

# **2025 -2026 ANNUAL REPORT**



**namal**  
National Asset  
Management Ltd.

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## 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,

I am pleased to present the Annual Report for the year ended 31 March 2026, a year marked by Sri Lanka's continued economic recovery and strengthening capital markets.

### Economic and Market Environment

Sri Lanka's economy expanded by 5.0% in 2025, supported by IMF-led reforms, improved fiscal discipline, low inflation, and accommodative monetary policy. Foreign reserves strengthened to US\$6.8 billion, while tourism and remittances continued to recover. These developments boosted investor confidence and supported strong performance in the Colombo Stock Exchange and Unit Trust industry.

### Fund Performance

#### National Equity Fund

- **Return: 44.5%**
- AUM increased from LKR 2.44 Bn to LKR 3.37 Bn

#### NAMAL Growth Fund

- **Return: 50.1%**
- AUM increased from LKR 193 Mn to LKR 287 Mn

Both funds benefited from improving economic conditions, active portfolio management, and strong market performance.

#### NAMAL High Yield Fund

- **Return: 8.6%**
- AUM increased from LKR 1.09 Bn to LKR 1.14 Bn

The Fund continued to deliver stable income despite declining interest rates through prudent fixed-income portfolio management.

#### NAMAL Income Fund

- Return: 10.0%
- AUM declined from LKR 691 Mn to LKR 567 Mn due to investor reallocations toward equity investments.

Despite lower assets under management, the Fund maintained strong returns and remained attractive for income-focused investors.

### Financial Performance

Growth in equity funds and expanded fund management activities supported a strong financial performance.

- Asset Management Fees increased 27.19% to LKR 72.3 Mn
- Total Income increased 17.31% to LKR 82.1 Mn
- Profit Before Tax increased 102.62% to LKR 14.8 Mn

### Outlook for 2026

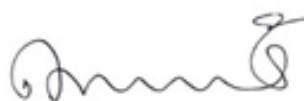
Sri Lanka enters 2026 with stronger economic fundamentals, supported by fiscal reforms, low inflation, and improving investor confidence. While global uncertainties and climate-related risks remain, the outlook remains positive.

NAMAL's equity funds are well positioned to benefit from improving corporate earnings and market liquidity, while the High Yield and Income Funds will continue to focus on stable income generation and capital preservation.

We remain committed to disciplined fund management, prudent risk management, transparency, and long-term value creation.

I thank our investors, Board, regulators, business partners, and employees for their continued support and dedication.

**The Chairman's Review, returns stated therein, is based on information available as at 31 December 2025**



**Malay Mukherjee**  
Chairman

## BOARD OF DIRECTORS



CHAIRMAN. MR. MALAY MUKHERJEE



MR. PRINS PERERA



MR. R A DASSANAYAKE



MR. SANJAY POKHREL



MR. NASSER HAMMAD



MR. BRIAN JOSEPH



MR. SHANKANADA YAPA  
ABEYWARDHENA



MR. BRIAN VINOD SELVANAYAGAM



## 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. 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.

### **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.

### **Mr Shankanada Yapa Abeywardhena**

A results-driven and transformative finance professional, Mr. Abeywardhena brings over 30 years of local and international experience in financial strategy, reporting, and business performance optimization. His career is marked by a strong track record of enhancing financial performance, driving organizational change, and delivering sustainable value across dynamic banking environments. Mr. Abeywardhena most recently served as the Chief Financial Officer of SANASA Development Bank in Sri Lanka, where he also played the role of Acting Chief Executive Officer leading critical financial restructuring, business growth and strategic

transformation initiatives. He also held key positions at National Development Bank (NDB), Mashreq Bank and Standard Chartered Bank in the UAE. He is a Fellow of the Chartered Institute of Management Accountants UK, holds a Master of Science (MSc) from SKEMA Business School in France, and an Executive Diploma in Management from the University of Cambridge, UK. Commenting on the appointment, Dilshan Rodrigo, Director/CEO of Union Bank said: "We are pleased to welcome Shanka to Union Bank at a time of strategic growth. His rich blend of local and international experience, combined with his sharp financial insight and leadership capabilities, will be vital as we move forward in delivering our long-term vision." Union Bank remains committed to strengthening its leadership team as it continues its journey towards becoming a digitally innovative, customer-focused banking partner.

### **Mr Brian Vinod Selvanayagam**

Brian Selvanayagam has been appointed as an Independent Non-Executive Director on the Board of National Asset Management Limited. He is an Associate Member of the Chartered Institute of Management Accountants (UK), Fellow Member of the Institute of Chartered Accountants of Sri Lanka, Fellow Member of the Chartered Institute of Marketing (UK), Fellow Member of the Certified Management Accountants of Sri Lanka, and Chartered Member of the Chartered Institute for Securities and Investment (UK).

He is the Past Chairman of the Chartered Institute of Marketing Sri Lanka and was a member of the Audit and Risk Committee of the Chartered Institute of Marketing (UK). He is presently a Non-Executive Director of Ceylon Biscuits Ltd., Lanka Reality Investments PLC and AMW Capital Leasing and Finance PLC.

He counts over 25 years of work experience in fields covering auditing, banking and financial services, property development and education. He is also a Justice of Peace for the whole country.

## MANAGEMENT TEAM

### **Mr. Nirupan Wijeyanathan**

*Chief Executive Officer*



With an illustrious banking & finance career spanning over 32 years. Mr. Wijeyanathan, former Vice President at Citibank N.A., Sri Lanka in charge of Global Markets - Corporate Treasury Sales and Structuring, stands as a premier finance expert. His proficiency extends across Foreign Exchange trading, Money Markets and Debt Securities. His previous stints were at Asset Trust Management Ltd. (Licensed Investment/Unit Trust Manager), Taprobane Holdings, Piggot Chapman Money Brokers and Hatton National Bank PLC.

Mr. Wijeyanathan holds an MBA from Cardiff Metropolitan University, Wales. Nirupan has not only served with pride as the President of the Sri Lanka Forex Association between 2007 to 2009 but also has been in the Executive Committee for more than 12 years. He has made impactful contributions as an Independent Non-Executive Director of HDFC Bank PLC and a past member of the National Payment Council of CBSL. His remarkable achievements and leadership underscore a career dedicated to financial excellence and strategic insight.

### **Mr. Kevin Gosset**

*Operations Manager*

Mr. Kevin Gosset has over 9 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.



### **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 of 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.



### **Ms. Nadeera Karunarathne**

*Manager Finance*



Ms. Nadeera Karunarathna has over 13 years of experience in Finance, Accounting, Auditing, and Financial Management. She began her career at Ernst & Young as a Senior Auditor, where she gained three years of experience in audit and assurance services.

She then joined Asia Capital PLC in the Investment Banking , where she oversaw the finance functions of more than five subsidiaries within the Asia Capital Group. Prior to joining National Asset Management Limited (NAMAL) as Manager – Finance, she served as Assistant Manager – Finance at ACAP Stockbrokers (Pvt) Ltd. Where, she was responsible for financial reporting, regulatory compliance, and ensuring compliance with the requirements of

the Colombo Stock Exchange and other regulatory authorities.

Nadeera holds a Bachelor of Business Management (Accountancy) (Special) Honours Degree from the University of Kelaniya. She is a Certified Business Accountant (CBA) of the Institute of Chartered Accountants of Sri Lanka and a Member of the Association of Accounting Technicians (AAT) of Sri Lanka. She is currently reading for a Master of Business Administration (MBA) in Finance at the University of Colombo.

### **Mr. Kusal Abeykoon**

*Fund Manager - Fixed income*

A Senior investment personality with over 20 years of progressive experience in Treasury, Investment Banking, and Financial Services sectors. Mr. Abeykoon was a FIS Dealer in the Primary Dealer industry. He has performed duties in several departments viz, Dealing Room, Marketing & Treasury Operations. Prior to joining NAMAL, he has been an independent consultant for Investments & Business Operations.

His clients include, TASS (PVT) LTD. & Foremost Insurance Brokers (Pvt) Ltd. Also, Mr. Abeykoon has worked for Commercial Leasing PLC. (now absorbed by LOLC Finance PLC.).



Kusal read his Masters at University of Colombo and possess several other qualifications in the fields of Investment & Portfolio Management offered from Center for Banking Studies, CBSL & IBSL. He has a proven track record of linking Corporate vision with the delivery of desired deliverables through the effective use of limited resources and technology.

# INVESTMENT MANAGER'S REPORT



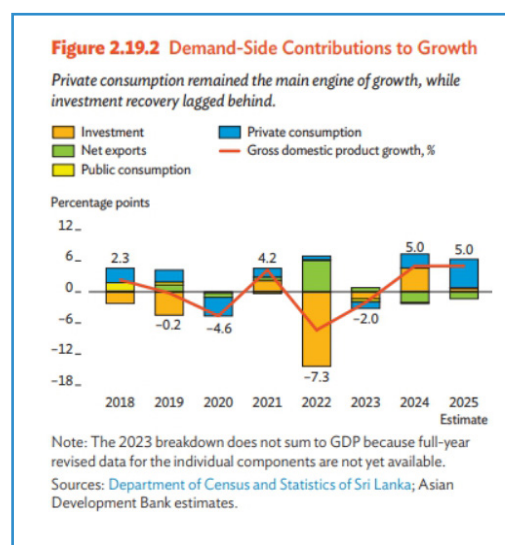
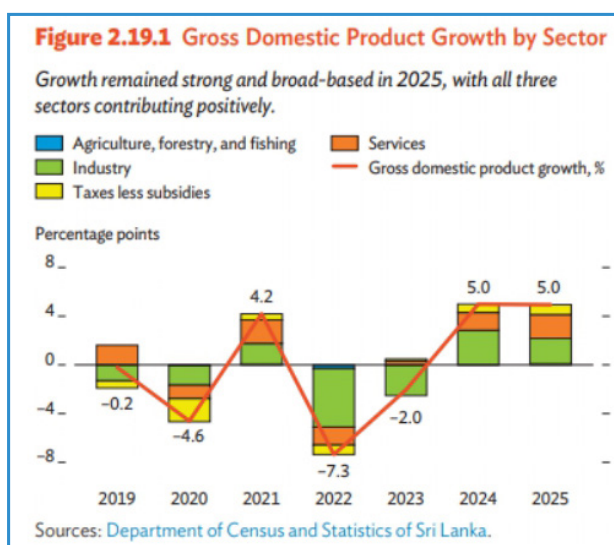
# INVESTMENT MANAGER'S REPORT

## Sri Lanka Macro Economy

### Economic Growth

Sri Lanka's macroeconomic outlook for 2025–2026 is characterized by a steady transition from an aggressive post-crisis recovery toward sustainable, long-term growth. According to ADB, real GDP growth is projected between 4.0% and 5.0% for 2026, driven largely by post-cyclone reconstruction (following Cyclone Ditwah) and a continued normalization of economic activity. Q1 2026 recorded a strong 5.1% growth, driven primarily by industry and services sectors. Nevertheless, high government debt remains a central structural challenge. The government is targeting continued debt reduction and structural reforms under the ongoing International Monetary Fund (IMF) Extended Fund Facility.

Economic recovery remained resilient across all sectors in 2025, notwithstanding the late-year impact of Cyclone Ditwah. Real GDP expanded by 5.0% in 2025, underpinned by broad-based growth (Figure 2.19.1). Agriculture grew 1.4% and industry expanded strongly by 7.8%, albeit slower than the year before, reflecting normalization from the crisis-era lows. Services grew by 3.3%, with financial services growth accelerating to 10.6% and accommodation and food services surging by 12.4%, reflecting strong tourism momentum. The cyclone struck on 28 November 2025, triggering floods and landslides across 22 districts and causing significant supply chain disruptions, dampening activity in the fourth quarter—with GDP growth moderating to 4.8%, from 5.5% in the same quarter of 2024—and causing \$1.4 billion of losses, as estimated by the Post Disaster Needs Assessment.



Higher consumption drove domestic demand in 2025. Consumption expanded robustly, growing by 7.7% in the first 9 months compared with just 0.7% in the same period a year earlier. Private consumption, which rose 8.6% from 1.3% the year before, drove gains, buoyed by low inflation, easing interest rates, and the normalization of retail and trade activity. As the post-crisis rebound in private investments tapered off and public investment remained weak. Net exports were broadly neutral for growth, with import growth slightly offsetting export growth (Figure 2.19.2).

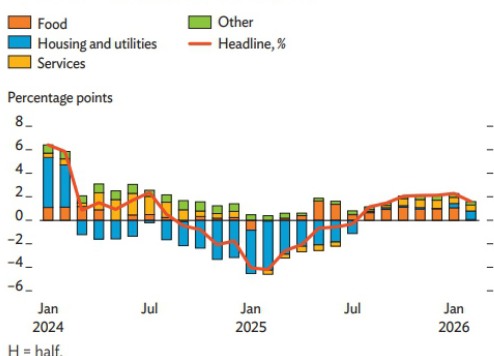


## Inflation Outlook.

Annual average headline inflation turned negative in 2025. The index contracted by 0.5% after rising 1.2% in 2024, far below the central bank's inflation target of 5.0%. Deflation reflected limited cost-push pressures from administered prices, including energy prices that were raised only slowly. Food inflation accelerated to 2.0%, while nonfood inflation moved into negative territory (-1.7%), and core inflation decelerated to 1.6%, indicating underlying disinflationary pressures (Figure 2.19.4). Temporary supply-side pressures toward year-end did not generate sustained price increases, pointing to well-anchored inflation expectations. However, inflation started escalating from March. It accelerated further in June 2026, as expected, reflecting the pass-through of continued upward adjustments to domestic energy prices due to the Middle East conflict. Accordingly, headline inflation (Y-o-Y) was recorded at 6.8% in June 2026 compared to 5.5% in May 2026. Non-Food inflation (Y-o-Y) accelerated to 8.4% in June 2026 from 7.8% in May 2026, contributing mainly to the increase in headline inflation. Food inflation (Y-o-Y) also accelerated to 3.6% in June 2026 from 0.9% in May 2026.

**Figure 2.19.4 Contributions to Inflation**

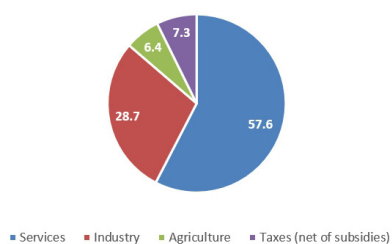
Food and services price increases drove a gradual uptick in inflation in H2-2025, while energy prices rose marginally.



