECL and as of 31 March 2025, the impact on the financial statements resulting from the same is not significant.

3.1.7 Sale and repurchase agreements

Securities purchased under agreements to resell are recorded under investments. The difference between sale and purchase price is treated as interest and accrued over the life of the agreements using the effective interest method.

3.1.8 De-recognition

A financial asset is de-recognised 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.

3.1.9 Offsetting of financial instruments

Financial assets and financial liabilities are offset, and the net amount reported in the statement of financial position if, and only if:

- a) there is a currently enforceable legal right to offset the recognised amounts and
- b) there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

3.1.10 Interest income

Interest income presented in the statement of profit or loss include interest on financial instruments measured at amortised cost calculated on an effective interest basis and contractual interest received or receivable on financial instruments measured at fair value through profit or loss.

The effective interest rate is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial instrument (or, where appropriate, a shorter period) to the carrying amount of the financial instrument. When calculating the effective interest rate, the unit trust estimates future cash flows considering all contractual terms of the financial instrument, but not future credit losses.

NAMAL INCOME FUND
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2025



3. Material accounting policies – (Contd.)

3.1 Financial instruments – (Contd.)

3.1.11 Gain / (loss) on securities

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

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

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

Realized gains / (losses) on financial assets at fair value through profit or loss includes realized trading gains and losses on sale of financial assets at fair value through profit or loss.

3.1.12 Expenses

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

Management fee is 0.60% p.a. of the net asset value of the Fund calculated on a daily basis. Registrar fee is 0.15% p.a. of the net asset value of the Fund calculated on a daily basis. Trustee fee and Custodian fee are fixed fee amounts of Rs. 200,000 and 180,000 p.a. respectively.

3.1.13 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 as described in the Trust Deed and directives issued by the Securities and Exchange Commission of Sri Lanka, by the number of units in issue.

4. Use of estimates and judgments

4.1 Fair value of financial instruments

Management considers credit, liquidity and market risk and assesses the impact on valuation of investments when determining the fair value. When available, the Fund measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as active if transactions for assets or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. Management uses their judgments on this.

4.2 Impairment losses on financial assets – debt instruments at amortised cost

The Fund reviews its financial investments classified as debt instrument at amortized cost at each reporting date to assess whether they are impaired. In particular, management's judgment is required in the estimation of the amount and timing of future cash flows when determining the impairment loss. These estimates are based on assumptions of a number of factors and actual results may differ, resulting in future changes to the allowance.

5. Comparative information

The accounting policies have been consistently applied by the Fund and are consistent with those of the previous year. The previous year's figures and phrases have been re-arranged wherever necessary to conform to current year's presentation / classification.

NAMAL INCOME FUND
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2025

	2024/2025 Rs.	2023/2024 Rs.
6. Interest Income		
Interest on fixed deposits	5,762,095	990,449
Interest on saving accounts	281,284	232,662
Interest on money market savings	466,555	1,129,674
Interest on repurchase agreements	12,264,260	2,682,661
Interest on commercial papers	18,793,275	3,019,698
Interest on treasury bills	6,339,715	567,288
Interest on treasury bonds	24,945,834	9,106,133
Interest on trust certificate	590,122	-
	<u>69,443,140</u>	<u>17,728,565</u>

- 6.1** Subsequent to the enactment of the Inland Revenue Act No. 24 of 2017, effective from 1 April 2018, interest income has been recognized net of withholding tax as the Fund considers its income to be a 'pass-through' to its unit holders.

7. Income tax expenses

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 Inland Revenue Act.

The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date. The fund is not liable to pay income tax as at the reporting date in accordance with the Inland Revenue Act No. 24 of 2017 as amended by the Inland Revenue (Amendment) Act No. 10 of 2021 and subsequent amendments thereto. The fund's income generated through investment business are treated as "pass through vehicles" under the provisions of Inland Revenue Act No. 24 of 2017 as amended by the Inland Revenue (Amendment) Act No. 10 of 2021 and subsequent amendments thereto.

Reconciliation between current tax expense and the accounting	2024/2025 Rs.	2023/2024 Rs.
Accounting profit from ordinary activities before tax	79,466,181	23,247,665
Less:- Exempted income	(79,466,181)	(23,247,665)
Taxable income	<u>-</u>	<u>-</u>
Income tax provision for the year	<u>-</u>	<u>-</u>
	31.03.2025	31.03.2024
	Rs.	Rs.
8. Cash and cash equivalents		
Savings account -Deutsche Bank (Note 8.1)	1,816,735	9,295,129
Money market savings - HNB (Note 8.1)	1,271,971	8,809,766
	<u>3,088,706</u>	<u>18,104,895</u>



NAMAL INCOME FUND
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2025

8 Cash and cash equivalents - (Contd.)

- 8.1** Bank balances are maintained only to settle day to day operations. Balance in Deutsche bank as at 31 March 2025 is with Credit rating of (A-) and balance in HNB as at 31 March 2025 is with Credit rating of (A).

	31.03.2025 Rs.	31.03.2024 Rs.
9. Financial assets - fair value through profit or loss		
Investment in treasury bills (Note 9.1)	48,591,773	47,783,844
Investment in treasury bonds (Note 9.2)	284,293,796	491,013,525
	<u>332,885,569</u>	<u>538,797,369</u>

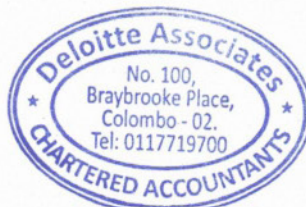
9.1 Investments in treasury bills

Name of the primary dealer	As at 31 March 2025		As at 31 March 2024	
	Value	Holdings as a % of net asset value	Value	Holdings as a % of net asset value
	Rs.		Rs.	
First Capital Treasuries PLC	-	-	47,783,844	6.3%
Wealthtrust Securities Ltd	48,591,773	6.9%	-	-
	<u>48,591,773</u>		<u>47,783,844</u>	

9.2 Investments in treasury bonds

DFCC Bank	123,525,472	17.5%	14,746,268	1.9%
Wealthtrust Securities Ltd	160,768,324	22.7%	476,267,257	62.3%
	<u>284,293,796</u>		<u>491,013,525</u>	

	31.03.2025 Rs.	31.03.2024 Rs.
9.3 Realised gains on financial assets at fair value through profit or loss		
Proceed on realization of treasury bonds	1,699,812,373	48,183,405
Cost of treasury bonds	(1,692,867,700)	(45,907,000)
Realized gain on treasury bonds	<u>6,944,673</u>	<u>2,276,405</u>
Proceed on realization of treasury bills	429,407,362	-
Cost of treasury bills	(429,444,050)	-
Realized gain on treasury bills	<u>(36,688)</u>	<u>-</u>
Net realized gain	<u>6,907,985</u>	<u>2,276,405</u>
9.4 Unrealised gains on financial assets held at fair value through profit or loss		
Gain on treasury bills	17,301	8,039
Gain on treasury bonds	11,008,376	5,536,515
Net unrealized gain	<u>11,025,677</u>	<u>5,544,554</u>



NAMAL INCOME FUND
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2025

	31.03.2025 Rs.	31.03.2024 Rs.
10. Financial assets - debt instruments at amortised cost		
Investment in fixed deposits (Note 10.1)	50,281,428	50,931,833
Investment in repurchase agreements (Note 10.2)	115,127,206	25,046,987
Investment in commercial papers (Note 10.3)	153,507,535	133,019,698
Investment in trust certificates (Note 10.4)	53,196,046	-
	<u>372,112,215</u>	<u>208,998,518</u>

10.1 Investments in fixed deposits

Name of the issuer	As at 31 March 2025		As at 31 March 2024	
	Value	Holdings as a % of net asset value	Value	Holdings as a % of net asset value
	Rs.		Rs.	
Allianaz Finance Co Ltd.	50,281,428	7.1%	50,931,833	6.7%
	<u>50,281,428</u>		<u>50,931,833</u>	

10.2 Investments in repurchase agreements

Acuity Securities	-	-	25,046,987	3.3%
SAFE Holdings (PVT) LTD	50,069,863	7.1%	-	-
DFCC Bank	65,057,343	9.2%	-	-
	<u>115,127,206</u>		<u>25,046,987</u>	

This represent investment in resale agreements entirely backed by government securities. No impairment provisions derived through these investments.