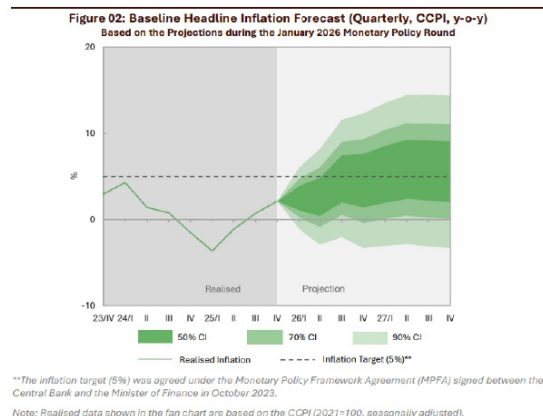
Notes: In 2023, the Department of Census and Statistics revised the inflation base measured by the Colombo consumer price index from 2013 to 2021. Services include transport, health, education, communications, and restaurants and hotels. Housing and utilities include housing, water, electricity, gas and fuel.

Source: Department of Census and Statistics of Sri Lanka.

**Contribution to GDP (%)**



## Monitory Policy.



The Monetary Policy Board, at its meeting held on 25th May '26, decided to increase the Overnight Policy

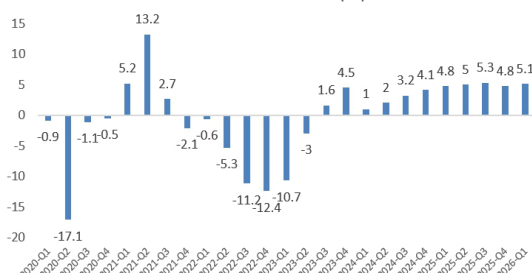
Rate (OPR) by 100 bps to 8.75%.

The uncertainties arising from the heightened tensions in the Middle East have prompted global

commodity prices, particularly petroleum, to remain high, adversely affecting the global as well as the

domestic economy. High global oil prices have necessitated sharp upward adjustments to domestic energy prices, largely contributing to the 5.4% (y-o-y) inflation in April 2026. Demand conditions in the economy have also strengthened, as shown by the continued credit expansion, credit-driven imports, and leading indicators of economic activity. While near term pressures on the external sector were expected amid global headwinds stemming from the Middle East conflict, such pressures were seen to have amplified in recent weeks due to speculative activity. The surplus in the current external account remained modest in the first quarter of 2026. This was mainly due to the widening merchandise trade deficit, particularly driven by increased expenditure on fuel imports and slowdown in tourism earnings.

**Real GDP Growth (%)**





## Interest Rates.

Current T/Bill interest rate lay between 10.13% and 10.20%. (T/Bill auction 15th July 2026). The longer-term T/Bonds were yields at the latest T/Bond auction range from, the 4 years at 11.57%, 8 years at 12.04% & the 11 years at 12.58%. (T/Bond auction 13th July 2026). Based on the observations, the short-term T/Bill rates increased and since late it seems to be on the decline, whilst the longer tenor T/Bonds are still at high levels. A more diagonal yield curve may be anticipated by the Public Debt Management Office (PDMO). Nevertheless, the Middle Eastern crisis and projections of fossil fuel-based energy cost is the critical most determinant of the direction of future interest rates. Sri Lanka's Average Weighted Prime Lending Rate (AWPLR) is projected to range between 9.5% and 10%. Driven by strengthening private sector credit demand and post-cyclone rebuilding, corporate credit rates are seeing an upward tick from earlier lows.

## External Sector.

The impact of the war in the Middle East was reflected in the performance of the External Sector in April 2026. The external current account recorded a deficit in April 2026 compared to the surplus recorded during January through March 2026. This was mainly driven by the widened trade deficit, a moderation in the services surplus, and higher primary income account deficit, despite an increase in workers' remittances compared to a year earlier. Consequently, the external current account recorded a marginal deficit between January to April 2026.

The merchandise trade deficit widened in April 2026, reflecting stronger growth in imports relative to exports. Further, during January–April 2026, the trade deficit widened to US\$ 3.7 billion, compared to US\$ 2.3 billion in the corresponding period of 2025. Expenditure on fuel imports increased notably by 149.9% on a year-on-year basis to US\$ 886 million in April 2026, driven by the surge in fuel prices in the global markets amid the ongoing conflict in the Middle East and higher import volumes.

Expenditure on motor vehicle imports amounted to US\$ 208 million in April 2026, bringing total expenditure on motor vehicle imports to US\$ 821 million during January-April 2026.

The surplus in the services account declined by 37.8%, year-on-year, to US\$ 229 million in April 2026, primarily due to the reduction in tourist earnings. The

cumulative surplus also contracted by 24.3% during January to April 2026 compared to the corresponding period of 2025.

Tourist arrivals declined for the second consecutive month in April 2026 to 135,643, recording a year-on-year contraction of 22.3%, owing to the impact of Middle East conflict.

Workers' remittances, amounting to US\$ 768 million in April 2026, continued to sustain the positive momentum observed in recent months. On a cumulative basis, workers' remittances during the first four months of the year recorded a year-on-year growth of 24.5% to US\$ 3,063 million.

Foreign investments in the Government Securities market recorded a marginal net inflow of US\$ 2 million, while foreign investments in the Colombo Stock Exchange (CSE), including both primary and secondary market transactions, recorded a net outflow of US\$ 16 million during the month of April 2026.

Gross official reserves (GOR), including the swap facility with the People's Bank of China (PBOC), stood around US\$ 6.8 billion by end April 2026, amidst sizeable external debt service payments and net foreign exchange sales by the Central Bank.

As of end May 2026, the Sri Lanka rupee had depreciated by 5.4% against the US dollar on a year-to-date basis, reflecting heightened external sector pressures following the effects of the escalation of the Middle East conflict since late February 2026. This depreciation is in line with the currency depreciation trend that was observed in peer economies.

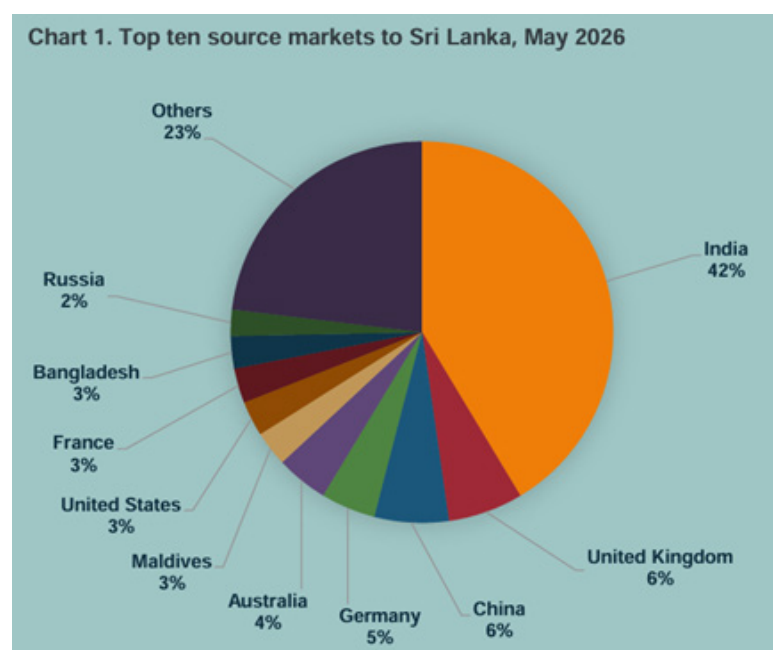
Meanwhile, the International Monetary Fund (IMF) Executive Board completed the combined Fifth and Sixth Reviews of the Extended Fund Facility for Sri Lanka on 27 May 2026, providing Sri Lanka with immediate access to SDR 508 million (about US\$ 695 million) to support economic policies and reforms.

## Tourism Sector.

Sri Lanka's tourism sector has welcomed over 1.1 million visitors in the first half of 2026, targeting up to 3 million arrivals for the full year. Tourist arrivals declined for the second consecutive month in April 2026 to 135,643, recording a year-on-year contraction of 22.3%, owing to the impact of Middle East conflict. Tourist earnings were estimated at US\$ 157 million in April 2026, reflecting a year-on-year decline of

38.8%, and the cumulative earnings during first four months of 2026 declined by 19.4% amounting to US\$ 1,111 million compared to the corresponding period of the previous year. Top Source Markets: India remains the dominant market (over 280,000 visitors), followed by the UK and Russia. China and Australia have also shown robust recovery, though Russian arrivals have faced a steep decline due to air connectivity and geopolitical challenges. Sri Lanka aims to increase the average spending by foreign tourists by improving the quality of tourism experiences, Deputy Tourism Minister Ruwan Ranasinghe said.

Speaking at a media briefing, the Deputy Minister said the average tourist visiting Sri Lanka currently spends around US\$148 per day, based on available survey data.



indicating strong investor confidence and market momentum.

### Exchange Rate.

As of end June 2026, the Sri Lanka rupee depreciated by 7.9% against the US dollar on a year-to-date basis, reflecting external sector pressures arising from the conflict in the Middle East. This depreciation is consistent with the currency depreciation trend that was observed in peer economies.

The country's import requirements, particularly for essential goods such as fuel, food items, and raw materials, create consistent demand for US dollars. This demand pressure, combined with varying levels of foreign currency inflows, influences the rupee's exchange rate stability. Tourism revenues, remittances from overseas workers, and export earnings serve as primary sources of foreign currency for the nation.

Inflation concerns and monetary policy decisions also impact currency performance. The Central Bank's approach to interest rates and money supply management directly affects investor confidence and currency demand.

### Equity Market Review.

The Colombo Stock Exchange (CSE) is expected to maintain a positive trajectory in 2026, with a 5-year compound annual growth rate (CAGR) of 24.32% for equity investments. The ASPI has seen a remarkable increase from 6,129.21 in 2020 to 22,624.31 at the end of 2025, reflecting a 269% increase. The market capitalization has also surpassed LKR 8.46 billion,

The CSE is expected to benefit from a combination of factors, including A downward trajectory in domestic interest rates, making equities more attractive. An improving corporate earnings outlook. A cautiously optimistic sentiment about post-crisis macroeconomic stability. Investors are optimistic about the Sri Lankan market, with a forecasted annual growth rate of 26% for earnings and a 14% rise in the last year. The market is trading at a PE ratio of 10.5x, which is higher than its 3-year average of 9.4x. The upcoming Sri Lanka Budget for 2026 is set to be a crucial fiscal pronouncement, with expectations for clear, consistent, and supportive policies to sustain capital market momentum and cement long-term macroeconomic stability. Overall, the CSE's outlook for 2026 is positive, with a focus on institutional reforms and a transition from high-interest regimes to equity-driven returns.

### Future Economic Outlook.

GDP growth is projected to moderate to 4.0% in 2026, edging up to 4.2% in 2027, assuming the Middle East conflict does not escalate further or become protracted (Table 2.19.1). This projection which is subject to a very high degree of uncertainty, incorporates an estimated 0.4 percentage point drag from the conflict on growth, operating through four channels. These are (i) higher global oil prices raising energy and logistics costs and compressing household real incomes, (ii) a partial softening of remittance inflows from Gulf economies, (iii) reduced tourist arrivals due to disrupted air connectivity through

**Table 2.19.1 Selected Economic Indicators, %**

*Growth moderates as the post-crisis rebound fades and Middle East spillovers lift inflation.*

|            | 2024 | 2025 | 2026 | 2027 |
|------------|------|------|------|------|
| GDP growth | 5.0  | 5.0  | 4.0  | 4.2  |
| Inflation  | 1.2  | -0.5 | 5.2  | 4.0  |

GDP = gross domestic product.

Sources: Department of Census of Statistics of Sri Lanka; Asian Development Bank estimates.

Gulf hub carriers, and (iv) possible exchange rate depreciation amplifying imported inflation pressures. Post-Ditwah relief and rehabilitation will partly support growth, but persistent structural weaknesses including low productivity, possible capital spending under execution, and weak institutional capacity will still constrain the economy.

Consumption is expected to remain the main growth driver, while private investment is projected to recover gradually. Supported by the Public Sector wage hike and cyclone-related relief measures, private consumption will continue to support growth in 2026–2027, tempered by higher inflation. Reconstruction-related public spending and improved investor confidence are expected to support investment activity. Inflation is expected to accelerate in 2026, driven in part by Middle East-related energy price

pressures. Credit growth is expected to moderate as pent-up demand normalizes; early-2026 data suggest initial moderation, with private sector borrowing at an 11-month low in January 2026. The Average Weighted Prime Lending Rate has been rising since July 2025, reaching 9.35% by the end of February 2026, which if sustained could limit demand-driven price pressures. Fiscal policy over 2026–2027 is expected to remain anchored in consolidation, notwithstanding the additional expenditure demands from post-Ditwah recovery. Official reserves reached \$7.2 billion by end-February 2026, estimated at 4 months of imports. The IMF projects reserve to be rebuilt toward the Extended Fund Facility target of \$8.9 billion by end-2026.

While these institutional reforms are central, mobilizing private participation can complement them by easing fiscal pressures and accelerating delivery. Well-structured public–private partnerships can help convert slow-moving public projects into implementable investments by bringing in private capital, technical expertise, and stronger project management discipline. By improving early-stage preparation—where most delays occur and allocating risks more efficiently, such partnerships can help ensure priority infrastructure is delivered on time while reducing the burden on the public budget.

| Factor                 | Link                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |
|------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Economic Data</b>   | <a href="https://www.adb.org/sites/default/files/publication/1135881/sri-ado-april-2026.pdf">https://www.adb.org/sites/default/files/publication/1135881/sri-ado-april-2026.pdf</a>                                                                                                                                                                                                                                                                                                                                                                                                                                           |
| <b>Inflation</b>       | <a href="https://www.cbsl.gov.lk/sites/default/files/cbslweb_documents/press/pr/press_20260630_inflation_in_june_2026_ccpi_e.pdf">https://www.cbsl.gov.lk/sites/default/files/cbslweb_documents/press/pr/press_20260630_inflation_in_june_2026_ccpi_e.pdf</a>                                                                                                                                                                                                                                                                                                                                                                 |
| <b>Interest Rates</b>  | <a href="https://www.cbsl.gov.lk/sites/default/files/cbslweb_documents/press/pr/press_20260526_Monetary_Policy_Review_No_3_2026_e_Hi7x2.pdf">https://www.cbsl.gov.lk/sites/default/files/cbslweb_documents/press/pr/press_20260526_Monetary_Policy_Review_No_3_2026_e_Hi7x2.pdf</a><br><a href="https://www.treasury.gov.lk/api/file/b76ddda1-a014-458c-862e-569f317d637b">https://www.treasury.gov.lk/api/file/b76ddda1-a014-458c-862e-569f317d637b</a><br><a href="https://www.treasury.gov.lk/api/file/91ad1df4-4a75-4a57-8a8f-03c4e8fbff60">https://www.treasury.gov.lk/api/file/91ad1df4-4a75-4a57-8a8f-03c4e8fbff60</a> |
| <b>External Sector</b> | <a href="https://www.cbsl.gov.lk/en/news/external-sector-performance-april-2026">https://www.cbsl.gov.lk/en/news/external-sector-performance-april-2026</a>                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |
| <b>Tourism</b>         | Sri Lanka welcomes over 1.1 mn tourists in 2026   The Morning<br><a href="https://www.sltda.gov.lk/storage/common_media/MonthlyTouristsArrivalsReport-May-2026-Final-1.pdf">https://www.sltda.gov.lk/storage/common_media/MonthlyTouristsArrivalsReport-May-2026-Final-1.pdf</a><br>Sri Lanka plans to boost tourist spending beyond US\$148 a day- Newswire                                                                                                                                                                                                                                                                  |
| <b>Exchange Rate</b>   | <a href="https://www.srilankanewsnetwork.com/sri-lankan-rupee-falls-54-against-usd-in-2026-colombo-cse-outlook-2026-Search">https://www.srilankanewsnetwork.com/sri-lankan-rupee-falls-54-against-usd-in-2026-colombo-cse-outlook-2026-Search</a>                                                                                                                                                                                                                                                                                                                                                                             |
| <b>Outlook</b>         | <a href="https://www.adb.org/sites/default/files/publication/1135881/sri-ado-april-2026.pdf">https://www.adb.org/sites/default/files/publication/1135881/sri-ado-april-2026.pdf</a>                                                                                                                                                                                                                                                                                                                                                                                                                                           |



# INVESTMENT EQUITY FUND





# NATIONAL EQUITY FUND

## FUND PERFORMANCE REVIEW

### Investment Strategy

The National Equity Fund (NEF) is designed to achieve long-term capital growth through investments primarily in equities. The fund invests predominantly in listed shares while maintaining the flexibility to allocate a portion of its portfolio to fixed-income securities for liquidity and risk management purposes, with equity exposure capped at 80% of the portfolio.

NEF adopts an active investment management approach, focusing on identifying fundamentally strong companies listed on the Colombo Stock Exchange with attractive long-term growth prospects. Investment decisions are based on comprehensive research, emphasizing companies with solid financial performance, sustainable competitive advantages, and sound corporate governance practices. Through disciplined portfolio construction and continuous market analysis, the fund seeks to maximize long-term capital appreciation while effectively managing investment risk.

### Asset Allocation

As at March 2026, the National Equity Fund (NEF) maintains a predominantly equity-based portfolio with 75.43% invested in listed equities, reflecting its growth-oriented strategy. The remaining 24.57% is allocated across low-risk, interest-bearing instruments to maintain liquidity and manage risk: 0.18% in Debentures, 1.62% in Trust Certificate, 6.65% in repos and 16.03% in Treasury Bonds. 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 2026, NEF recorded a return of 33.76%, outperforming its benchmark return of 33.21%, which is composed of 100% ASPI. Over the medium and long term, NEF posted returns of 99.57% (36 months) and 118.75% (60 months), demonstrating its consistent ability to generate capital growth.

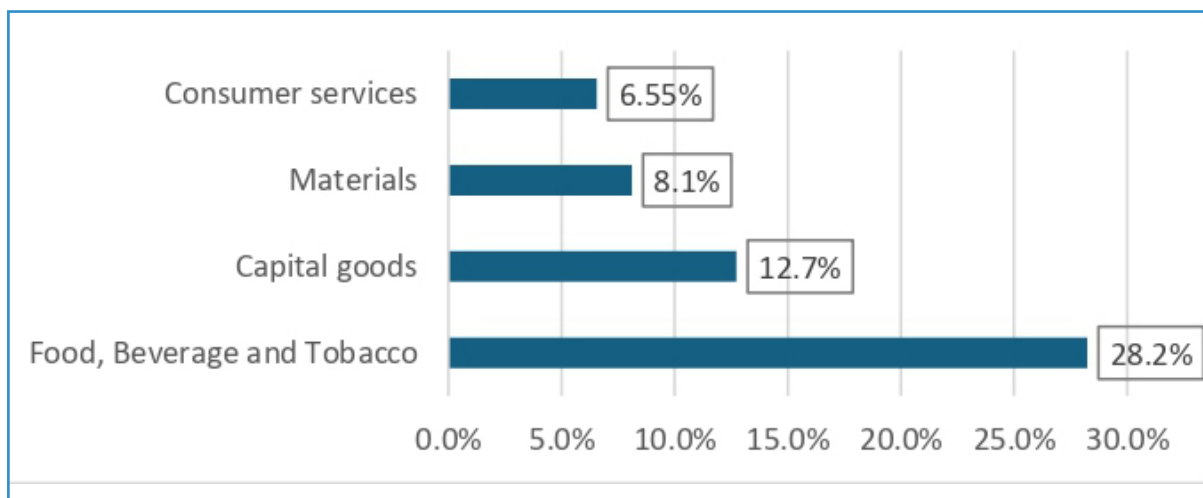
### Fund Performance

| Index     | 5 Years | YTD    | 3 Years | 2 Years | 1 Year | 6 Months | 3 Months | 1 Month |
|-----------|---------|--------|---------|---------|--------|----------|----------|---------|
| ASPI      | 195.82% | 33.21% | 126.49% | 84.07%  | 33.21% | -3.27%   | -6.77%   | -11.24% |
| NEF       | 118.75% | 33.76% | 99.57%  | 67.96%  | 33.76% | -5.18%   | -6.37%   | -11.07% |
| Benchmark | 195.82% | 33.21% | 126.49% | 84.07%  | 33.21% | -3.27%   | -6.77%   | -11.24% |

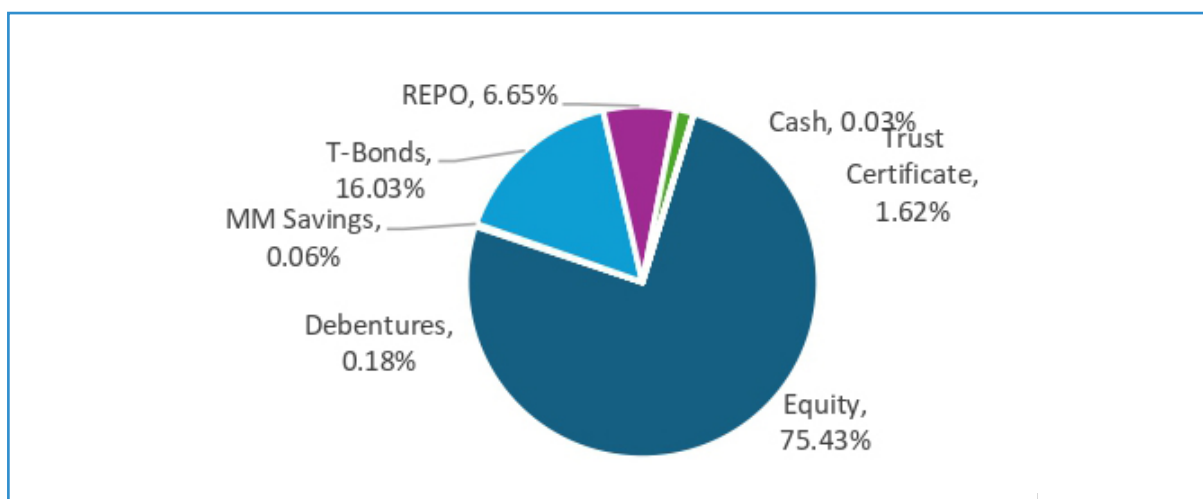
#### \*Note

- 1) Benchmark consists of 100% return of ASPI.
- 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

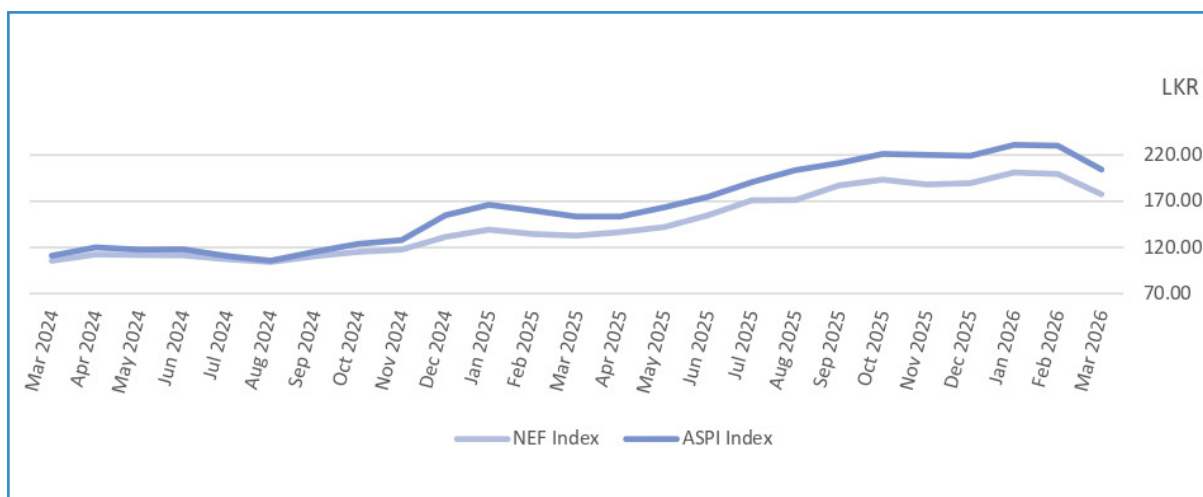
## Sector Weighting (Top 5)



## Asset Allocation



## NEF Index Vs ASPI Index



**NATIONAL EQUITY FUND  
FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31ST  
MARCH 2026**



## INDEPENDENT AUDITOR'S REPORT TO THE UNIT HOLDERS OF NATIONAL EQUITY FUND

### 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 2026, 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 2026, 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 Institute of Chartered Accountants of Sri Lanka ("CA Sri Lanka Code of Ethics") and we have fulfilled our other ethical responsibilities in accordance with the CA Sri Lanka 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, but does not include the financial statements and our auditor's report thereon. The annual report 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 when it becomes available 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, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance and take appropriate actions based on the circumstances.

#### 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.

G J David FCA, T U Jayasinghe FCA, P D R Bharatha FCA, W A D Gayan ACA, H A C H Gunaratne FCA, M P M T Gunasekara FCA, M S J Henry FCA, M M R Hilmy FCA, S Y Kodagoda ACA, M M M Manzeer FCA

## 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

24 July 2026





**NATIONAL EQUITY FUND**  
**STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED 31 MARCH 2026**

|                                                                                | Note | 2025/2026<br>Rs.          | 2024/2025<br>Rs.          |
|--------------------------------------------------------------------------------|------|---------------------------|---------------------------|
| <b>Investment income</b>                                                       |      |                           |                           |
| Dividend income                                                                |      | 62,008,109                | 75,185,653                |
| Interest income                                                                | 6    | 78,748,005                | 87,387,864                |
| Realised gains on financial assets held at fair value through profit or loss   | 9.5  | 499,574,779               | 107,429,766               |
| Unrealised gains on financial assets held at fair value through profit or loss | 9.6  | 273,972,605               | 311,541,841               |
| <b>Total investment income</b>                                                 |      | <u>914,303,498</u>        | <u>581,545,123</u>        |
| <b>Expenses</b>                                                                |      |                           |                           |
| Management and registrar's fee                                                 |      | 55,960,094                | 39,821,112                |
| Trustee fees                                                                   |      | 7,520,334                 | 5,351,458                 |
| Auditor's remuneration                                                         |      | 862,132                   | 539,185                   |
| Bank charges                                                                   |      | 105,819                   | 142,232                   |
| Sundry expenses                                                                |      | 56,179                    | 802,139                   |
| Brokerage expenses                                                             |      | 36,149,818                | 27,900,892                |
| Consultancy fees                                                               |      | 145,000                   | 145,000                   |
| Professional charges                                                           |      | -                         | 76,723                    |
| <b>Total operating expenses</b>                                                |      | <u>100,799,376</u>        | <u>74,778,740</u>         |
| <b>Profit before tax</b>                                                       |      | 813,504,122               | 506,766,383               |
| Income tax expenses                                                            | 7    | -                         | -                         |
| <b>Profit after tax</b>                                                        |      | <u>813,504,122</u>        | <u>506,766,383</u>        |
| Other comprehensive income                                                     |      | -                         | -                         |
| <b>Increase in net assets attributable to unit holders</b>                     |      | <u><u>813,504,122</u></u> | <u><u>506,766,383</u></u> |

Figures in brackets indicate deductions.

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



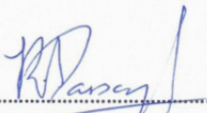
**NATIONAL EQUITY FUND  
STATEMENT OF FINANCIAL POSITION  
AS AT 31 MARCH 2026**

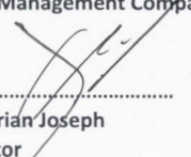
|                                                                              | Note | 31.03.2026<br>Rs.    | 31.03.2025<br>Rs.    |
|------------------------------------------------------------------------------|------|----------------------|----------------------|
| <b>Assets</b>                                                                |      |                      |                      |
| Cash and cash equivalents                                                    | 8    | 3,009,491            | 6,272,219            |
| Financial assets - fair value through profit or loss                         | 9    | 2,996,299,575        | 2,282,359,656        |
| Financial assets - debt instruments at amortised cost                        | 10   | 270,641,338          | 158,172,197          |
| Other receivables                                                            | 11   | 3,724                | 1,083,649            |
| Income tax recoverable                                                       | 12   | 28,733,032           | 28,733,032           |
| <b>Total assets</b>                                                          |      | <u>3,298,687,160</u> | <u>2,476,620,754</u> |
| <b>Unit holders' funds and liabilities</b>                                   |      |                      |                      |
| <b>Liabilities</b>                                                           |      |                      |                      |
| Accrued expenses and other payables                                          | 13   | 18,411,929           | 13,579,505           |
| <b>Total liabilities (excluding net assets attributable to unit holders)</b> |      | 18,411,929           | 13,579,505           |
| <b>Unit holders' funds</b>                                                   |      |                      |                      |
| Net assets attributable to unit holders'                                     |      | 3,280,275,231        | 2,463,041,249        |
| <b>Total unit holders' funds and liabilities</b>                             |      | <u>3,298,687,160</u> | <u>2,476,620,754</u> |
| Net assets per unit (Rs.)                                                    | 14   | 70.72                | 52.87                |