10.3 Investments in commercial papers

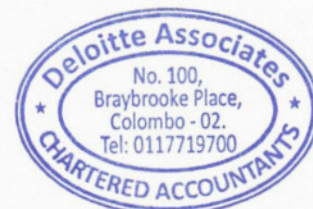
E.B.Creasy & Company PLC	-	-	30,855,000	4.0%
LOLC Holdings PLC	102,679,213	14.5%	82,106,136	10.7%
C. W. Mackie PLC	50,828,322	7.2%	20,058,562	2.6%
	<u>153,507,535</u>		<u>133,019,698</u>	

10.4 Investment in Trust Certificates

Mahindra Ideal Finance Limited	53,196,046	7.5%	-	-
	<u>53,196,046</u>		<u>-</u>	



NAMAL INCOME FUND
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2025



13 Analysis of financial instrument by measurement basis

The following tables compare the fair values of the financial instruments with their carrying values.

	Measured at fair value Rs.	Carried at cost Rs.	Amortised cost Rs.	Total Rs.
As at 31 March 2025				
Assets				
Cash at bank	-	-	3,088,706	3,088,706
Financial assets				
Financial assets measured at fair value through profit or loss	332,885,569	-	-	332,885,569
Financial assets measured at amortised cost	-	-	372,112,215	372,112,215
Total	332,885,569	-	375,200,921	708,086,490
Liabilities				
Accrued expenses and other liabilities	-	1,381,491	-	1,381,491
Total	-	1,381,491	-	1,381,491
	Measured at fair value Rs.	Carried at cost Rs.	Amortised cost Rs.	Total Rs.
As at 31 March 2024				
Assets				
Cash at bank	-	-	18,104,895	18,104,895
Financial assets				
Financial assets measured at fair value through profit or loss	538,797,369	-	-	538,797,369
Financial assets measured at amortised cost	-	-	208,998,518	208,998,518
Total	538,797,369	-	227,103,413	765,900,782
Liabilities				
Accrued expenses and other payables	-	1,371,683	-	1,371,683
Total	-	1,371,683	-	1,371,683

14 Determining of fair value and hierarchy of fair value

The following table shows an analysis of financial instruments at fair value and by level of fair value hierarchy.

	Level 1 Rs.	Level 2 Rs.	Level 3 Rs.	Total fair value Rs.
As at 31 March 2025				
Financial assets measured at fair value				
Financial assets recognised through profit or loss - measured at fair value				
- Investments in treasury bills	48,591,773	-	-	48,591,773
- Investments in treasury bonds	284,293,796	-	-	284,293,796
	332,885,569	-	-	332,885,569
As at 31 March 2024				
Financial assets measured at fair value				
Financial assets recognised through profit or loss - measured at fair value				
- Investments in treasury bills	47,783,844	-	-	47,783,844
- Investments in treasury bonds	491,013,525	-	-	491,013,525
	538,797,369	-	-	538,797,369

Level 1 - Financial Instruments that are measured in whole or in partly 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 regular 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 the market transactions involving comparable securities.

Level 3 - Financial instruments that are not supported by observable market prices information.

Due to the nature of the short term maturity, carrying value of the financial asset at amortised cost are approximated to their fair value.

NAMAL INCOME FUND
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2025

	31.03.2025	31.03.2024
	Rs.	Rs.
11. Accrued expenses and other payables		
Fund manager and registrar fee payable	458,034	483,169
Trustee and custodian fee payable	39,035	39,035
Auditor's remuneration payable	483,687	522,503
Consultancy fee payable	324,220	324,933
Other payables	76,515	2,043
	<u>1,381,491</u>	<u>1,371,683</u>

12. Net assets per unit

Reconciliation between the net asset value as per financial statements and the published net asset value.

	31.03.2025	31.03.2024
	Rs.	Rs.
Net asset value as per financial statements	706,704,999	764,529,099
Under provision of audit fee adjustment	-	37,492
Net of opening balance adjustments	-	17,284
Published net asset value	<u>706,704,999</u>	<u>764,583,875</u>
 Total no of units outstanding	 48,501,254	 59,074,518
 Net assets value per unit (Rs.)	 <u>14.57</u>	 <u>12.94</u>



Movements in the number of units and net assets attributable to unit holders during the year were as follows:

	No. of Units	Rs.
Balance as at 1 April 2023	322,721	4,048,470
Increase due to unit creation during the year	-	-
Increase due to unit creation during the year	64,644,483	812,331,874
Decrease due to unit redemption during the year	(5,892,686)	(75,098,910)
Increase in net assets attributable to unit holders	-	23,247,665
Balance as at 31 March 2024	<u>59,074,518</u>	<u>764,529,099</u>
 Increase due to unit creation during the year	 114,677,132	 1,545,954,635
Decrease due to unit redemption during the year	(125,250,396)	(1,683,244,916)
Increase in net assets attributable to unit holders	-	79,466,181
Income distribution to unit holders	-	-
Balance as at 31 March 2025	<u>48,501,254</u>	<u>706,704,999</u>

NAMAL INCOME FUND
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2025



15. Financial risk management (Contd.)

15.1.(c) Credit risk

Credit risk is the risk of financial loss to the unit trust if a client or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the unit trust's investment in corporate debt securities and investment in reverse repo agreements.

Management of credit risk includes the following components:

- Formulating credit policies in consultation with business units covering collateral requirements, credit assessment, risk grading and reporting, documentary and legal procedures and compliance with regulatory and statutory requirements.
- Establishing the authorisation structure for the approval and renewal of credit facilities.
- Limiting concentration of exposures to counterparties.

Credit quality by class of financial assets

	12 Month expected credit losses Rs.	Life time expected credit losses not credit impaired Rs.	Life time expected credit losses credit impaired Rs.	Total Rs.
As at 31 March 2025				
Assets				
Cash at bank	3,088,706	-	-	3,088,706
Financial assets - at amortised cost	372,112,215	-	-	372,112,215
Total financial assets	375,200,920	-	-	375,200,920

	12 Month expected credit losses Rs.	Life time expected credit losses not credit impaired Rs.	Life time expected credit losses credit impaired Rs.	Total Rs.
As at 31 March 2024				
Assets				
Cash at bank	18,104,895	-	-	18,104,895
Financial assets - at amortised cost	208,998,518	-	-	208,998,518
Total financial assets	227,103,413	-	-	227,103,413

There are no differences in the net exposure to the credit risk and the maximum exposure to the credit risk for the above financial assets.

NAMAL INCOME FUND
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2025

15. Financial risk management

Overview

The unit trust has exposure to the following risks via financial instruments.

- Market risk
- Liquidity risk
- Credit risk
- Operational risk

This note presents information about the unit trust's exposure to each of the above risks and the objectives, policies and processes for measuring and managing risk.

15.1 Risk management framework

The Board of Directors of fund management company has the overall responsibility for the establishment and oversight of the fund's risk management framework. The managing company reviews wide-ranging risk categories that includes market, liquidity, credit and operational risk and, manage these risks prudently. This process consists of identifying and analysing the risk confronted by the unit trust, and set appropriate risk limits and controls to monitor risk and adherence to limits.

15.1(a) Market risk

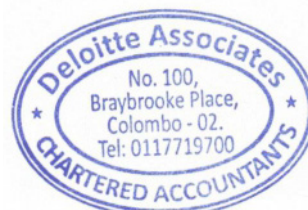
Market risk is the risk that changes in market prices, such as interest rates which will affect the unit trust's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

Management of market risk includes the following elements.

- Overall authority for managing market risk is vested with fund management company.
- The operational authority for managing market risk is vested with the investment/portfolio managers.

The following table demonstrates the sensitivity of the statement of comprehensive income to reasonably possible changes in interest rates /market prices, with all other variables held constant.

	Increase/(decrease) in basis points	Effect on the profit for the year ended	
		31.03.2025 Rs.	31.03.2024 Rs.
Increase in treasury bonds interest rate	+0.5%	(4,435,395)	(8,855,660)
Decrease in treasury bonds interest rate	-0.5%	4,528,824	9,079,825
Increase in treasury bills interest rate	+0.5%	(89,845)	(51,030)
Decrease in treasury bills interest rate	-0.5%	88,783	158,140



NAMAL INCOME FUND
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2025

15. Financial risk management (Contd.)

15.1.(b) Liquidity risk

Liquidity risk is the risk that the unit trust will have in meeting its obligation due to inadequate financial resources as and when they fall due. This risk arises due to mismatching the timing of cash flows.