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 24 July 2026

  
 Mr. Ravi Dassanayake  
 Director  
 Fund Management Company

  
 Mr. Brian Joseph  
 Director  
 Fund Management Company

  
 Deutsche Bank AG  
 Trustee





**NATIONAL EQUITY FUND**  
**STATEMENT OF CHANGES IN UNIT HOLDERS' FUNDS**  
**FOR THE YEAR ENDED 31 MARCH 2026**

|                                                     | 2025/2026<br>Rs.     | 2024/2025<br>Rs.     |
|-----------------------------------------------------|----------------------|----------------------|
| Unit holders' funds at the beginning of the year    | 2,463,041,249        | 2,054,397,313        |
| Increase in net assets attributable to unit holders | 813,504,122          | 506,766,383          |
| Receipts on unit creations                          | 138,205,979          | 1,932,898            |
| Payments on unit redemptions                        | (134,476,119)        | (100,055,344)        |
| Unit holders' funds at the end of the period        | <u>3,280,275,231</u> | <u>2,463,041,249</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 2026**

|                                                                 | 2025/2026<br>Rs.        | 2024/2025<br>Rs.         |
|-----------------------------------------------------------------|-------------------------|--------------------------|
| <b>Cash flows from operating activities</b>                     |                         |                          |
| Dividends received                                              | 63,088,108              | 82,843,756               |
| Interest received                                               | 85,500,273              | 92,797,678               |
| Net investments in equity securities                            | (56,898,441)            | (35,590,139)             |
| Net investments in commercial papers                            | 88,902,382              | (10,669,780)             |
| Net investments in treasury bonds                               | 110,328,712             | (170,373,448)            |
| Net investments in treasury bills                               | -                       | 65,724,174               |
| Net investments in repurchase agreements                        | (202,480,913)           | 145,000,000              |
| Net investments in trust certificates                           | -                       | (50,000,000)             |
| Operating expenses paid                                         | (95,432,634)            | (85,462,424)             |
| <b>Net cash generated from operating activities</b>             | <u>(6,992,513)</u>      | <u>34,269,817</u>        |
| <b>Cash flows from financing activities</b>                     |                         |                          |
| Amounts received on unit creations                              | 138,205,905             | 1,932,898                |
| Amounts paid on unit redemptions                                | (134,476,119)           | (100,035,931)            |
| <b>Net cash generated from / (used in) financing activities</b> | <u>3,729,786</u>        | <u>(98,103,034)</u>      |
| <b>Net increase / (decrease) in cash and cash equivalents</b>   | (3,262,728)             | (63,833,216)             |
| <b>Cash and cash equivalents at the beginning of the year</b>   | <u>6,272,219</u>        | <u>70,105,435</u>        |
| <b>Cash and cash equivalents at the end of the year</b>         | <u><u>3,009,491</u></u> | <u><u>6,272,219</u></u>  |
| <b>At the beginning</b>                                         |                         |                          |
| 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> |
| <b>At the end</b>                                               |                         |                          |
| Cash and cash equivalents                                       | <u>3,009,491</u>        | <u>6,272,219</u>         |
|                                                                 | <u><u>3,009,491</u></u> | <u><u>6,272,219</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 2026**

**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 2026 were authorized for issue by the Fund Management Company and the Trustee on 24 July 2026.

**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 2026**

**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 2026**

**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 2026**

**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 2026, 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 2026**

**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 2026**

**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 2026**

|                                   | 2025/2026         | 2024/2025         |
|-----------------------------------|-------------------|-------------------|
|                                   | Rs.               | Rs.               |
| <b>6. Interest income</b>         |                   |                   |
| Interest on commercial papers     | 1,057,747         | 14,703,896        |
| Interest on debentures            | 1,138,961         | 1,178,381         |
| Interest on savings account       | 252,710           | 508,171           |
| Interest on money market savings  | 114,623           | 110,884           |
| Interest on trust certificates    | 6,037,028         | 3,286,479         |
| Interest on treasury bills        | -                 | 2,906,362         |
| Interest on treasury bonds        | 60,485,858        | 59,063,950        |
| Interest on repurchase agreements | 9,661,077         | 5,629,742         |
|                                   | <u>78,748,005</u> | <u>87,387,864</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**

|                                                       | 2025/2026            | 2024/2025            |
|-------------------------------------------------------|----------------------|----------------------|
|                                                       | Rs.                  | Rs.                  |
| Accounting profit from ordinary activities before tax | 813,504,122          | 506,766,383          |
| Less:- Exempted income                                | <u>(813,504,122)</u> | <u>(506,766,383)</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 2026**

|                                                                                                                                                                                                                                                          | 2025/2026<br>Rs.           | 2024/2025<br>Rs.           |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------|----------------------------|
|                                                                                                                                                                                                                                                          | 31.03.2026<br>Rs.          | 31.03.2025<br>Rs.          |
| <b>8. Cash and cash equivalents</b>                                                                                                                                                                                                                      |                            |                            |
| Savings account -Deutsche Bank (Note 8.1)                                                                                                                                                                                                                | 1,093,395                  | 1,057,678                  |
| Money market savings - HNB (Note 8.1)                                                                                                                                                                                                                    | 524,866                    | 184,284                    |
| Money market savings - NDB (Note 8.1)                                                                                                                                                                                                                    | 1,391,229                  | 5,030,257                  |
|                                                                                                                                                                                                                                                          | <u>3,009,491</u>           | <u>6,272,219</u>           |
| <b>8.1</b> Bank balances are maintained only to settle day to day operations Balance in Deutsche bank as at 31 March 2026 is with credit rating of (A+), balance in HNB is with credit rating of (AA-) and balance in NDB is with credit rating of (A-). |                            |                            |
|                                                                                                                                                                                                                                                          | 31.03.2026<br>Rs.          | 31.03.2025<br>Rs.          |
| <b>9. Financial assets - fair value through profit or loss</b>                                                                                                                                                                                           |                            |                            |
| Investments in quoted equity securities (Note 9.1)                                                                                                                                                                                                       | 2,452,726,560              | 1,613,688,854              |
| Investments in unquoted equity securities (Note 9.2)                                                                                                                                                                                                     | 13,650,344                 | 13,650,344                 |
| Investments in quoted debentures (Note 9.3)                                                                                                                                                                                                              | 5,919,301                  | 6,431,017                  |
| Investments in treasury bonds (Note 9.4)                                                                                                                                                                                                                 | 524,003,371                | 648,589,442                |
|                                                                                                                                                                                                                                                          | <u>2,996,299,575</u>       | <u>2,282,359,656</u>       |
| <b>9.1 Investments in quoted equity securities</b>                                                                                                                                                                                                       |                            |                            |
|                                                                                                                                                                                                                                                          | As at<br>31.03.2026<br>Rs. | As at<br>31.03.2025<br>Rs. |
| Cost as at 31 March                                                                                                                                                                                                                                      | 1,932,934,912              | 1,373,556,071              |
| Appreciation of market value quoted equity securities                                                                                                                                                                                                    | 519,791,648                | 240,132,784                |
| Market Value as at 31 March                                                                                                                                                                                                                              | <u>2,452,726,560</u>       | <u>1,613,688,854</u>       |





**NATIONAL EQUITY FUND**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 MARCH 2026**

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

**9.1 Investments in quoted equity securities (contd.)**

| Company                               | As at 31 March 2026 |                    |                                    | As at 31 March 2025 |                    |                                    |
|---------------------------------------|---------------------|--------------------|------------------------------------|---------------------|--------------------|------------------------------------|
|                                       | 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.                |                                    |
| <b>Banks</b>                          |                     |                    |                                    |                     |                    |                                    |
| Hatton National Bank PLC              | 102,000             | 41,896,500         | 1.3%                               | 72,000              | 21,960,000         | 0.9%                               |
| Sampath Bank PLC                      | -                   | -                  | -                                  | 282,509             | 34,607,353         | 1.4%                               |
| Seylan Banks PLC                      | 370,000             | 38,942,500         | 1.2%                               | -                   | -                  | -                                  |
| Commercial Bank Of Ceylon PLC         | 320,006             | 65,361,226         | 2.0%                               | 291,611             | 43,012,623         | 1.7%                               |
| Pan Asia Banking Corporation PLC      | 938,958             | 47,417,379         | 1.4%                               | -                   | -                  | -                                  |
|                                       |                     | <u>193,617,605</u> | <u>5.9%</u>                        |                     | <u>99,579,975</u>  | <u>4.0%</u>                        |
| <b>Insurance</b>                      |                     |                    |                                    |                     |                    |                                    |
| HNB Assurance PLC                     | -                   | -                  | -                                  | 230,000             | 17,871,000         | 0.7%                               |
| Janashakthi Insurance Company PLC     | -                   | -                  | -                                  | 436,510             | 32,127,136         | 1.3%                               |
| Peoples Insurance PLC                 | 1,087,438           | 28,382,132         | 0.9%                               | -                   | -                  | -                                  |
|                                       |                     | <u>28,382,132</u>  | <u>0.9%</u>                        |                     | <u>49,998,136</u>  | <u>2.0%</u>                        |
| <b>Food, Beverage And Tobacco</b>     |                     |                    |                                    |                     |                    |                                    |
| Agalawatta Plantations PLC            | 1,072,485           | 50,621,292         | 1.5%                               | -                   | -                  | -                                  |
| Three Acre Farms PLC                  | 244,000             | 140,544,000        | 4.3%                               | 223,149             | 66,888,913         | 2.7%                               |
| Bairaha Farms PLC                     | 3,663,739           | 260,125,469        | 7.9%                               | 625,382             | 103,031,685        | 4.2%                               |
| Ceylon Grain Elevators PLC            | 566,218             | 215,870,613        | 6.6%                               | 541,218             | 101,748,984        | 4.1%                               |
| Lankem Developments PLC               | 1,624,948           | 28,924,074         | 0.9%                               | 856,737             | 15,164,245         | 0.6%                               |
| Lankem Developments PLC-Right Issue   | -                   | -                  | -                                  | 285,579             | 485,484            | 0.0%                               |
| Lanka Milk Foods (CWE) PLC            | 300,201             | 24,046,100         | 0.7%                               | 878,542             | 38,128,723         | 1.5%                               |
| Balangoda Plantation LTD.             | 883,331             | 52,999,860         | 1.6%                               | -                   | -                  | -                                  |
| Distilleries Company of Sri Lanka     | 1,117,648           | 60,911,816         | 1.9%                               | -                   | -                  | -                                  |
| Horana Plantation LTD.                | 633,120             | 29,693,328         | 0.9%                               | -                   | -                  | -                                  |
| Hatton Plantation LTD.                | 613,399             | 14,169,517         | 0.4%                               | -                   | -                  | -                                  |
| Maskeliya Plantation LTD.             | 255,647             | 17,869,725         | 0.5%                               | -                   | -                  | -                                  |
| Renuka Shaw                           | 954,378             | 27,581,524         | 0.8%                               | -                   | -                  | -                                  |
|                                       |                     | <u>923,357,318</u> | <u>28.1%</u>                       |                     | <u>325,448,033</u> | <u>13.2%</u>                       |
| <b>Materials</b>                      |                     |                    |                                    |                     |                    |                                    |
| Tokyo Cement Company (Lanka) PLC      | 1,000,000           | 88,900,000         | 2.7%                               | 1,274,940           | 100,720,260        | 4.1%                               |
| Alumex Limited                        | -                   | -                  | -                                  | 3,458,389           | 52,567,513         | 2.1%                               |
| CIC Holdings PLC                      | -                   | -                  | -                                  | 590,000             | 69,177,500         | 2.8%                               |
| Dipped Products PLC                   | 1,400,401           | 69,179,809         | 2.1%                               | 1,120,813           | 61,644,715         | 2.5%                               |
| Lanka Aluminium Industries PLC        | 2,000,000           | 80,600,000         | 2.5%                               | 2,030,539           | 69,241,380         | 2.8%                               |
| Swisstek (Ceylon) PLC                 | -                   | -                  | -                                  | 790,072             | 36,817,355         | 1.5%                               |
| Chemical Industries Colombo LTD.      | 500,000             | 14,950,000         | 0.5%                               | -                   | -                  | -                                  |
| Hayleys Knittings Mills PLC           | 249,898             | 7,621,889          | 0.2%                               | -                   | -                  | -                                  |
| JAT Holdings PLC                      | 296,500             | 11,563,500         | 0.4%                               | -                   | -                  | -                                  |
|                                       |                     | <u>272,815,198</u> | <u>8.3%</u>                        |                     | <u>390,168,723</u> | <u>15.8%</u>                       |
| <b>Consumer Durables and Apparels</b> |                     |                    |                                    |                     |                    |                                    |
| Hayleys Fabric PLC                    | -                   | -                  | -                                  | 595,354             | 26,790,930         | 1.1%                               |
|                                       |                     | <u>-</u>           | <u>-</u>                           |                     | <u>26,790,930</u>  | <u>1.1%</u>                        |
| <b>Energy</b>                         |                     |                    |                                    |                     |                    |                                    |
| Lanka IOC PLC                         | -                   | -                  | -                                  | 715,000             | 90,805,000         | 3.7%                               |
|                                       |                     | <u>-</u>           | <u>-</u>                           |                     | <u>90,805,000</u>  | <u>3.7%</u>                        |
| <b>Retailing</b>                      |                     |                    |                                    |                     |                    |                                    |
| Singer (Sri Lanka) PLC                | 1,458,194           | 112,280,938        | 3.4%                               | -                   | -                  | -                                  |
| United Motors Lanka Limited           | 1,209,185           | 36,275,550         | 1.1%                               | -                   | -                  | -                                  |
|                                       |                     | <u>148,556,488</u> | <u>4.5%</u>                        |                     | <u>-</u>           | <u>-</u>                           |



**NATIONAL EQUITY FUND**  
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**9. Financial assets - fair value through profit or loss (Contd.)**

**9.1 Investments in quoted equity securities (Contd.)**

| Company                                 | As at 31 MARCH 2026 |                      |                                    | As at 31 March 2025 |                      |                                    |
|-----------------------------------------|---------------------|----------------------|------------------------------------|---------------------|----------------------|------------------------------------|
|                                         | 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.                  |                                    |
| <b>Consumer Services</b>                |                     |                      |                                    |                     |                      |                                    |
| Hayleys (Amaya) Leisure PLC             | 1,582,094           | 44,931,470           | 1.4%                               | 452,211             | 12,752,350           | 0.5%                               |
| Serendib Hotels PLC                     | 1,542,149           | 25,137,029           | 0.8%                               | 1,542,149           | 28,529,757           | 1.2%                               |
| Marawila Resorts PLC                    | 6,225,978           | 35,488,075           | 1.1%                               | 5,119,711           | 34,814,035           | 1.4%                               |
| 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        | 578,000             | 52,944,800           | 1.6%                               | 500,000             | 40,050,000           | 1.6%                               |
| Asian Hotel & Properties PLC            | 250,000             | 13,450,000           | 0.4%                               | -                   | -                    | -                                  |
| Beruwala ResortS PLC                    | 1,600,000           | 4,800,000            | 0.1%                               | -                   | -                    | -                                  |
| John Keels Hotels LTD.                  | 500,000             | 8,100,000            | 0.2%                               | -                   | -                    | -                                  |
| Trans Asia Hotels                       | 300,000             | 15,600,000           | 0.5%                               | -                   | -                    | -                                  |
| Kingsbury PLC                           | 444,302             | 6,708,960            | 0.2%                               | -                   | -                    | -                                  |
|                                         |                     | <u>207,160,333</u>   | <u>6.3%</u>                        |                     | <u>128,791,500</u>   | <u>5.2%</u>                        |
| <b>Capital Goods</b>                    |                     |                      |                                    |                     |                      |                                    |
| Access Engineering PLC                  | 1,000,000           | 67,000,000           | 2.0%                               | -                   | -                    | -                                  |
| Hemas Holdings PLC                      | 300,000             | 8,880,000            | 0.3%                               | -                   | -                    | -                                  |
| John Keels Holdings PLC                 | 2,500,000           | 46,000,000           | 1.4%                               | 5,000,000           | 101,000,000          | 4.1%                               |
| Central Industries PLC                  | -                   | -                    | 0.0%                               | 255,000             | 37,357,500           | 1.5%                               |
| ACL Cables PLC                          | 1,500,000           | 127,500,000          | 3.9%                               | 1,058,114           | 129,089,908          | 5.2%                               |
| Hayleys PLC                             | 590,424             | 126,941,160          | 3.9%                               | 406,880             | 55,742,560           | 2.3%                               |
| Hayleys PLC-Rights                      | 35,425              | 531,375              | 0.0%                               | -                   | -                    | -                                  |
| Sierra Cables PLC                       | 1,398,619           | 39,580,918           | 1.2%                               | 2,966,681           | 46,576,892           | 1.9%                               |
|                                         |                     | <u>416,433,453</u>   | <u>12.7%</u>                       |                     | <u>369,766,860</u>   | <u>15.0%</u>                       |
| <b>Utilities</b>                        |                     |                      |                                    |                     |                      |                                    |
| Resus Energy PLC                        | 5,871,900           | 55,783,050           | 1.7%                               | 1,149,360           | 30,458,040           | 1.2%                               |
| LVL Energy Fund LTD.                    | 2,712,357           | 21,698,856           | 0.7%                               | -                   | -                    | -                                  |
|                                         |                     | <u>77,481,906</u>    | <u>2.4%</u>                        |                     | <u>30,458,040</u>    | <u>1.2%</u>                        |
| <b>Diversified Financials</b>           |                     |                      |                                    |                     |                      |                                    |
| SingerFinance (Sri Lanka) PLC           | 40,719              | 1,877,146            | -                                  | -                   | -                    | -                                  |
| Commercial Credit And Finance PLC       | -                   | -                    | -                                  | 500,000             | 28,200,000           | 1.1%                               |
| Vallibel Finance PLC                    | 557,190             | 51,261,480           | 1.6%                               | 1,361,953           | 73,681,657           | 3.0%                               |
| Vallibel Finance PLC-Right Issues       | 69,648              | 1,392,960            | 0.0%                               | -                   | -                    | -                                  |
| Wealth Trust Securities Ltd             | 360,073             | 4,716,956            | 0.1%                               | -                   | -                    | -                                  |
|                                         |                     | <u>59,248,542</u>    | <u>1.7%</u>                        |                     | <u>101,881,657</u>   | <u>4.1%</u>                        |
| <b>Real Estate</b>                      |                     |                      |                                    |                     |                      |                                    |
| Asian Cotton Mills Limited              | 940,145             | 40,144,192           | 1.2%                               | -                   | -                    | -                                  |
| Colombo Land & Development Company PLC  | 1,163,812           | 59,470,793           | 1.8%                               | -                   | -                    | -                                  |
| Prime Land Residence PLC                | 558,000             | 26,058,600           | 0.8%                               | -                   | -                    | -                                  |
|                                         |                     | <u>125,673,585</u>   | <u>3.8%</u>                        |                     | <u>-</u>             | <u>-</u>                           |
| Total value of quoted equity securities |                     | <u>2,452,726,560</u> | <u>74.8%</u>                       |                     | <u>1,613,688,854</u> | <u>65.5%</u>                       |

**9.2 Investments in unquoted equity securities**

Cost as at 31 March

Depreciation of market value unquoted equity securities

Market value as at 31 March

| As at<br>31.03.2026<br>Rs. | As at<br>31.03.2025<br>Rs. |
|----------------------------|----------------------------|
| 17,493,837                 | 17,493,837                 |
| (3,843,493)                | (3,843,493)                |
| <u>13,650,344</u>          | <u>13,650,344</u>          |

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NOTES TO THE FINANCIAL STATEMENTS  
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**9. Financial assets - fair value through profit or loss (Contd.)**

**9.2 Investments in unquoted equity securities (Contd.)**

|                                                  | As at 31 March 2026 |                   |                                    | As at 31 March 2025 |                   |                                    |
|--------------------------------------------------|---------------------|-------------------|------------------------------------|---------------------|-------------------|------------------------------------|
|                                                  | 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.               |                                    |
| <b>Company</b>                                   |                     |                   |                                    |                     |                   |                                    |
| Laugfs Leisure Limited                           | 1,318,182           | 4,745,455         | 0.1%                               | 1,318,182           | 4,745,455         | 0.2%                               |
| Laugfs Leisure Limited - non voting              | 663,000             | 2,386,800         | 0.1%                               | 663,000             | 2,386,800         | 0.1%                               |
| Laugfs Eco Sri Limited                           | 1,318,182           | 4,336,819         | 0.1%                               | 1,318,182           | 4,336,819         | 0.2%                               |
| Laugfs Eco Sri Limited - non voting              | 663,000             | 2,181,270         | 0.1%                               | 663,000             | 2,181,270         | 0.1%                               |
| <b>Total value of unquoted equity securities</b> |                     | <b>13,650,344</b> | <b>0.4%</b>                        |                     | <b>13,650,344</b> | <b>0.6%</b>                        |

**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.





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

| 9.3 Investments in quoted debentures                                                      | As at 31 March 2026 |                                    | As at 31 March 2025 |                                    |
|-------------------------------------------------------------------------------------------|---------------------|------------------------------------|---------------------|------------------------------------|
|                                                                                           | Value               | Holdings as a % of net asset value | Value               | Holdings as a % of net asset value |
|                                                                                           | Rs.                 |                                    | Rs.                 |                                    |
| Name of the issuer                                                                        |                     |                                    |                     |                                    |
| Commercial Bank                                                                           | 5,919,301           | 0.2%                               | 6,431,017           | 0.3%                               |
|                                                                                           | <u>5,919,301</u>    |                                    | <u>6,431,017</u>    |                                    |
| <b>9.4 Investment in treasury bonds</b>                                                   |                     |                                    |                     |                                    |
| Wealth Securities Limited                                                                 | 415,145,746         | 12.7%                              | 540,424,548         | 21.9%                              |
| Acuity Securities Ltd                                                                     | 108,857,625         | 3.3%                               | 108,164,893         | 4.4%                               |
|                                                                                           | <u>524,003,371</u>  |                                    | <u>648,589,442</u>  |                                    |
| <b>9.5 Realised gains on financial assets at fair value through profit or loss</b>        |                     |                                    | <b>2025/2026</b>    | <b>2024/2025</b>                   |
|                                                                                           |                     |                                    | Rs.                 | Rs.                                |
| Proceeds on sales of equity securities                                                    |                     |                                    | 1,604,810,831       | 1,255,911,813                      |
| Average cost of equity securities sold                                                    |                     |                                    | (1,102,330,431)     | (1,149,570,247)                    |
| Net realized gain on equity securities                                                    |                     |                                    | <u>502,480,400</u>  | <u>106,341,566</u>                 |
| Proceed on realization of government securities                                           |                     |                                    | 53,554,500          | 97,027,450                         |
| Cost of government securities                                                             |                     |                                    | (56,460,121)        | (95,939,250)                       |
| Net realized loss / (gain) on government securities                                       |                     |                                    | <u>(2,905,621)</u>  | <u>1,088,200</u>                   |
| Total realized gain                                                                       |                     |                                    | <u>499,574,779</u>  | <u>107,429,766</u>                 |
| <b>9.6 Unrealised gains on financial assets held at fair value through profit or loss</b> |                     |                                    |                     |                                    |
| Gain on equity securities                                                                 |                     |                                    | 279,658,864         | 299,837,591                        |
| (Loss) / gain on debt securities                                                          |                     |                                    | (5,686,259)         | 11,704,249                         |
| Total unrealized gain                                                                     |                     |                                    | <u>273,972,605</u>  | <u>311,541,841</u>                 |



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|                                                                                                                                                      |                            |                                           | 31.03.2026<br>Rs.         | 31.03.2025<br>Rs.                         |
|------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------|-------------------------------------------|---------------------------|-------------------------------------------|
| <b>10. Financial assets - debt instruments at amortised cost</b>                                                                                     |                            |                                           |                           |                                           |
| Investments In commercial papers (Note 10.1)                                                                                                         |                            |                                           | -                         | 89,872,485                                |
| Investments In repurchase agreements (Note 10.2)                                                                                                     |                            |                                           | 217,527,831               | 15,013,233                                |
| Investments In trust certificates without coupon (Note 10.3)                                                                                         |                            |                                           | 53,113,507                | 53,286,480                                |
|                                                                                                                                                      |                            |                                           | <u>270,641,338</u>        | <u>158,172,197</u>                        |
| <b>10.1 Investments In commercial papers</b>                                                                                                         |                            |                                           |                           |                                           |
|                                                                                                                                                      | <b>As at 31 March 2026</b> | <b>As at 31 March 2025</b>                |                           |                                           |
| <b>Name of the issuer</b>                                                                                                                            | <b>Value</b>               | <b>Holdings as a % of net asset value</b> | <b>Value</b>              | <b>Holdings as a % of net asset value</b> |
|                                                                                                                                                      | <b>Rs.</b>                 |                                           | <b>Rs.</b>                |                                           |
| LOLC Holdings PLC                                                                                                                                    | -                          | -                                         | 89,872,485                | 3.6%                                      |
|                                                                                                                                                      | -                          |                                           | <u>89,872,485</u>         |                                           |
| <b>10.2 Investments In repurchase agreements</b>                                                                                                     |                            |                                           |                           |                                           |
| Safe Holdings (Pvt) Ltd                                                                                                                              | 60,094,411                 | 1.8%                                      | -                         | -                                         |
| DFCC Bank                                                                                                                                            | 157,433,421                | 4.8%                                      | 15,013,233                | 0.6%                                      |
|                                                                                                                                                      | <u>217,527,831</u>         |                                           | <u>15,013,233</u>         |                                           |
| This represent investment in resale agreements entirely backed by government securities. No impairment provisions derived through these investments. |                            |                                           |                           |                                           |
| <b>10.3 Investment in trust certificates without coupon</b>                                                                                          |                            |                                           |                           |                                           |
| Alliance Finance Co. Ltd                                                                                                                             | 53,113,507                 | 1.6%                                      | 53,286,480                | 2.2%                                      |
|                                                                                                                                                      | <u>53,113,507</u>          |                                           | <u>53,286,480</u>         |                                           |
|                                                                                                                                                      |                            |                                           | <b>31.03.2026<br/>Rs.</b> | <b>31.03.2025<br/>Rs.</b>                 |
| <b>11. Other receivables</b>                                                                                                                         |                            |                                           |                           |                                           |
| Dividend receivable                                                                                                                                  |                            |                                           | -                         | 1,080,000                                 |
| Receivables on unit creations                                                                                                                        |                            |                                           | 3,724                     | 3,649                                     |
|                                                                                                                                                      |                            |                                           | <u>3,724</u>              | <u>1,083,649</u>                          |
| <b>12. Income tax recoverable</b>                                                                                                                    |                            |                                           |                           |                                           |
| WHT recoverable                                                                                                                                      |                            |                                           | 28,733,032                | 28,733,032                                |
|                                                                                                                                                      |                            |                                           | <u>28,733,032</u>         | <u>28,733,032</u>                         |

As of 31 March 2026, the income tax receivable balance comprises the WHT recoverable of Rs.28,733,032/- (2025 - 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.



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|                                                | 31.03.2026<br>Rs. | 31.03.2025<br>Rs. |
|------------------------------------------------|-------------------|-------------------|
| <b>13. Accrued expenses and other payables</b> |                   |                   |
| Fund management and registrar fee payable      | 15,339,522        | 10,998,285        |
| Trustee fee payable                            | 2,061,439         | 1,478,031         |
| Auditor's remuneration payable                 | 539,185           | 539,185           |
| Payable on unit redemptions                    | 167,878           | 167,878           |
| Consultancy fee payable                        | 308,355           | 324,220           |
| Other payables                                 | (4,450)           | 71,904            |
|                                                | <u>18,411,929</u> | <u>13,579,505</u> |

**14. Net assets per unit**

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

|                                             | 31.03.2026<br>Rs.    | 31.03.2025<br>Rs.    |
|---------------------------------------------|----------------------|----------------------|
| Net asset value as per financial statements | 3,280,275,231        | 2,463,041,249        |
| Fair value adjustment on unquoted shares    | -                    | 3,288,762            |
| Bond sell - Interest receivable Adj.        | 16,436               | -                    |
| Income Tax receivable                       | (28,733,032)         | (28,733,032)         |
| Published net asset value                   | <u>3,251,558,635</u> | <u>2,437,596,979</u> |
| <br>Total no of units outstanding           | <br>45,976,412       | <br>46,103,858       |
| <br>Net assets value per unit (Rs.)         | <br><u>70.72</u>     | <br><u>52.87</u>     |

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

|                                                     | No. of Units      | Rs.                  |
|-----------------------------------------------------|-------------------|----------------------|
| <b>Balance as at 1st April 2024</b>                 | 48,183,611        | 2,054,397,313        |
| 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          |
| <b>Balance as at 31 March 2025</b>                  | <u>46,103,858</u> | <u>2,463,041,249</u> |
| <br>Increase due to unit creation during the year   | <br>1,836,773     | <br>138,205,979      |
| Decrease due to unit redemption during the year     | (1,964,219)       | (134,476,119)        |
| Increase in net assets attributable to unit holders | -                 | 813,504,122          |
| <b>Balance as at 31 March 2026</b>                  | <u>45,976,412</u> | <u>3,280,275,231</u> |