Management of liquidity risk includes the following elements:

Taking steps to ensure, as far as possible, that it will always have adequate financial resources to meet its liabilities as and when they fall due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the unit trust's

Maturity analysis of the financial assets and financial liabilities

Expected undiscounted cash flows

	Up to 3 months Rs.	3 months to 1 year Rs.	1-3 years Rs.	3-5 years Rs.	Over 5 years Rs.
As at 31 March 2025					
Assets					
Cash at bank	3,088,706	-	-	-	-
Financial assets at fair value through profit or loss					
Investment in treasury bills	-	50,000,000	-	-	-
Investment in treasury bonds	15,216,248	15,216,248	60,864,992	256,437,895	52,750,000
Financial assets - at amortised cost					
Investment in fixed deposits	-	55,175,000	-	-	-
Investment in repurchase agreements	115,127,206	-	-	-	-
Investment in commercial papers	154,947,079	-	-	-	-
Investment in trust certificates	-	55,484,932	-	-	-
Total financial assets	288,379,239	175,876,180	60,864,992	256,437,895	52,750,000

Expected undiscounted cash flows

	Up to 3 months Rs.	3 months to 1 year Rs.	1-3 years Rs.	3-5 years Rs.	Over 5 years Rs.
As at 31 March 2024					
Assets					
Cash at bank	18,104,895	-	-	-	-
Financial assets at fair value through profit or loss					
Investment in treasury bills	-	50,000,000	-	-	-
Investment in treasury bonds	17,591,248	42,966,248	121,114,992	280,370,391	343,000,000
Financial assets - at amortised cost					
Investment in fixed deposits	-	56,750,000	-	-	-
Investment in repurchase agreements	25,046,986	-	-	-	-
Investment in commercial papers	-	140,147,123	-	-	-
Investment in trust certificates	-	-	-	-	-
Total financial assets	60,743,129	289,863,371	121,114,992	280,370,391	343,000,000



NAMAL INCOME FUND
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2025

15 Financial risk management (Contd.)
15.1.(c) Credit risk (Contd.)

	Risk status	Financial assets measured at fair value through profit Rs.	Financial assets measured at amortised cost Rs.	Total Rs.
As at 31 March 2024				
Government securities	Risk free	538,797,369	25,046,987	563,844,356
Debt instruments having credit ratings				
AA+ to A+	Low risk	-	-	-
A to BBB+	Medium risk	-	133,019,698	133,019,698
BBB-	High risk	-	50,931,833	50,931,833

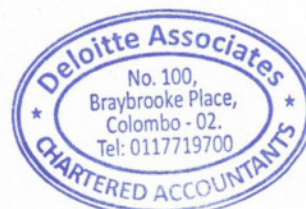
15.1.(d) Operational risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Fund's involvement with financial instruments, including processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour.

The unit trust's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the business reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity.

The primary responsibility for the development and implementation of controls to address operational risk is assigned to senior management within each business unit. This responsibility is supported by the development of overall unit trust's standards for the management of operational risk in the following areas:

- Requirements for appropriate segregation of duties, including the independent authorisation of transactions
- Requirements for the reconciliation and monitoring of the transaction
- Compliance with regulatory and other legal requirements
- Documentation of controls and procedures.
- Development of business contingency plans
- Training and professional development
- Ethical and business standards.
- Risk mitigation, including insurance where this is effective



NAMAL INCOME FUND
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2025

15 Financial risk management (Contd.)

15.1.(c) Credit risk (Contd.)

Analysis of concentration risk

The following table shows the risk concentration by sector for the components of the statement of financial position.

	Cash at bank	Financial assets measured at fair value through profit or loss	Financial assets measured at amortised cost	Total financial assets
	Rs.	Rs.	Rs.	Rs.
As at 31 March 2025				
Sector wise breakdown				
Government	-	332,885,569	115,127,206	448,012,775
Corporate	3,088,706	-	256,985,009	260,073,715
Total	3,088,706	332,885,569	372,112,215	708,086,490
As at 31 March 2024				
Sector wise breakdown				
Government	-	538,797,369	25,046,987	563,844,356
Corporate	18,104,895	-	183,951,531	202,056,426
Total	18,104,895	538,797,369	208,998,518	765,900,782

Credit quality analysis of financial investments

	Risk status	Financial assets measured at fair value through profit or loss	Financial assets measured at amortised cost	Total
		Rs.	Rs.	Rs.
As at 31 March 2025				
Government securities	Risk free	332,885,569	115,127,206	448,012,775
Debt instruments having credit ratings				
AA+ to A+	Low risk	-	-	-
A to BBB+	Medium risk	-	256,985,009	256,985,009
BBB-	High risk	-	-	-

NAMAL INCOME FUND
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2025

16. Related party disclosures

The Fund carries out transactions with parties who are defined as related parties as per Sri Lanka Accounting Standard (LKAS 24), "Related Party Disclosure", in the ordinary course of its business. The details of such transactions are reported below.

16.1 Transaction with managing company

Company Name and Nature of Relationship	Nature of Transaction	Year ended 31.03.2025		Year ended 31.03.2024	
		Transaction Value Rs.	Outstanding Balance Rs.	Transaction Value Rs.	Outstanding Balance Rs.
National Assets Management Limited (Managing Company)	Investments in unit trust Management fee Registrar's fee No. of units as of 31 March	- 5,278,834 1,319,708 -	- (366,427) (91,607)	54,316,746 915,363 228,841 4,196,708	(54,316,746) (386,535) (96,634)

16.2 Transaction with trustee

Company Name and Nature of Relationship	Nature of Transaction	Year ended 31.03.2025		Year ended 31.03.2024	
		Transaction Value Rs.	Outstanding Balance Rs.	Transaction Value Rs.	Outstanding Balance Rs.
Deutsche Bank (Trustee)	Trustee fee Custodian fee	241,896 217,708	(20,545) (18,490)	238,038 214,234	(20,545) (18,490)



NAMAL INCOME FUND
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2025

16. Related party disclosures (Contd.)

16.2 Transactions with key management personnel (KMP) and their close family members (CFM)

According to Sri Lanka Accounting Standard LKAS 24 - "Related Party Disclosures", Key Management Personnel, are those having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of that entity. Accordingly, the Board of Directors of Managing company has been classified as key management personnel of the entity.

Close Family Members of a Key Management Personnel are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity. They may include;

- a. that person's children and spouse or domestic partner;
- b. children of that person's spouse or domestic partner; and
- c. dependents of that person or that person's spouse or domestic partner.

Close family members are related parties to the Entity.

Key management personnel are paid by National Asset Management Limited. Payments made from the Fund to National Asset Management Limited do not include any amounts directly attributable to the compensation of key management personnel.

However, key management personnel have not entered into any other transactions involving the Fund during the financial year.



NAMAL INCOME FUND
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2025

16. Related party disclosures (contd.)

16.3 Directorships in other companies

The Directors of National Assets Management Limited (Managing Company of the unit trust) are also Directors of the following companies (as of 31 March 2025).

Name of the company	Relationship	Mr. Malay Mukherjee	Mr. Nasser Hamad	Mr. Nirupan	Mr. Dilshan Rodrigo	Mr. Prins Perera	Mr. Wijenanda	Mr. Brian Joseph	Mr. Ravi Dassanayake	Mr. Sanjay
Union Bank of Colombo PLC	Related party through KMP	Director	-	-	Director	-	-	-	-	Director
UB Finance PLC	Related party through KMP	Chairman	-	-	Director	-	-	-	-	-
Rockfort Advisory (Pvt) Ltd	Related party through KMP	-	-	Director	-	Director	Director	-	Director	Director
DFCC Consulting (Pvt) Ltd	Related party through KMP	-	-	-	-	Director	-	-	Director	-

17. Capital commitments and contingent liabilities

There were no material capital commitments and contingent liabilities as at the reporting date which require disclosure in the financial statements.

18. Events occurred after the reporting period

There were no material events after the reporting period, which require adjustments to or disclosures in the financial statements.



NAMAL HIGH YIELD FUND



NAMAL HIGH YIELD FUND

FUND PERFORMANCE REVIEW

Investment Strategy

NAMAL High Yield Fund (NHYP) invests in short-term investment grade fixed income securities for yield enhancement. Investments are subject to detailed analysis to ensure credit quality and investor protection.

Asset Allocation

The Fund invested 27% in cash & repos, 22% in Commercial Papers, 8% in Treasury bills, 8% in Trust Certificates and 35% in Fixed Deposits as at the end of March 2025. Out of total investments, 48% were with a maturity profile of less than one month.