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**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 2026                                            | Measured at fair value<br>Rs. | Carried at cost<br>Rs. | Amortised cost<br>Rs. | Total<br>Rs.         |
|----------------------------------------------------------------|-------------------------------|------------------------|-----------------------|----------------------|
| <b>Assets</b>                                                  |                               |                        |                       |                      |
| Cash at bank                                                   | -                             | -                      | 3,009,491             | 3,009,491            |
| Financial assets                                               |                               |                        |                       |                      |
| Financial assets measured at fair value through profit or loss | 2,996,299,575                 | -                      | -                     | 2,996,299,575        |
| Financial assets measured at amortised cost                    | -                             | -                      | 270,641,338           | 270,641,338          |
| Other receivables                                              | -                             | -                      | 3,723                 | 3,723                |
| <b>Total</b>                                                   | <b>2,996,299,575</b>          | <b>-</b>               | <b>273,654,552</b>    | <b>3,269,954,128</b> |
| <b>Liabilities</b>                                             |                               |                        |                       |                      |
| Accrued expenses and other liabilities                         | -                             | 18,411,929             | -                     | 18,411,929           |
| <b>Total</b>                                                   | <b>-</b>                      | <b>18,411,929</b>      | <b>-</b>              | <b>18,411,929</b>    |
| <b>As at 31 March 2025</b>                                     |                               |                        |                       |                      |
| <b>Assets</b>                                                  |                               |                        |                       |                      |
| 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            |
| <b>Total</b>                                                   | <b>2,282,359,656</b>          | <b>-</b>               | <b>165,528,065</b>    | <b>2,447,887,722</b> |
| <b>Liabilities</b>                                             |                               |                        |                       |                      |
| Accrued expenses and other payables                            | -                             | 13,579,505             | -                     | 13,579,505           |
| <b>Total</b>                                                   | <b>-</b>                      | <b>13,579,505</b>      | <b>-</b>              | <b>13,579,505</b>    |

**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 2026                                                         | Level 1<br>Rs.       | Level 2<br>Rs.   | Level 3<br>Rs.    | Total fair value<br>Rs. |
|-----------------------------------------------------------------------------|----------------------|------------------|-------------------|-------------------------|
| <b>Financial assets measured at fair value</b>                              |                      |                  |                   |                         |
| Financial assets recognised through profit or loss - measured at fair value |                      |                  |                   |                         |
| - Investments in quoted equity securities                                   | 2,452,726,560        | -                | -                 | 2,452,726,560           |
| - Investments in unquoted equity securities                                 | -                    | -                | 13,650,344        | 13,650,344              |
| - Investments in quoted debentures                                          | -                    | 5,919,301        | -                 | 5,919,301               |
| - Investments in treasury bonds                                             | 524,003,371          | -                | -                 | 524,003,371             |
|                                                                             | <b>2,976,729,931</b> | <b>5,919,301</b> | <b>13,650,344</b> | <b>2,996,299,575</b>    |
| <b>As at 31 March 2025</b>                                                  |                      |                  |                   |                         |
| <b>Financial assets measured at fair value</b>                              |                      |                  |                   |                         |
| 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             |
|                                                                             | <b>2,262,278,296</b> | <b>6,431,017</b> | <b>13,650,344</b> | <b>2,282,359,656</b>    |

**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.



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**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/<br>financial liabilities      | Valuation technique(s)<br>and key input(s)                                                                                                                                                                                                                                                       | Significant<br>Unobservable<br>inputs                                                                          | Relationship and sensitivity of<br>unobservable inputs to fair value                                                                                                                                                                                                           |
|-------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Investment in<br>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 39,677 If the risk premium was 0.5% lower, the fair value would increase by Rs.40,070 (while all other variables were held constant)               |
| Investment in<br>unquoted equity<br>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. 0.16 and Rs 3.27 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 68,089 If the net asset per share was 1% lower, the fair value would decrease by Rs 68,089 (while all other variables were held constant) |

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

|                                          | Debentures<br>Rs. | Unquoted equity<br>investments<br>Rs. | Total<br>Rs.      |
|------------------------------------------|-------------------|---------------------------------------|-------------------|
| Balance as at 01 April 2024              | 6,543,449         | 16,942,022                            | 23,485,471        |
| Interest accrued                         | (3,228)           | -                                     | (3,228)           |
| Loss on fair valuation in profit or loss | (109,204)         | (3,291,678)                           | (3,400,882)       |
| <b>Balance as at 31 March 2025</b>       | <b>6,431,017</b>  | <b>13,650,344</b>                     | <b>20,081,361</b> |
| Balance as at 01 April 2025              | 6,431,017         | 13,650,344                            | 20,081,361        |
| Interest reversal                        | (3,228)           | -                                     | (3,228)           |
| Loss on fair valuation in profit or loss | (534,317)         | -                                     | (534,317)         |
| <b>Balance as at 31 March 2026</b>       | <b>5,893,472</b>  | <b>13,650,344</b>                     | <b>19,543,816</b> |

**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.



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**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.

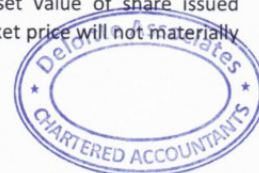
Management of market risk includes the following elements.

- 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/<br>(decrease) in<br>basis points | Effect on the profit for the year ended |                   |
|--------------------------------------------|--------------------------------------------|-----------------------------------------|-------------------|
|                                            |                                            | 31.03.2026<br>Rs.                       | 31.03.2025<br>Rs. |
| Increase in treasury bonds interest rate   | +0.5%                                      | (15,821,178)                            | (24,175,677)      |
| Decrease in treasury bonds interest rate   | -0.5%                                      | 10,802,797                              | 14,476,946        |
| Increase in debenture interest rate        | +0.5%                                      | (39,677)                                | (63,521)          |
| Decrease in debenture interest rate        | -0.5%                                      | 40,070                                  | 64,408            |
| Increase in quoted equity securities price | +1%                                        | 24,527,266                              | 16,136,889        |
| Decrease in quoted equity securities price | -1%                                        | (24,527,266)                            | (16,136,889)      |

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.





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**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.          |
| <b>As at 31 March 2026</b>                            |                      |                    |                   |                    |              |
| <b>Assets</b>                                         |                      |                    |                   |                    |              |
| Cash at bank                                          | 3,009,491            | -                  | -                 | -                  | -            |
| Financial assets at fair value through profit or loss |                      |                    |                   |                    |              |
| Investments in quoted equity securities               | 2,452,726,560        | -                  | -                 | -                  | -            |
| Investments in unquoted equity securities             | 13,650,344           | -                  | -                 | -                  | -            |
| Investments in quoted debentures                      | -                    | -                  | 4,430,000         | -                  | -            |
| Investments in treasury bonds                         | 100,000,000          | 250,000,000        | 50,000,000        | 100,000,000        | -            |
| Financial assets - at amortised cost                  |                      |                    |                   |                    |              |
| Investments in repurchase agreements                  | 217,574,749          | -                  | -                 | -                  | -            |
| Investment in trust certificates                      | -                    | -                  | -                 | 84,518,904         | -            |
| Other receivables                                     | 3,723                | -                  | -                 | -                  | -            |
| <b>Total financial assets</b>                         | <b>2,786,964,867</b> | <b>250,000,000</b> | <b>54,430,000</b> | <b>184,518,904</b> | <b>-</b>     |

**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.          |
| <b>As at 31 March 2025</b>                            |                      |                    |                    |                    |              |
| <b>Assets</b>                                         |                      |                    |                    |                    |              |
| 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            | -                  | -                  | -                  | -            |
| <b>Total financial assets</b>                         | <b>1,812,476,954</b> | <b>113,187,527</b> | <b>424,473,489</b> | <b>236,875,000</b> | <b>-</b>     |



**NATIONAL EQUITY FUND**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 MARCH 2026**

**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 2026                  | 12 Month<br>expected credit<br>losses | Life time<br>expected credit<br>losses not credit<br>impaired | Life time expected<br>credit losses credit<br>impaired | Total              |
|--------------------------------------|---------------------------------------|---------------------------------------------------------------|--------------------------------------------------------|--------------------|
|                                      | Rs.                                   | Rs.                                                           | Rs.                                                    | Rs.                |
| <b>Assets</b>                        |                                       |                                                               |                                                        |                    |
| Cash at bank                         | 3,009,491                             | -                                                             | -                                                      | 3,009,491          |
| Financial assets - at amortised cost | 270,641,338                           | -                                                             | -                                                      | 270,641,338        |
| Total financial assets               | <u>273,650,829</u>                    | <u>-</u>                                                      | <u>-</u>                                               | <u>273,650,829</u> |

| As at 31 March 2025                  | 12 Month<br>expected credit<br>losses | Life time<br>expected credit<br>losses not credit<br>impaired | Life time expected<br>credit losses credit<br>impaired | Total              |
|--------------------------------------|---------------------------------------|---------------------------------------------------------------|--------------------------------------------------------|--------------------|
|                                      | Rs.                                   | Rs.                                                           | Rs.                                                    | Rs.                |
| <b>Assets</b>                        |                                       |                                                               |                                                        |                    |
| 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> |

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 2026**

**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<br>measured at fair<br>value through<br>profit or loss | Financial assets<br>measured at<br>amortised cost | Total Financial<br>Assets |
|------------------------------|------------------|-------------------------------------------------------------------------|---------------------------------------------------|---------------------------|
|                              | Rs.              | Rs.                                                                     | Rs.                                               | Rs.                       |
| <b>As at 31 March 2026</b>   |                  |                                                                         |                                                   |                           |
| <b>Sector wise breakdown</b> |                  |                                                                         |                                                   |                           |
| Government                   | -                | 524,003,371                                                             | 217,527,831                                       | 741,531,202               |
| Corporate                    | 3,009,491        | 2,472,296,204                                                           | 53,113,507                                        | 2,528,419,202             |
| <b>Total</b>                 | <b>3,009,491</b> | <b>2,996,299,575</b>                                                    | <b>270,641,338</b>                                | <b>3,269,950,404</b>      |
| <b>As at 31 March 2025</b>   |                  |                                                                         |                                                   |                           |
| <b>Sector wise breakdown</b> |                  |                                                                         |                                                   |                           |
| 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             |
| <b>Total</b>                 | <b>6,272,219</b> | <b>2,282,359,656</b>                                                    | <b>158,172,197</b>                                | <b>2,446,804,072</b>      |

**Analysis of credit quality of financial investments**

**As at 31 March 2026**

|                                               | Risk Status | Financial assets<br>measured at fair<br>value through<br>profit or loss | Financial assets<br>measured at<br>amortised cost | Total financial<br>assets |
|-----------------------------------------------|-------------|-------------------------------------------------------------------------|---------------------------------------------------|---------------------------|
|                                               |             | Rs.                                                                     | Rs.                                               | Rs.                       |
| Government securities                         | Risk free   | 524,003,371                                                             | 217,527,831                                       | 741,531,202               |
| <b>Debt instruments having credit ratings</b> |             |                                                                         |                                                   |                           |
| AA+ to A+                                     | Low risk    | -                                                                       | -                                                 | -                         |
| A to BBB+                                     | Medium risk | 5,919,301                                                               | 53,113,507                                        | 59,032,807                |
| Below BBB                                     | High risk   | -                                                                       | -                                                 | -                         |

**As at 31 March 2025**

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





**NATIONAL EQUITY FUND  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2026**

**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 2026**

**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 31.03.2026 |                     | Year ended 31.03.2025 |                     |
|------------------------------------------------------|-----------------------|-----------------------|---------------------|-----------------------|---------------------|
|                                                      |                       | Transaction Value     | Outstanding Balance | Transaction Value     | Outstanding Balance |
|                                                      |                       | Rs.                   | Rs.                 | Rs.                   | Rs.                 |
| National Asset Management Limited (Managing company) | Management fee        | 48,187,859            | (13,209,033)        | 34,290,402            | (9,470,746)         |
|                                                      | Registrar's fee       | 7,772,235             | (2,130,489)         | 5,530,710             | (1,527,540)         |

**18.2 Transaction with trustee**

| Company Name and Nature of Relationship | Nature of Transaction | Year ended 31.03.2026 |                     | Year ended 31.03.2025 |                     |
|-----------------------------------------|-----------------------|-----------------------|---------------------|-----------------------|---------------------|
|                                         |                       | Transaction Value     | Outstanding Balance | Transaction Value     | Outstanding Balance |
|                                         |                       | Rs.                   | Rs.                 | Rs.                   | Rs.                 |
| Deutsche Bank (Trustee)                 | Trustee fee           | 7,520,334             | (2,061,439)         | 5,351,458             | (1,478,031)         |

**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 31.03.2026 |                     | Year ended 31.03.2025 |                     |
|------------------------------------------------------|----------------------------------------------------------------------|-----------------------|---------------------|-----------------------|---------------------|
|                                                      |                                                                      | Transaction Value     | Outstanding Balance | Transaction Value     | Outstanding Balance |
|                                                      |                                                                      | Rs.                   | Rs.                 | Rs.                   | Rs.                 |
| DFCC Bank PLC<br>(A shareholder of managing company) | Investments in units                                                 | -                     | (17,680,575)        | -                     | (13,217,966)        |
|                                                      | No. of units as of 31 March 2026 is 250,000 (31 March 2025: 250,000) |                       |                     |                       |                     |



**NATIONAL EQUITY FUND  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2026**

**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.

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 2026**

**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

| Name of the company               | Relationship              | Mr. Malay Mukherjee | Mr. Nasser Hamad | Mr. Nirupan Wijeyanathan | Mr. Prins Perera | Mr. Brian Joseph | Mr. Ravi Dassanayake | Mr. Sanjay Pokhrel | Mr. Brian Selvanayagam |
|-----------------------------------|---------------------------|---------------------|------------------|--------------------------|------------------|------------------|----------------------|--------------------|------------------------|
| Union Bank of Colombo PLC         | Related party through KMP | -                   | -                | -                        | -                | -                | -                    | Director           | -                      |
| UB Finance PLC                    | Related party through KMP | -                   | -                | -                        | -                | -                | -                    | -                  | -                      |
| Rockfort Advisory (Pvt) Ltd       | Related party through KMP | -                   | -                | Director                 | Director         | -                | Director             | Director           | -                      |
| DFCC Consulting (Pvt) Ltd         | Related party through KMP | -                   | -                | -                        | Director         | -                | Director             | -                  | -                      |
| AMW Capital Leasing & Finance PLC | Related party through KMP | -                   | -                | -                        | -                | -                | -                    | -                  | Director               |
| Lanka Realty Investments PLC      | Related party through KMP | -                   | -                | -                        | -                | -                | -                    | -                  | 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

### 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.

with 91.87% invested in listed equities, reflecting its growth-oriented strategy. The remaining 8.13% is allocated across low-risk, interest-bearing instruments to maintain liquidity and manage risk: 7.49% in repos and 0.15% in money market servings. 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 2026, NGF recorded a return of 36.38%, outperforming its benchmark return of 33.21%, which is composed of 100% ASPI. Over the medium and long term, NGF posted returns of 102.75% (36 months) and 128.44% (60 months), demonstrating its consistent ability to generate capital growth. The fund's active equity exposure positions it to benefit from market rallies over time.