Performance Review

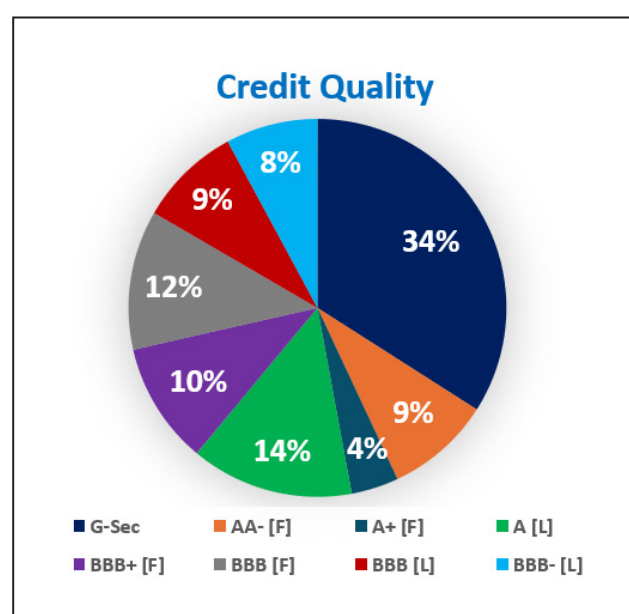
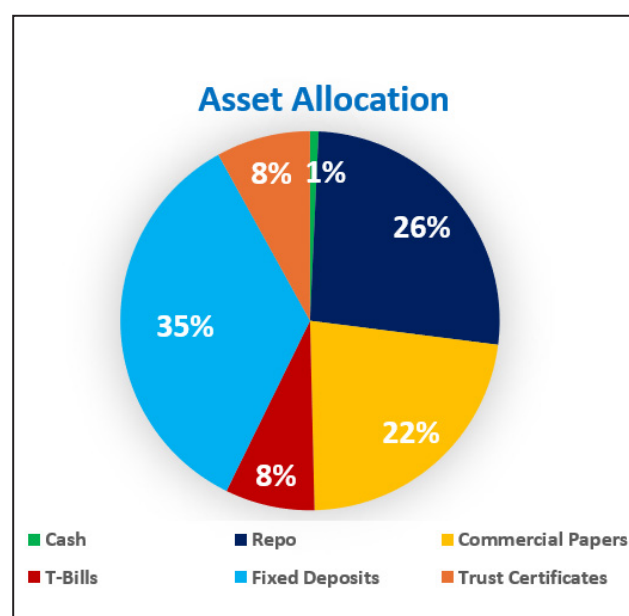
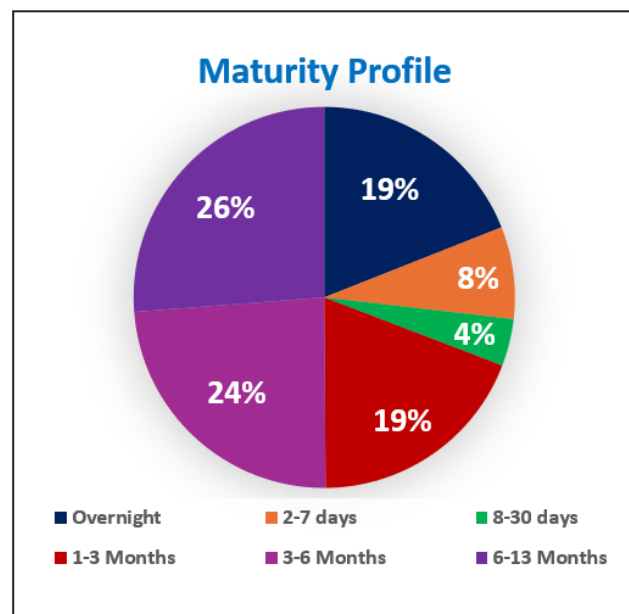
The Fund generated a return of 9.57% for the year ended 31st March 2025.

Fund Performance

Fund Performance as at 31st March 2025 (Annualized)					
	3 months	6 months	12 months	24 months	36 months
NAMAL High Yield Fund	8.81%	9.17%	9.57%	15.50%	20.41%
Government Securities	8.33% ¹	10.11% ²	9.88% ³	27.48% ⁴	14.14% ⁵

*Note

Links
1) 3 Months T-Bill offer rate published by CBSL on 31st Dec 2024 https://view.officeapps.live.com/op/view.aspx?src=https%3A%2F%2Fwww.cbsl.gov.lk%2Fsites%2Fdefault%2Ffiles%2Fcbsslweb_documents%2Fabout%2Fnewreport_20241231.xls&wdOrigin=BROWSELINK
2) 6 Months T-Bill offer rate published by CBSL on 30th Sep 2024 https://view.officeapps.live.com/op/view.aspx?src=https%3A%2F%2Fwww.cbsl.gov.lk%2Fsites%2Fdefault%2Ffiles%2Fcbsslweb_documents%2Fabout%2Fnewreport_20240930.xls&wdOrigin=BROWSELINK
3) 12 Months T-Bill offer rate published by CBSL on 31st Mar 2024 https://view.officeapps.live.com/op/view.aspx?src=https%3A%2F%2Fwww.cbsl.gov.lk%2Fsites%2Fdefault%2Ffiles%2Fcbsslweb_documents%2Fabout%2Fnewreport_20240328.xls&wdOrigin=BROWSELINK
4) 2 Year T-Bond offer rate published by CBSL on 31st Mar 2023 https://view.officeapps.live.com/op/view.aspx?src=https%3A%2F%2Fwww.cbsl.gov.lk%2Fsites%2Fdefault%2Ffiles%2Fcbsslweb_documents%2Fabout%2Fnewreport_20230331.xls&wdOrigin=BROWSELINK
5) 3 Year T-Bond offer rate published by CBSL on 31st Mar 2022 https://view.officeapps.live.com/op/view.aspx?src=https%3A%2F%2Fwww.cbsl.gov.lk%2Fsites%2Fdefault%2Ffiles%2Fcbsslweb_documents%2Fabout%2Fnewreport_20220331.xls&wdOrigin=BROWSELINK





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INDEPENDENT AUDITOR'S REPORT TO THE UNIT HOLDERS OF NAMAL HIGH YIELD FUND

Report on the audit of the financial statements

Opinion

We have audited the financial statements of NAMAL High Yield Fund ("the Fund"), which comprise the statement of financial position as of 31 March 2025, and the statement of profit or loss and other 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 material accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Fund as of 31 March 2024, 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 Code of Ethics for Professional Accountants issued by CA Sri Lanka (Code of Ethics), and we have fulfilled our other ethical responsibilities in accordance with the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

The Fund manager is responsible for the other information. The other information comprises the information included in the annual report of the Fund but does not include the financial statements and our auditor's report thereon. The annual report of the Fund is expected to be made available to us after the date of this auditor's report.

Our opinion on the financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above 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.

When we read the annual report of the Fund, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

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

The Fund manager is 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 the management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, Fund manager is responsible for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless Fund manager 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 Fund manager.
- Conclude on the appropriateness of Fund manager'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 Collective Investment Scheme Code (CIS Code) of the Securities and Exchange Commission of Sri Lanka and trust deed.

Deloitte Associates
Deloitte Associates
Chartered Accountants
Colombo

15 July 2025



NAMAL HIGH YIELD FUND
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2025

	Note	2024/2025 Rs.	2023/2024 Rs.
Investment Income			
Interest income	6.	139,476,920	148,920,755
Total investment income		<u>139,476,920</u>	<u>148,920,755</u>
Expenses			
Management fees		7,085,575	4,040,765
Trustee and custodian fees		2,861,250	1,725,105
Auditor's remuneration		431,066	391,878
Consultancy fees		99,999	100,273
Other expenses		233,537	174,326
Total operating expenses		<u>10,711,427</u>	<u>6,432,347</u>
Profit before tax		128,765,493	142,488,408
Income tax expense	7.	-	-
Profit after tax		<u>128,765,493</u>	<u>142,488,408</u>
Net increase in net assets attributable to unit holders		<u><u>128,765,493</u></u>	<u><u>142,488,408</u></u>

Figures in brackets indicate deductions.

The accounting policies and notes from 1 to 18 form an integral part of these financial statements.



NAMAL HIGH YIELD FUND
STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2025

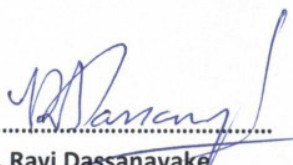
	Note	31.03.2025 Rs.	31.03.2024 Rs.
Assets			
Cash and cash equivalents	8.	6,634,020	28,401,300
Financial assets - debt instruments at amortised cost	9.	1,271,954,180	827,485,736
Other receivables	10.	2,116,754	2,116,754
Income tax receivable	11.	5,081,419	5,081,419
Total assets		<u>1,285,786,373</u>	<u>863,085,209</u>
Unit holders' funds and liabilities			
Current liabilities			
Accrued expenses and other payables	12.	<u>1,650,124</u>	<u>1,300,664</u>
Total liabilities (excluding net assets attributable to unit holders)		<u>1,650,124</u>	<u>1,300,664</u>
Unit holders' fund			
Net assets attributable to unit holders	13.	<u>1,284,136,249</u>	<u>861,784,545</u>
Total unit holders' funds and liabilities		<u>1,285,786,373</u>	<u>863,085,209</u>
 Net assets per unit (Rs.)	 13.	 42.79	 39.06

Figures in brackets indicate deductions.