### Asset Allocation

As at March 2026, the NAMAL Growth Fund (NGF) maintains a predominantly equity-based portfolio

### Fund Performance

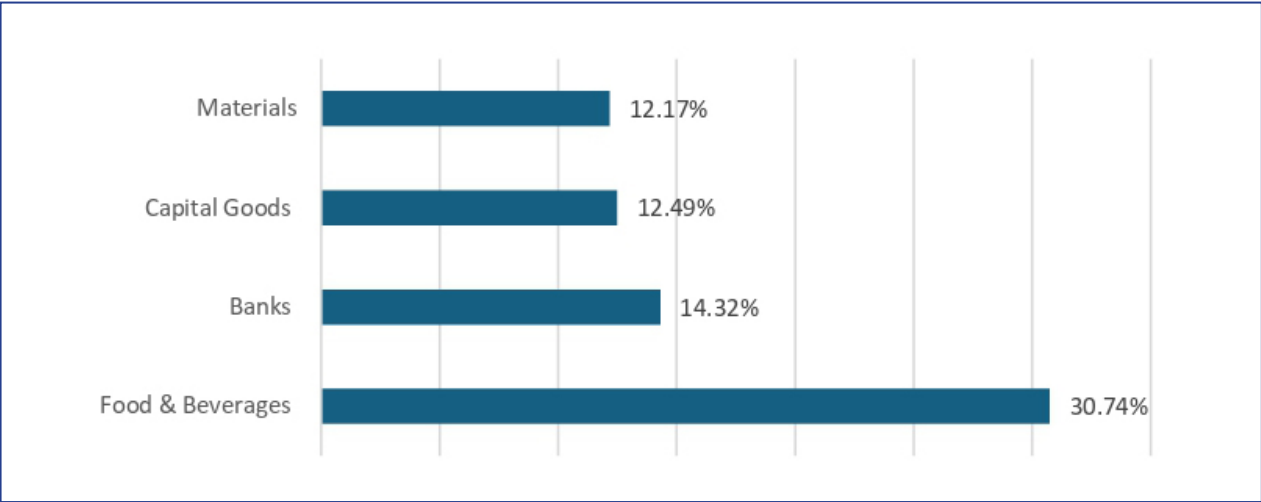
| Index            | 5 Years        | YTD           | 3 Year         | 2 Year        | 1 Year        | 6 Months      | 3 Months      | 1 Month        |
|------------------|----------------|---------------|----------------|---------------|---------------|---------------|---------------|----------------|
| <b>ASPI</b>      | <b>195.82%</b> | <b>33.21%</b> | <b>126.49%</b> | <b>84.07%</b> | <b>33.21%</b> | <b>-3.27%</b> | <b>-6.77%</b> | <b>-11.24%</b> |
| <b>NGF</b>       | <b>128.44%</b> | <b>36.38%</b> | <b>102.75%</b> | <b>66.30%</b> | <b>36.38%</b> | <b>-2.58%</b> | <b>-7.31%</b> | <b>-11.58%</b> |
| <b>Benchmark</b> | <b>195.82%</b> | <b>33.21%</b> | <b>126.49%</b> | <b>84.07%</b> | <b>33.21%</b> | <b>-3.27%</b> | <b>-6.77%</b> | <b>-11.24%</b> |

### \*Note

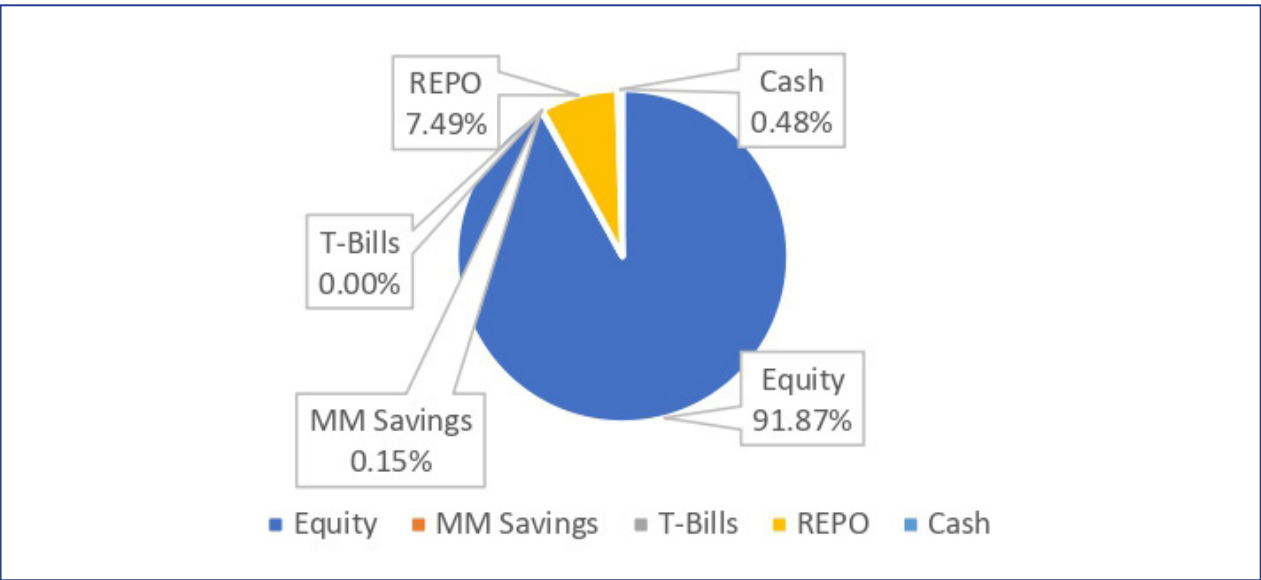
- 1) Benchmark consists of 100% return of ASPI.
- 2) All returns are adjusted for dividends
- 3) Returns are not annualized
- 4) Past performance should not be taken as a guide to future performance



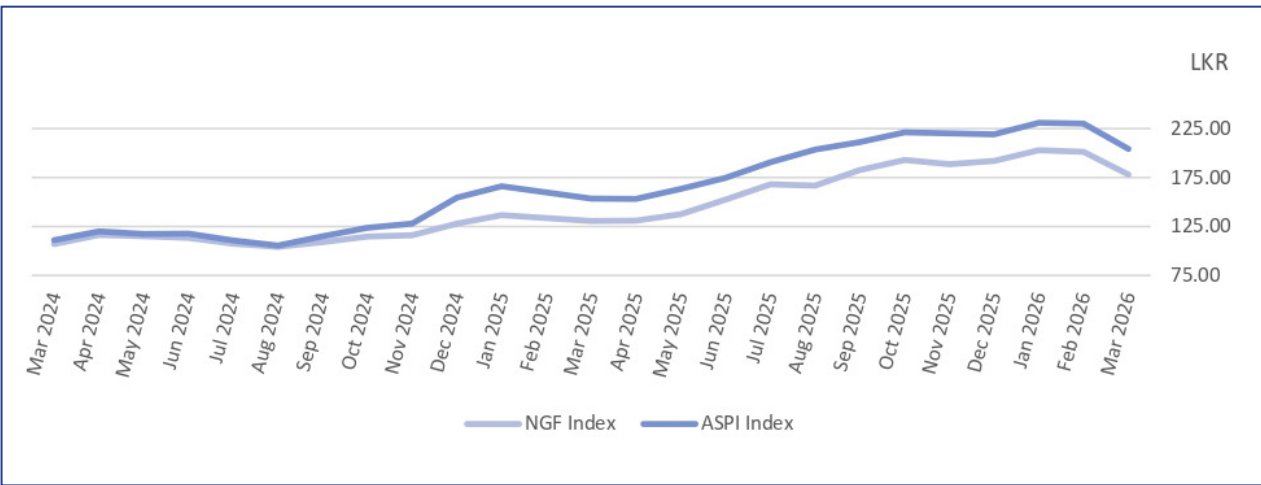
Sector Weighting (Top 5)



Asset Allocation



NGF Index Vs ASPI Index



**NAMAL GROWTH FUND  
FINANCIAL STATEMENTS  
TOGETHER WITH AUDITOR'S  
REPORT  
FOR THE YEAR ENDED  
31 MARCH 2026**

## 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 2026, 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 2026, 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 Institute of Chartered Accountants of Sri Lanka ("CA Sri Lanka Code of Ethics") and we have fulfilled our other ethical responsibilities in accordance with the CA Sri Lanka 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, but does not include the financial statements and our auditor's report thereon. The annual report 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 when it becomes available 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, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance and take appropriate actions based on the circumstances.

#### 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.

G J David FCA, T U Jayasinghe FCA, P D R Bharatha FCA, W A D Gayan ACA, H A C H Gunaratne FCA, M P M T Gunasekara FCA, M S J Henry FCA,  
M M R Hilmy FCA, S Y Kodagoda ACA, M M M Manzeer FCA



## 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

24 July 2026



**NAMAL GROWTH FUND**  
**STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED 31 MARCH 2026**

|                                                                                | Note | 2025/2026<br>Rs.         | 2024/2025<br>Rs.         |
|--------------------------------------------------------------------------------|------|--------------------------|--------------------------|
| <b>Investment income</b>                                                       |      |                          |                          |
| Dividend income                                                                |      | 5,891,490                | 7,925,051                |
| Interest income                                                                | 6.   | 2,076,782                | 2,027,594                |
| Realised gains on financial assets held at fair value through profit or loss   | 9.3  | 38,231,495               | 27,133,802               |
| Unrealised gains on financial assets held at fair value through profit or loss | 9.4  | 22,085,319               | 7,925,419                |
| <b>Total investment income</b>                                                 |      | <u>68,285,087</u>        | <u>45,011,866</u>        |
| <b>Expenses</b>                                                                |      |                          |                          |
| Management and registrar's fee                                                 |      | 4,738,015                | 3,182,684                |
| Trustee fees                                                                   |      | 818,653                  | 549,916                  |
| Auditor's remuneration                                                         |      | 436,591                  | 682,521                  |
| Bank charges                                                                   |      | 96,075                   | 87,420                   |
| Consultancy charges                                                            |      | 145,000                  | 145,000                  |
| Brokerage expenses                                                             |      | 3,582,551                | 3,133,615                |
| Other expenses                                                                 |      | 4,187                    | 33,756                   |
| Professional Charges                                                           |      | -                        | 76,723                   |
| <b>Total operating expenses</b>                                                |      | <u>9,821,072</u>         | <u>7,891,635</u>         |
| <b>Profit before tax</b>                                                       |      | 58,464,014               | 37,120,231               |
| Income tax expense                                                             | 7.   | -                        | -                        |
| <b>Profit for the year</b>                                                     |      | <u>58,464,014</u>        | <u>37,120,231</u>        |
| Other comprehensive income                                                     |      | -                        | -                        |
| <b>Net increase in net assets attributable to unit holders</b>                 |      | <u><u>58,464,014</u></u> | <u><u>37,120,231</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 2026**

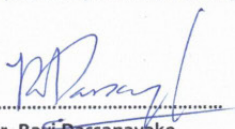
|                                                                                    | Note | 31.03.2026<br>Rs.  | 31.03.2025<br>Rs.  |
|------------------------------------------------------------------------------------|------|--------------------|--------------------|
| <b>Assets</b>                                                                      |      |                    |                    |
| Cash and cash equivalents                                                          | 8.   | 1,800,946          | 935,942            |
| Financial assets - fair value through profit or loss                               | 9.   | 333,714,494        | 171,917,560        |
| Financial assets - debt instruments at amortised cost                              | 10.  | 27,205,776         | 20,256,774         |
| Other receivables                                                                  | 11.  | 515,863            | 866,764            |
| Income tax recoverable                                                             | 12.  | 3,220,785          | 3,220,785          |
| <b>Total assets</b>                                                                |      | <u>366,457,864</u> | <u>197,197,825</u> |
| <b>Unit holders' funds and liabilities</b>                                         |      |                    |                    |
| <b>Liabilities</b>                                                                 |      |                    |                    |
| Accrued expenses and other payables                                                | 13.  | 1,511,311          | 1,542,298          |
| <b>Total liabilities (excluding net assets attributable to unit holders' fund)</b> |      | <u>1,511,311</u>   | <u>1,542,298</u>   |
| <b>Unit holders' fund</b>                                                          |      |                    |                    |
| Net assets attributable to unit holders                                            |      | 364,946,553        | 195,655,527        |
| <b>Total unit holders' funds and liabilities</b>                                   |      | <u>366,457,864</u> | <u>197,197,825</u> |
| <br>Net assets per unit (Rs.)                                                      | 14.  | 303.36             | 222.43             |

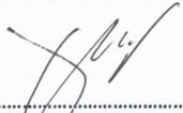
Figures in brackets indicate deductions.

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 24 July 2026.

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

  
 .....  
**Mr. Brian Joseph**  
 Director  
 Fund Management Company

  
 .....  
**Deutsche Bank AG**  
 Trustee





**NAMAL GROWTH FUND  
STATEMENT OF CHANGES IN UNIT HOLDERS' FUNDS  
FOR THE YEAR ENDED 31 MARCH 2026**

|                                                     | 2025/2026<br>Rs.   | 2024/2025<br>Rs.   |
|-----------------------------------------------------|--------------------|--------------------|
| Unit holders' funds at the beginning of the period  | 195,655,527        | 174,185,220        |
| Increase in net assets attributable to unit holders | 58,464,014         | 37,120,231         |
| Receipts on unit creations                          | 119,519,362        | 363,278            |
| Payments on unit redemptions                        | (8,692,351)        | (16,013,202)       |
| Unit holders' funds at the end of the period        | <u>364,946,553</u> | <u>195,655,527</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 2026**

|                                                                 | 2025/2026<br>Rs.     | 2024/2025<br>Rs.    |
|-----------------------------------------------------------------|----------------------|---------------------|
| <b>Cash Flows from operating activities</b>                     |                      |                     |
| Dividends received                                              | 6,242,391            | 7,886,976           |
| Interest received                                               | 2,088,911            | 2,038,410           |
| Net investments in equity securities                            | (101,480,983)        | 22,046,161          |
| Net investments in treasury bills & MM Savings                  | 9,239,734            | (9,239,580)         |
| Net investments in repurchase agreements                        | (16,200,000)         | 1,000,000           |
| Operating expenses paid                                         | (9,775,306)          | (7,786,928)         |
| <b>Net cash (used in) / generated from operating activities</b> | <u>(109,885,254)</u> | <u>15,945,039</u>   |
| <b>Cash flows from financing activities</b>                     |                      |                     |
| Amount received on unit creations                               | 119,519,362          | 363,278             |
| Amount paid on unit redemptions                                 | (8,769,104)          | (15,936,572)        |
| <b>Net cash generated from / (used in) financing activities</b> | <u>110,750,257</u>   | <u>(15,573,294)</u> |
| <b>Net increase in cash and cash equivalents</b>                | 865,004              | 371,745             |
| <b>Cash and cash equivalents at the beginning of the year</b>   | 935,942              | 564,197             |
| <b>Cash and cash equivalents at the end of the year</b>         | <u>1,800,946</u>     | <u>935,942</u>      |
| <b>At the beginning</b>                                         |                      |                     |
| Cash and cash equivalents                                       | 935,942              | 564,197             |
|                                                                 | <u>935,942</u>       | <u>564,197</u>      |
| <b>At the end</b>                                               |                      |                     |
| Cash and cash equivalents                                       | 1,800,946            | 935,942             |
|                                                                 | <u>1,800,946</u>     | <u>935,942</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 2026**

**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 2026 were authorized for issue by the Fund Management Company and the Trustee on 24 July 2026.