The accounting policies and notes from 1 to 18 form an integral part of these financial statements.

The Management Company of NAMAL High Yield Fund is responsible for the preparation and presentation of these financial statements in accordance with the Sri Lanka Accounting Standards.

Approved by the Fund Management Company and the Trustee on 15 July 2025.


.....
Mr. Ravi Dassanayake
Director
Fund Management Company


.....
Mr. Wijenanda Dambawinne
Director
Fund Management Company

DEUTSCHE BANK AG
Colombo Branch


.....
Deutsche Bank AG
Trustee
Authorized Signatories



NAMAL HIGH YIELD FUND
STATEMENT OF CHANGES IN UNIT HOLDERS' FUNDS
FOR THE YEAR ENDED 31 MARCH 2025

	2024/2025 Rs.	2023/2024 Rs.
Unit holders' funds at the beginning of the year	861,784,545	740,604,363
Increase in net assets attributable to unit holders	128,765,493	142,488,408
Receipts on unit creations	2,704,400,523	745,674,776
Payments on unit redemptions	(2,410,814,312)	(766,983,002)
Unit holders' funds at the end of the year	<u>1,284,136,249</u>	<u>861,784,545</u>

Figures in brackets indicate deductions.

The accounting policies and notes from 1 to 18 form an integral part of these financial statements.



**NAMAL HIGH YIELD FUND
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2025**

		2024/2025 Rs.	2023/2024 Rs.
Cash flows from operating activities			
Interest received		178,040,544	94,503,524
Management fees and trustee fees paid		(9,697,583)	(5,689,797)
Other expenses paid		(664,384)	(556,394)
Net investments in commercial papers		(50,596,164)	(152,322,627)
Net investments in fixed deposits		(377,514,247)	(50,347,468)
Net investments in treasury bills		(1,048,650)	335,592,365
Net investments in treasury bonds		54,589,184	(54,589,185)
Net investments in repurchase agreements		(8,500,000)	(328,000,000)
Net investments in trust certificates		(99,999,999)	-
Net increase in other receivables		37,808	397,346
Net cash used operating activities		<u>(315,353,491)</u>	<u>(161,012,236)</u>
Cash flows from financing activities			
Cash received on unit creations	13	2,704,400,523	745,674,776
Cash paid on unit redemptions	13	(2,410,814,312)	(766,983,002)
Net cash generated from / (used in) financing activities		<u>293,586,211</u>	<u>(21,308,226)</u>
Net decrease in cash and cash equivalents		(21,767,280)	(182,320,462)
Cash and cash equivalents at the beginning of the year		<u>28,401,300</u>	<u>210,721,762</u>
Cash and cash equivalents at the end of the year		<u><u>6,634,020</u></u>	<u><u>28,401,300</u></u>
At the beginning of the year			
Cash at banks		<u>28,401,300</u>	<u>210,721,762</u>
		<u><u>28,401,300</u></u>	<u><u>210,721,762</u></u>
At the end of the year			
Cash at banks	8	<u>6,634,020</u>	<u>28,401,300</u>
		<u><u>6,634,020</u></u>	<u><u>28,401,300</u></u>

Figures in brackets indicate deductions.

The accounting policies and notes from 1 to 18 form an integral part of these financial statements.



NAMAL HIGH YIELD FUND
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2025



1. Corporate information

1.1 Reporting entity

NAMAL High Yield Fund is an open-ended money market Fund which is approved by the Securities and Exchange Commission of Sri Lanka. The Fund was launched on 8th December 1991.

The Fund is managed by National Asset Management Limited, which is incorporated and domiciled in Sri Lanka. The registered office of the Management Company is located at No. 7, Glen Aber Place, Colombo 3. The Trustee of the Fund is Deutsche Bank AG whose place of business is at Level 21, One Galle Face Tower, 1A, Centre Road, Galle Face, Colombo – 02.

1.2 Principal activities

The primary investment objective of the Fund is to obtain yield enhancement above the one-year treasury bill rate by investing in commercial paper, corporate debentures, trust certificates, asset back securities, other fixed income securities and government securities, according to the parameters stated in the Collective Investment Scheme Code (CIS Code 2022) of the Securities and Exchange Commission of Sri Lanka

There were no significant changes in the nature of the principal activities of the unit trust during the period under review.

1.3 Approval of financial statements

The financial statements of the Fund for the period ended 31 March 2025 were authorized for issue by the Fund Management Company and the Trustee on 15 July 2025.

2. Basis of preparation

2.1 Statement of compliance

The financial statements of the unit trust which comprise the statement of financial position, statement of profit or loss and other comprehensive income, statement of changes in unit holders' Funds, statement of cash flows and notes thereto have been prepared in accordance with the Sri Lanka Accounting Standards (SLFRS and LKAS) laid down by the Institute of Chartered Accountants of Sri Lanka and adopted as directed by the Securities and Exchange Commission of Sri Lanka.

2.2 Basis of measurement

The financial statements have been prepared on the historical cost basis and applied consistently with no adjustments being made for inflationary factors affecting the financial statements.

2.3 Functional and presentation currency

The financial statements are presented in Sri Lankan Rupees, which is the unit trust's functional currency.

2.4 Presentation

Assets and liabilities are grouped by nature and listed in an order that reflects their relative liquidity and maturity pattern. Where appropriate, the material accounting policies are disclosed in the succeeding notes.

2.5 Materiality and aggregation

Each material class of similar items are presented separately in the financial statements. Items of dissimilar nature or function are presented separately unless they are immaterial as permitted by the Sri Lanka Accounting Standard – LKAS 1 – "Presentation of Financial Statements".

NAMAL HIGH YIELD FUND
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2025

2. Basis of preparation – (Contd.)

2.6 Statement of cash flows

The statement of cash flows has been prepared using the "Indirect Method" of preparing cash flows in accordance with the Sri Lanka Accounting Standard LKAS 7 - "Statement of Cash Flows". Cash and cash equivalents comprise short term, highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value.

2.7 Going concern

The management has assessed 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 manager 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.

3. Material accounting policies

3.1 Financial instruments

3.1.1 Initial recognition

Financial assets and liabilities 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 or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the marketplace.

3.1.2 Initial measurement of financial instrument

The classification of financial instruments at initial recognition depends on their contractual terms and the business model for managing the instruments. At initial recognition, the Fund measures a financial asset at its fair value plus transaction costs that are directly attributable to the acquisition.

3.1.3 Measurement categories of financial assets

The Fund classifies all its financial assets in those to be measured at amortized cost.

3.1.4 Subsequent measurement

Amortised cost: A debt instrument is measured at amortised cost if it is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and its contractual terms give rise to cash flows that are sole for payments of principal and interest on the principal amount outstanding.

Debt instruments at amortised cost in the statement of financial position comprise of investments in resale agreements against government securities, commercial papers, fixed deposits, trust certificates treasury bills and treasury bonds. Any gain or loss arising on de-recognition is recognised directly in profit or loss and presented in realized gain/(loss) on debt instruments held at amortised cost.

3.1.5 Financial liabilities

a) Initial recognition and measurement

The Fund determines the classification of its financial liabilities at initial recognition.

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



**NAMAL HIGH YIELD FUND
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2025**

3. Material accounting policies – (Contd.)

3.1 Financial instruments – (Contd.)

3.1.5 Financial liabilities – (Contd.)

b) Subsequent measurement

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

3.1.6 Identification, measurement, and assessment of impairment

The Fund assesses on a forward-looking basis, the expected credit losses (ECLs) associated with its debt instruments not held at fair value through profit or loss. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Fund expects to receive, discounted at an approximation of the original effective interest rate.

ECLs are recognized in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL).

For those credit exposures from which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

The Fund uses the ratings from either Fitch Rating Lanka Limited or Lanka Rating Agency Limited to determine the significant deterioration in credit risk and to estimate the ECLs. Movements within the ratings of the investment grade, stipulate significant deterioration of credit risk. This is measured through the two-notch-downgrade of the external credit rating of the counterparty.

ECLs are recognized using a provision for impairment account in profit or loss, with the corresponding amount recognized as a reduction in the carrying amount of the asset in the statement of financial position.

Investment in corporate debt securities measured at amortized cost has been considered for 12-month ECL and as of 31 March 2025, the impact on the financial statements resulting from the same is not significant.

3.1.7 Sale and repurchase agreements

Securities purchased under agreements to resell are recorded under investments. The difference between sale and purchase price is treated as interest and accrued over the life of the agreements using the effective interest method.



**NAMAL HIGH YIELD FUND
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2025**

3. Material accounting policies – (Contd.)

3.2 Financial instruments – (Contd.)

3.2.1 De-recognition

A financial asset is de-recognised 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.

3.2.2 Offsetting of financial instruments

Financial assets and financial liabilities are offset, and the net amount reported in the statement of financial position if, and only if:

- a) there is a currently enforceable legal right to offset the recognised amounts and
- b) there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

3.2.3 Interest income

Interest income presented in the statement of profit or loss include interest on financial instruments measured at amortised cost calculated on an effective interest basis and contractual interest received or receivable on financial instruments measured at fair value through profit or loss.

The effective interest rate is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial instrument (or, where appropriate, a shorter period) to the carrying amount of the financial instrument. When calculating the effective interest rate, the unit trust estimates future cash flows considering all contractual terms of the financial instrument, but not future credit losses.

3.2.4 Expenses

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

Management fee is 0.50 % p.a. of the net asset value of the Fund calculated on a daily basis. Trustee fee is 0.15% p.a. of net asset value of the Fund calculated on a daily basis. Custodian fee is a fixed fee amount of Rs. 240,000 p.a.

3.2.5 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 as described in the Trust Deed and directives issued by the Securities and Exchange Commission of Sri Lanka, by the number of units in issue.



NAMAL HIGH YIELD FUND
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2025

4. Use of estimates and judgments

4.1 Impairment losses on financial assets – debt instruments at amortised cost

The Fund reviews its financial investments classified as debt instrument at amortized cost at each reporting date to assess whether they are impaired. In particular, management's judgment is required in the estimation of the amount and timing of future cash flows when determining the impairment loss. These estimates are based on assumptions of a number of factors and actual results may differ, resulting in future changes to the allowance.

5. Comparative information

The accounting policies have been consistently applied by the Fund and are consistent with those of the previous year. The previous year's figures and phrases have been re-arranged wherever necessary to conform to current year's presentation / classification.



NAMAL HIGH YIELD FUND
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2025

	2024/2025 Rs.	2023/2024 Rs.
6. Interest income		
Interest on commercial papers	37,628,655	14,112,899
Interest on saving accounts	339,779	517,234
Interest on fixed deposits	30,789,799	913,561
Interest on money market savings	986,463	5,851,114
Interest on treasury bills	10,324,129	95,064,763
Interest on treasury bonds	18,813,517	434,933
Interest on repurchase agreements	30,947,990	32,026,251
Interest on trust certificates	9,608,780	-
Placement fee income	37,808	-
	<u>139,476,920</u>	<u>148,920,755</u>

- 6.1** Subsequent to the enactment of the Inland Revenue Act No. 24 of 2017, effective from 1 April 2018, interest income has been recognized net of withholding tax as the Fund considers its income to be a 'pass-through' to its unit holders.

7. Income tax expenses

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 Inland Revenue Act.

The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date. The fund is not liable to pay income tax as at the reporting date in accordance with the Inland Revenue Act No. 24 of 2017 as amended by the Inland Revenue (Amendment) Act No. 10 of 2021 and subsequent amendments thereto. The fund's income generated through investment business are treated as "pass through vehicles" under the provisions of Inland Revenue Act No. 24 of 2017 as amended by the Inland Revenue (Amendment) Act No. 10 of 2021 and subsequent amendments thereto.

Reconciliation between current tax expense and the accounting profit	2024/2025 Rs.	2023/2024 Rs.
Accounting profit from ordinary activities before tax	128,765,493	142,488,408
Less:- Exempted income	<u>(128,765,493)</u>	<u>(142,488,408)</u>
Taxable income	<u>-</u>	<u>-</u>
Income tax provision for the year	<u>-</u>	<u>-</u>



NAMAL HIGH YIELD FUND
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2025



	31.03.2025	31.03.2024
	Rs.	Rs.
8. Cash and cash equivalents		
Savings account - Deutsche Bank (Note 8.1)	1,140,861	2,883,220
Money market savings - HNB (Note 8.1)	222,136	218,016
Money market savings - NDB (Note 8.1)	5,240,478	25,269,000
Money market savings - DFCC (Note 8.1)	30,545	31,064
	<u>6,634,020</u>	<u>28,401,300</u>

- 8.1** Bank balances are maintained only to settle day to day operations. Balance in Deutsche bank represents as at 31 March 2025 is with credit rating of "A-". Balance in HNB represents as at 31 March 2025 is with credit rating of "A". Balance in NDB represents as at 31 March 2025 is with credit rating of "AA+". Balance in DFCC bank represents as at 31 March 2025 is with credit rating of "AA-".

	31.03.2025	31.03.2024
	Rs.	Rs.
9. Financial assets - debt instruments at amortised cost		
Investments in commercial papers (Note 9.1)	289,590,498	238,061,981
Investments in fixed deposits (Note 9.2)	444,777,331	51,261,030
Investments in treasury bills (Note 9.3)	97,865,714	144,438,035
Investments in treasury bonds (Note 9.4)	-	56,938,082
Investments in repurchase agreements (Note 9.5)	336,848,364	336,786,608
Investments in trust certificates (Note 9.6)	102,872,273	-
	<u>1,271,954,180</u>	<u>827,485,736</u>

9.1 Investments in commercial papers

Name of the issuer	As at 31 March 2025		As at 31 March 2024	
	Value	Holdings as a % of net asset value	Value	Holdings as a % of net asset value
	Rs.		Rs.	
LOLC Holdings PLC	178,066,165	13.9%	105,759,120	12.3%
E.B.Creasy & Company PLC	-	-	92,022,329	10.7%
C. W. Mackie PLC	111,524,333	8.7%	40,280,532	4.7%
	<u>289,590,498</u>		<u>238,061,981</u>	

9.2 Investments in fixed deposits

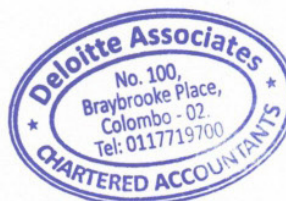
Alliance Finance Company PLC	100,908,922	7.9%	51,261,030	5.9%
Mahindra Ideal Finance Limited	109,533,837	8.5%	-	-
Abans Finance PLC	132,995,362	10.4%	-	-
Citizen Development Business Finance	101,339,210	7.9%	-	-
	<u>444,777,331</u>		<u>51,261,030</u>	

NAMAL HIGH YIELD FUND
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2025

9. Financial assets - debt instruments at amortised cost - (Contd.)

Name of the issuer	As at 31 March 2025		As at 31 March 2024	
	Value	Holdings as a % of net asset value	Value	Holdings as a % of net asset value
	Rs.		Rs.	
9.3 Investments in treasury bills				
Wealth Trust Securities Ltd	97,865,714	7.6%	98,754,057	11.5%
First Capital Treasuries PLC	-	-	45,683,978	5.3%
	<u>97,865,714</u>		<u>144,438,035</u>	
9.4 Investments in treasury bonds				
Acuity Securities Ltd	-	-	56,938,082	6.6%
	<u>-</u>		<u>56,938,082</u>	
9.5 Investments in repurchase agreements				
SAFE Holdings (Pvt) Ltd	100,139,726	7.8%	278,728,766	32.3%
Acuity Securities Ltd	-	-	58,057,842	6.7%
DFCC Bank PLC	236,708,638	18.4%	-	-
	<u>336,848,364</u>		<u>336,786,608</u>	
9.6 Investments in Trust Certificates				
Asia Asset Finance PLC	51,775,156	4.0%	-	-
Singer Finance (Lanka) PLC	51,097,117	4.0%	-	-
	<u>102,872,273</u>		<u>-</u>	
			31.03.2025	31.03.2024
			Rs.	Rs.
10. Other receivables				
Placement fee receivable			2,116,754	2,116,754
			<u>2,116,754</u>	<u>2,116,754</u>
11. Income tax receivable				
WHT recoverable			5,081,419	5,081,419
			<u>5,081,419</u>	<u>5,081,419</u>

As of 31st March 2025, the income tax receivable balance comprises WHT recoverable of Rs.5,081,418/- (2023/24 - Rs.5,081,418/-). which intends to claim by means of a refund. Due to eligible unit trust would not be liable for income tax as per Inland Revenue Act No. 24 of 2017 (pass-through vehicle) this balance is carrying forward.



NAMAL HIGH YIELD FUND
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2025

	31.03.2025	31.03.2024
	Rs.	Rs.
12. Accrued expenses and other payables		
Fund management fees payable	540,253	357,370
Trustee fee and custodian fee payable	220,683	154,324
Auditor's remuneration payable	431,066	391,876
Consultancy fees payable	194,659	210,479
Unit cancellation payable	74,616	74,550
Other payable	188,847	112,065
	<u>1,650,124</u>	<u>1,300,664</u>

13. Net assets per unit

Reconciliation between the net asset value as per financial statements and the published net asset value.

	31.03.2025	31.03.2024
	Rs.	Rs.
Net asset value as per financial statement	1,284,136,249	861,784,545
Under provision of audit fee	166,185	126,272
Net of opening balance adjustments	-	94,638
Income tax recoverable	(5,081,419)	(5,081,419)
Published net asset value	<u>1,279,221,015</u>	<u>856,924,036</u>
No of units outstanding	29,892,609	21,940,907
Published net asset value per unit	<u>42.79</u>	<u>39.06</u>

Movements in the number of units and net assets attributable to unit holders during the year were as follows:

	No. of Units	Rs.
Balance as at 1 April 2023	22,526,867	740,604,363
Increase due to unit creation during the year	17,380,460	745,674,776
Decrease due to unit redemption during the year	(17,966,420)	(766,983,002)
Increase in net assets attributable to unit holders	-	142,488,408
Balance as at 31 March 2024	<u>21,940,907</u>	<u>861,784,545</u>
Increase due to unit creation during the year	67,251,220	2,704,400,523
Decrease due to unit redemption during the year	(59,299,518)	(2,410,814,312)
Increase in net assets attributable to unit holders	-	128,765,493
Balance as at 31 March 2025	<u>29,892,609</u>	<u>1,284,136,249</u>



NAMAL HIGH YIELD FUND
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2025

14. Analysis of financial instrument by measurement basis

The following tables compare the fair values of the financial instruments with their carrying values.

As at 31 March 2025	Measured at fair value Rs.	Carried at cost Rs.	Amortised cost Rs.	Total Rs.
Assets				
Cash at bank	-	-	6,634,020	6,634,020
Financial assets				
Financial assets measured at amortised cost	-	-	1,271,954,180	1,271,954,180
Other receivables	-	-	2,116,754	2,116,754
Total	<u>-</u>	<u>-</u>	<u>1,280,704,954</u>	<u>1,280,704,954</u>
Liabilities				
Accrued expenses and other liabilities	-	1,650,124	-	1,650,124
Total	<u>-</u>	<u>1,650,124</u>	<u>-</u>	<u>1,650,124</u>

As at 31 March 2024	Measured at fair value Rs.	Carried at cost Rs.	Amortised cost Rs.	Total Rs.
Assets				
Cash at bank	-	-	28,401,300	28,401,300
Financial assets				
Financial assets measured at amortised cost	-	-	827,485,736	827,485,736
Other receivables	-	-	2,116,754	2,116,754
Total	<u>-</u>	<u>-</u>	<u>858,003,791</u>	<u>858,003,791</u>
Liabilities				
Accrued expenses and other payables	-	1,300,664	-	1,300,664
Total	<u>-</u>	<u>1,300,664</u>	<u>-</u>	<u>1,300,664</u>

All financial assets of the fund are measured at amortised cost. Due to the nature of the short term maturity, the carrying value of these financial asset are approximated to their fair value.



NAMAL HIGH YIELD FUND
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2025

15. Financial risk management

Overview

The unit trust has exposure to the following risks via financial instruments.

- Market risk
- Liquidity risk
- Credit risk
- Operational risk

This note presents information about the unit trust's exposure to each of the above risks and the objectives, policies and processes for measuring and managing risk.

15.1 Risk management framework

The Board of Directors of fund management company has the overall responsibility for the establishment and oversight of the fund's risk management framework. The managing company reviews wide-ranging risk categories that includes market, liquidity, credit and operational risk and, manage these risks prudently. This process consists of identifying and analysing the risk confronted by the unit trust, and set appropriate risk limits and controls to monitor risk and adherence to limits.

15.1(a) Market risk

Market risk is the risk that changes in market prices, such as interest rates will affect the unit trust's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

Management of market risk includes the following elements.

- Overall authority for managing market risk is vested with fund management company.
- The operational authority for managing market risk is vested with the investment/portfolio managers.

However, due to the short-term nature of the instruments, it is reasonably expected that the fluctuation in interest rate will not materially impact the net assets value of the Fund.



NAMAL HIGH YIELD FUND
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2025

15. Financial risk management (Contd.)
15.1 Risk management framework (Cntd.)

15.1.(b) Liquidity risk

Liquidity risk is the risk that the unit trust will have in meeting its obligation due to inadequate financial resources as and when they fall due. This risk arises due to mismatching the timing of cash flows.

Management of liquidity risk includes the following elements:

Taking steps to ensure, as far as possible, that it will always have adequate financial resources to meet its liabilities as and when they fall due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the unit trust's reputation.

Maturity analysis of the financial assets and financial liabilities

Expected undiscounted cash flows

	Up to 3 months Rs.	3 months to 1 year Rs.	1-3 years Rs.	3-5 years Rs.	Over 5 years Rs.
As at 31 March 2025					
Assets					
Cash at bank	6,634,020	-	-	-	-
Financial assets - at amortised cost					
Investments in commercial papers	137,921,548	158,656,387	-	-	-
Investments in fixed deposits	111,000,000	362,883,214	-	-	-
Investments in treasury bills	50,000,000	50,000,000	-	-	-
Investments in trust certificates		108,724,157	-	-	-
Investments in repurchase agreement	336,871,652	-	-	-	-
Other receivables	2,116,754	-	-	-	-
	<u>644,543,974</u>	<u>680,263,758</u>	<u>-</u>	<u>-</u>	<u>-</u>

	Up to 3 months Rs.	3 months to 1 year Rs.	1-3 years Rs.	3-5 years Rs.	Over 5 years Rs.
As at 31 March 2024					
Assets					
Cash at bank	28,401,300	-	-	-	-
Financial assets - at amortised cost					
Investments in commercial papers	-	251,051,515	-	-	-
Investments in fixed deposits	-	56,768,493	-	-	-
Investments in treasury bills	50,000,000	50,000,000	-	-	-
Investments in trust certificates	-	61,250,000	-	-	-
Investments in repurchase agreement	338,314,142	-	-	-	-
Other receivables	2,116,754	-	-	-	-
Total financial assets	<u>418,832,196</u>	<u>419,070,008</u>	<u>-</u>	<u>-</u>	<u>-</u>



NAMAL HIGH YIELD FUND
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2025

15. Financial risk management (Contd.)

15.1 Risk management framework (Contd.)

15.1.(c) Credit risk

Credit risk is the risk of financial loss to the unit trust if a client or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the unit trust's investment in corporate debt securities and investment in reverse repo agreements.

Management of credit risk includes the following components:

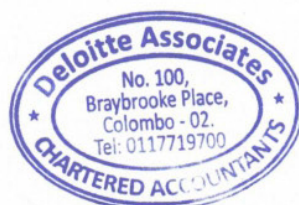
- Formulating credit policies in consultation with business units covering collateral requirements, credit assessment, risk grading and reporting, documentary and legal procedures and compliance with regulatory and statutory requirements.
- Establishing the authorisation structure for the approval and renewal of credit facilities.
- Limiting concentration of exposures to counterparties.

Credit quality by class of financial assets

As at 31 March 2025	12 Month expected credit losses	Life time expected credit losses not credit impaired	Life time expected credit losses credit impaired	Total
	Rs.	Rs.	Rs.	Rs.
Assets				
Cash at bank	6,634,020	-	-	6,634,020
Financial assets - at amortised cost	1,271,954,180	-	-	1,271,954,180
Total financial assets	<u>1,278,588,200</u>	<u>-</u>	<u>-</u>	<u>1,278,588,200</u>

As at 31 March 2024	12 Month expected credit losses	Life time expected credit losses not credit impaired	Life time expected credit losses credit impaired	Total
	Rs.	Rs.	Rs.	Rs.
Assets				
Cash at bank	28,401,300	-	-	28,401,300
Financial assets - at amortised cost	827,485,736	-	-	827,485,736
Total financial assets	<u>855,887,036</u>	<u>-</u>	<u>-</u>	<u>855,887,036</u>

There are no differences in the net exposure to the credit risk and the maximum exposure to the credit risk for the above financial assets.



NAMAL HIGH YIELD FUND
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2025



15. Financial risk management (Contd.)
15.1 Risk management framework (Contd.)

15.1.(c) Credit risk (Contd.)

Analysis of concentration risk

The following table shows the risk concentration by sector for the components of the statement of financial position.

	Cash at bank	Financial assets measured at fair value through profit or loss	Financial assets measured at amortised cost	Total financial assets
	Rs.	Rs.	Rs.	Rs.
As at 31 March 2025				
Sector wise breakdown				
Government	-	-	434,714,078	434,714,078
Corporate	6,634,020	-	837,240,102	843,874,122
Total	6,634,020	-	1,271,954,180	1,278,588,200

As at 31 March 2024				
Sector wise breakdown				
Government	-	-	538,162,725	538,162,725
Corporate	28,401,300	-	289,323,011	317,724,311
Total	28,401,300	-	827,485,736	855,887,036

Credit quality analysis of financial investments

	Risk status	Financial assets measured at fair value through profit or loss	Financial assets measured at amortised cost	Total financial assets
	Rs.	Rs.	Rs.	Rs.
As at 31 March 2025				
Government securities	Risk free	-	434,714,078	434,714,078
Debt instruments having credit ratings				
AA+ to A+	Low risk	-	51,775,156	51,775,156
A to BBB+	Medium risk	-	785,464,946	785,464,946
BBB-	High risk	-	-	-

	Risk status	Financial assets measured at fair value through profit or loss	Financial assets measured at amortised cost	Total financial assets
	Rs.	Rs.	Rs.	Rs.
As at 31 March 2024				
Government securities	Risk free	-	538,162,725	538,162,725
Debt instruments having credit ratings				
AA+ to A+	Low risk	-	-	-
A to BBB+	Medium risk	-	197,781,449	197,781,449
BBB-	High risk	-	91,541,562	91,541,562

NAMAL HIGH YIELD FUND
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2025

15. Financial risk management (Contd.)

15.1 Risk management framework (Contd.)

15.1.(d) Operational risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Fund's involvement with financial instruments, including processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour.

The unit trust's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the business reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity.

The primary responsibility for the development and implementation of controls to address operational risk is assigned to senior management within each business unit. This responsibility is supported by the development of overall unit trust's standards for the management of operational risk in the following areas:

- Requirements for appropriate segregation of duties, including the independent authorisation of transactions
- Requirements for the reconciliation and monitoring of the transaction
- Compliance with regulatory and other legal requirements
- Documentation of controls and procedures.
- Development of business contingency plans
- Training and professional development
- Ethical and business standards.
- Risk mitigation, including insurance where this is effective





NAMAL HIGH YIELD FUND
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2025

16. Related party disclosures

The Fund carries out transactions with parties who are defined as related parties as per Sri Lanka Accounting Standard (LKAS 24), "Related Party Disclosure", in the ordinary course of its business. The details of such transactions are reported below.

16.1 Transaction with managing company

Company Name and Nature of Relationship	Nature of Transaction	Year ended 31.03.2025		Year ended 31.03.2024	
		Transaction Value	Outstanding Balance	Transaction Value	Outstanding Balance
		Rs.	Rs.	Rs.	Rs.
National Assets Management Limited (Managing Company)	Investments in unit trust	111,423,900	(111,423,900)	60,533,500	(60,533,500)
	No. of units as of 31 March 2025 is 2,604,348 (31 March 2024: 1,550,144)				
	Management fee	7,085,575	(540,253)	4,040,765	(357,370)

16.2 Transaction with trustee

Company Name and Nature of Relationship	Nature of Transaction	Year ended 31.03.2025		Year ended 31.03.2024	
		Transaction Value	Outstanding Balance	Transaction Value	Outstanding Balance
		Rs.	Rs.	Rs.	Rs.
Deutsche Bank (Trustee)	Trustee fee	2,570,973	(196,029)	1,439,459	(129,670)
	Custodian fee	290,277	(24,654)	285,647	(24,654)

16.3 Transactions with key management personnel (KMP) and their close family members (CFM)

According to Sri Lanka Accounting Standard LKAS 24 - "Related Party Disclosures", Key Management Personnel, are those having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of that entity. Accordingly, the Board of Directors of Managing company has been classified as key management personnel of the entity.

Close Family Members of a Key Management Personnel are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity. They may include;

- that person's children and spouse or domestic partner;
- children of that person's spouse or domestic partner; and
- dependents of that person or that person's spouse or domestic partner.

Close family members are related parties to the Entity.

Key management personnel are paid by National Asset Management Limited. Payments made from the Fund to National Asset Management Limited do not include any amounts directly attributable to the compensation of key management personnel.

However, key management personnel have not entered into any other transactions involving the Fund during the financial year.

NAMAL HIGH YIELD FUND
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2025

16. Related party disclosures (Contd.)

16.4 Directorships in other companies

The Directors of National Assets Management Limited (Managing Company of the unit trust) are also Directors of the following companies (as of 31 March 2025).

Name of the company	Relationship	Mr. Malay Mukherjee	Mr. Nasser Hamad	Mr. Nirupan Wijeyanathan	Mr. Dilshan Rodrigo	Mr. Prins Perera	Mr. Wijenanda Dambawinne	Mr. Brian Joseph	Mr. Ravi Dassanayake	Mr. Sanjay Pokhrel
Union Bank of Colombo PLC	Related party through KMP	Director	-	-	Director	-	-	-	-	Director
UB Finance PLC	Related party through KMP	Chairman	-	-	Director	-	-	-	-	-
Rockfort Advisory (Pvt) Ltd	Related party through KMP	-	-	Director	-	Director	Director	-	Director	Director
DFCC Consulting (Pvt) Ltd	Related party through KMP	-	-	-	-	Director	-	-	Director	-

17. Capital commitments and contingent liabilities

There were no material capital commitments and contingent liabilities as at the reporting date which require disclosure in the financial statements.

18. Events occurred after the reporting period

There were no material events after the reporting period, which require adjustments to or disclosures in the financial statements.



CORPORATE INFORMATION

NATIONAL ASSET MANAGEMENT LIMITED

DIRECTORS

Mr. Malay Mukherjee – Chairman

Mr. Wijenanda Dambawinne

Mr. Prins Perera

Mr. R A Dassanayake

Mr. Sanjay Pokhrel

Mr. Nassar Hammad

Mr. Dilshan Rodrigo

Mr. Brian Joseph

Mr. Indrajith Wickramasinghe resigned w.e.f. 31st July 2024.

Mr. Kandeepan Ihsan Kumarasamy resigned w.e.f. 17th December 2024.

UNIT TRUST INFORMATION

Management Company	-	National Asset Management Ltd 07, Glen Aber Place, Colombo 03.
Trustee & Custodian	-	Deutsche Bank AG Level 21, One Galle Face Tower, 1A, Centre Road, Galle Face, Colombo 02.
Auditors	-	Deloitte Associates No 11 Castle Ln, Colombo 04.
Bankers	-	Union Bank of Colombo PLC 64, Galle Road, Colombo 3. Deutsche Bank AG 86, Galle Road, Colombo 3.
Lawyers	-	F J & G de Saram Attorneys-at-Law & Notaries Public 216, De Saram Place, Colombo 10.

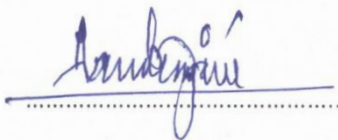
DECLARATION BY TRUSTEES AND MANAGING COMPANY

DECLARATION BY TRUSTEES AND MANAGING COMPANY

This declaration is issued in line with the SEC Circular No. 02/2009 on Guidelines for Trustees and Managing Companies of Unit Trusts Funds, by the Trustees and Management Company.

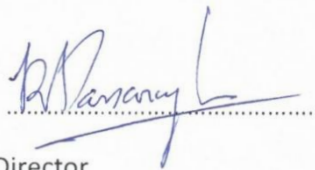
Deutsche Bank AG, the Trustee and National Asset Management Ltd, the Managers of the **National Equity Fund, NAMAL Growth Fund, NAMAL Income fund and NAMAL High Yield Fund** hereby declare that;

1. the requirements of the Guidelines for Trustees and Managing Companies of Unit Trust Funds set by the Securities and Exchange Commission of Sri Lanka have been complied with during the year.
2. the transactions were and will be carried out at an arm's length basis and on terms which are best available for the fund, as well as act, at all times, in the best interest of the fund's unit holders.



Director

Managing Company



Director

Managing Company



Authorized Signatories

Trustee

“The SEC in approving this Annual Report has taken reasonable care to ensure the accuracy of the information included herein. However, National Asset Management Limited is at all times responsible for the information included in this Annual Report”



National Asset Management Ltd

No.07, Glen Aber Place, Colombo 03.

T:94 11 2445911 www.namalfunds.com