**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 2026**

**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**

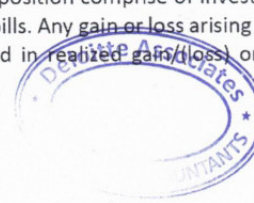
The Fund classifies all its financial assets in the following measurement categories:

- 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 solely 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 derecognition 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 2026**

**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).





3. Material accounting policies – (Contd.)  
3.1 Financial instruments – (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).

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 2026, the impact on the financial statements resulting from the same is not significant.

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.

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.

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

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

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 2026**

**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 2026**

**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 2026**

|                                   | 2025/2026        | 2024/2025        |
|-----------------------------------|------------------|------------------|
|                                   | Rs.              | Rs.              |
| <b>6. Investment income</b>       |                  |                  |
| Interest on savings account       | 85,838           | 116,510          |
| Interest on money market savings  | 18,294           | 7,190            |
| Interest on treasury bills        | 752,065          | 470,740          |
| Interest on repurchase agreements | 1,220,584        | 1,433,154        |
|                                   | <u>2,076,782</u> | <u>2,027,594</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.

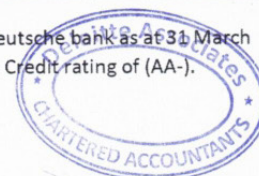
**Reconciliation between current tax expense and the accounting profit**

|                                                       | 2025/2026           | 2024/2025           |
|-------------------------------------------------------|---------------------|---------------------|
|                                                       | Rs.                 | Rs.                 |
| Accounting profit from ordinary activities before tax | 58,464,014          | 37,120,231          |
| Less:- Exempted income                                | <u>(58,464,014)</u> | <u>(37,120,231)</u> |
| Taxable income                                        | <u>-</u>            | <u>-</u>            |
| Income tax provision for the year                     | <u>-</u>            | <u>-</u>            |
|                                                       | <b>31.03.2026</b>   | <b>31.03.2025</b>   |
|                                                       | Rs.                 | Rs.                 |

**8. Cash and cash equivalents**

|                                           |                  |                |
|-------------------------------------------|------------------|----------------|
| Savings account -Deutsche bank (Note 8.1) | 1,238,309        | 726,050        |
| Money market savings - HNB (Note 8.1)     | 562,636          | 209,892        |
|                                           | <u>1,800,946</u> | <u>935,942</u> |

- 8.1** Bank balances are maintained only to settle day to day operations. Balance in Deutsche bank as at 31 March 2026 is with credit rating of (A+) and balance in HNB as at 31 March 2026 is with Credit rating of (AA-).





**NAMAL GROWTH FUND**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 MARCH 2026**

|                                                                | 31.03.2026<br>Rs.  | 31.03.2025<br>Rs.  |
|----------------------------------------------------------------|--------------------|--------------------|
| <b>9. Financial assets - fair value through profit or loss</b> |                    |                    |
| Investments in quoted equity securities (Note 9.1)             | 324,783,007        | 162,986,073        |
| Investments in unquoted equity securities (Note 9.2)           | 8,931,487          | 8,931,487          |
|                                                                | <u>333,714,494</u> | <u>171,917,560</u> |
| <b>9.1 Investments in quoted equity securities</b>             |                    |                    |
| Cost as at 31 March                                            | 282,238,198        | 142,525,719        |
| Appreciation of market value quoted equity securities          | 42,544,809         | 20,460,354         |
| Market value as at 31 March                                    | <u>324,783,007</u> | <u>162,986,073</u> |

| Company                                       | 31 March 2026    |                    |                                    | 31 March 2025    |                   |                                    |
|-----------------------------------------------|------------------|--------------------|------------------------------------|------------------|-------------------|------------------------------------|
|                                               | 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.               |                                    |
| <b>Banks</b>                                  |                  |                    |                                    |                  |                   |                                    |
| Commercial Bank of Ceylon PLC                 | 190,000          | 38,807,500         | 10.6%                              | -                | -                 | -                                  |
| Hatton National Bank PLC                      | -                | -                  | -                                  | 57,405           | 17,508,525        | 8.9%                               |
| Pan Asia Banking Corporation Limited          | 261,327          | 13,197,014         | 3.6%                               | -                | -                 | -                                  |
|                                               |                  | <u>52,004,514</u>  | <u>14.2%</u>                       |                  | <u>17,508,525</u> | <u>8.9%</u>                        |
| <b>Food beverage and tobacco</b>              |                  |                    |                                    |                  |                   |                                    |
| Three Acre Farms PLC                          | 17,024           | 9,805,824          | 2.7%                               | 17,024           | 5,102,944         | 2.6%                               |
| Bairaha Farms PLC                             | 475,000          | 33,725,000         | 9.2%                               | 110,000          | 18,122,500        | 9.3%                               |
| Lion Brewery Ceylon PLC                       | 11,656           | 19,893,878         | 5.5%                               | 11,656           | 14,820,604        | 7.6%                               |
| Ceylon Grain Elevators PLC                    | 60,000           | 22,875,000         | 6.3%                               | 85,000           | 15,980,000        | 8.2%                               |
| Melstacorp PLC                                | -                | -                  | -                                  | 202,000          | 25,654,000        | 13.1%                              |
| Ceylon Tobacco Company PLC                    | 10,000           | 17,100,000         | 4.7%                               | 10,000           | 13,502,500        | 6.9%                               |
| Maskeliya Plantations Limited                 | 50,000           | 3,495,000          | 1.0%                               | -                | -                 | -                                  |
| Renuka Agri Foods PLC                         | 381,960          | 4,774,500          | 1.3%                               | -                | -                 | -                                  |
|                                               |                  | <u>111,669,202</u> | <u>30.6%</u>                       |                  | <u>93,182,548</u> | <u>47.6%</u>                       |
| <b>Capital goods</b>                          |                  |                    |                                    |                  |                   |                                    |
| Hemas Holdings PLC                            | 233,174          | 6,901,950          | 1.9%                               | -                | -                 | -                                  |
| John Keels Holdings PLC                       | 1,000,000        | 18,400,000         | 5.0%                               | 1,000,000        | 20,200,000        | 10.3%                              |
| Aitken Spence & Company Limited               | 144,424          | 20,074,936         | 5.5%                               | -                | -                 | -                                  |
|                                               |                  | <u>45,376,886</u>  | <u>12.4%</u>                       |                  | <u>20,200,000</u> | <u>10.3%</u>                       |
| <b>Materials</b>                              |                  |                    |                                    |                  |                   |                                    |
| Tokyo Cement Company (Lanka) PLC              | 50,000           | 4,445,000          | 1.2%                               | 50,000           | 3,950,000         | 2.0%                               |
| Tokyo Cement Company (Lanka) PLC (Non Voting) | 245,000          | 17,860,500         | 4.9%                               | -                | -                 | -                                  |
| CIC Holdings PLC                              | -                | -                  | -                                  | 100,000          | 11,725,000        | 6.0%                               |
| Haycarb PLC                                   | 200,000          | 21,900,000         | 6.0%                               | 200,000          | 16,420,000        | 8.4%                               |
|                                               |                  | <u>44,205,500</u>  | <u>12.1%</u>                       |                  | <u>32,095,000</u> | <u>16.4%</u>                       |



**NAMAL GROWTH FUND**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 MARCH 2026**

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

**9.1 Investments in quoted equity securities**

**9.1.1**

| Company                                        | 31 March 2026    |                    |                                    | 31 March 2025    |                    |                                    |
|------------------------------------------------|------------------|--------------------|------------------------------------|------------------|--------------------|------------------------------------|
|                                                | 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.                |                                    |
| <b>Consumer Service</b>                        |                  |                    |                                    |                  |                    |                                    |
| Aitken Spence Hotel Holding Limited            | 250,000          | 22,900,000         | 6.3%                               | -                | -                  | -                                  |
|                                                |                  | <u>22,900,000</u>  | <u>6.3%</u>                        |                  | <u>-</u>           | <u>-</u>                           |
| <b>Diversified Financials</b>                  |                  |                    |                                    |                  |                    |                                    |
| Peoples Leasing Company PLC                    | 71,502           | 1,601,645          | 0.4%                               | -                | -                  | -                                  |
| Central Finance Company Limited                | 47,262           | 10,775,736         | 3.0%                               | -                | -                  | -                                  |
|                                                |                  | <u>12,377,381</u>  | <u>3.4%</u>                        |                  | <u>-</u>           | <u>-</u>                           |
| <b>Real State</b>                              |                  |                    |                                    |                  |                    |                                    |
| Overseas Reality (Ceylon) Limited              | 174,000          | 7,099,200          | 1.9%                               | -                | -                  | -                                  |
|                                                |                  | <u>7,099,200</u>   | <u>1.9%</u>                        |                  | <u>-</u>           | <u>-</u>                           |
| <b>Telecommunication Services</b>              |                  |                    |                                    |                  |                    |                                    |
| Dialog Telecom Limited                         | 557,116          | 16,880,615         | 4.6%                               | -                | -                  | -                                  |
|                                                |                  | <u>16,880,615</u>  | <u>4.6%</u>                        |                  | <u>-</u>           | <u>-</u>                           |
| <b>Insurance</b>                               |                  |                    |                                    |                  |                    |                                    |
| HNB Assurance Limited                          | 102,035          | 12,269,709         | 3.4%                               | -                | -                  | -                                  |
|                                                |                  | <u>12,269,709</u>  | <u>3.4%</u>                        |                  | <u>-</u>           | <u>-</u>                           |
| <b>Total value of quoted equity securities</b> |                  | <u>324,783,006</u> | <u>89.0%</u>                       |                  | <u>162,986,073</u> | <u>83.3%</u>                       |

**31.03.2026**  
Rs.

**31.03.2025**  
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)      | (2,514,816)      |
| Market value as at 31 March                             | <u>8,931,487</u> | <u>8,931,487</u> |

**9.2.1**

| Company                                          | 31 March 2026    |                  |                                    | 31 March 2025    |                  |                                    |
|--------------------------------------------------|------------------|------------------|------------------------------------|------------------|------------------|------------------------------------|
|                                                  | 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        | 1.2%                               | 1,198,934        | 4,316,163        | 2.2%                               |
| Laugfs Leisure Limited - non voting              | 97,363           | 350,507          | 0.1%                               | 97,363           | 350,507          | 0.2%                               |
| Laugfs Eco Limited                               | 1,198,934        | 3,944,493        | 1.1%                               | 1,198,934        | 3,944,493        | 2.0%                               |
| Laugfs Eco Limited - non voting                  | 97,363           | 320,324          | 0.1%                               | 97,363           | 320,324          | 0.2%                               |
| <b>Total value of unquoted equity securities</b> |                  | <u>8,931,487</u> | <u>2.4%</u>                        |                  | <u>8,931,487</u> | <u>4.6%</u>                        |



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**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.

|                                                                                           | 2025/2026<br>Rs.  | 2024/2025<br>Rs.  |
|-------------------------------------------------------------------------------------------|-------------------|-------------------|
| <b>9.3 Realised gains on financial assets at fair value through profit or loss</b>        |                   |                   |
| Proceeds of equity shares sold                                                            | 108,733,585       | 151,607,398       |
| Average cost of equity shares sold                                                        | (70,502,089)      | (124,473,596)     |
| Total net realized gain on shares                                                         | <u>38,231,495</u> | <u>27,133,802</u> |
| <b>9.4 Unrealised gains on financial assets held at fair value through profit or loss</b> |                   |                   |
| Gain on quoted equity securities                                                          | 22,084,455        | 10,078,136        |
| Loss on unquoted equity securities                                                        | -                 | (2,151,853)       |
| Loss on debt securities                                                                   | 864               | (864)             |
| Total net unrealized gain                                                                 | <u>22,085,319</u> | <u>7,925,419</u>  |





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|                                                                  | 31.03.2026<br>Rs. | 31.03.2025<br>Rs. |
|------------------------------------------------------------------|-------------------|-------------------|
| <b>10. Financial assets - debt instruments at amortised cost</b> |                   |                   |
| Investments in repurchase agreements (Note 10.1)                 | 27,205,776        | 11,009,704        |
| Investments in treasury bills (Note 10.2)                        | -                 | 9,247,070         |
|                                                                  | <u>27,205,776</u> | <u>20,256,774</u> |

**10.1 Investments in repurchase agreements**

|                    | 31 March 2026     |                                    | 31 March 2025     |                                    |
|--------------------|-------------------|------------------------------------|-------------------|------------------------------------|
| Name of the issuer | Value             | Holdings as a % of net asset value | Value             | Holdings as a % of net asset value |
|                    | Rs.               |                                    | Rs.               |                                    |
| DFCC Bank          | 27,205,776        | 7.5%                               | 11,009,704        | 5.6%                               |
|                    | <u>27,205,776</u> |                                    | <u>11,009,704</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 2026 |                                    | 31 March 2025    |                                    |
|-----------------------------------|---------------|------------------------------------|------------------|------------------------------------|
| 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>-</u>      |                                    | <u>9,247,070</u> |                                    |

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

|                               | 31.03.2026<br>Rs. | 31.03.2025<br>Rs. |
|-------------------------------|-------------------|-------------------|
| <b>11. Other receivables</b>  |                   |                   |
| Dividend receivable           | 510,174           | 861,075           |
| Receivables on unit creations | 5,689             | 5,689             |
|                               | <u>515,863</u>    | <u>866,764</u>    |



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|                                   | 31.03.2026       | 31.03.2025       |
|-----------------------------------|------------------|------------------|
|                                   | Rs.              | Rs.              |
| <b>12. Income tax recoverable</b> |                  |                  |
| WHT recoverable                   | 3,220,785        | 3,220,785        |
|                                   | <u>3,220,785</u> | <u>3,220,785</u> |

As of 31 March 2026, 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.

|                                                |                  |                  |
|------------------------------------------------|------------------|------------------|
| <b>13. Accrued expenses and other payables</b> |                  |                  |
| Fund management and registrar fee payable      | 552,086          | 289,836          |
| Trustee fee payable                            | 95,392           | 50,079           |
| Auditor's remuneration payable                 | 436,591          | 682,521          |
| Consultancy fees payable                       | 423,294          | 439,159          |
| Other payable                                  | 3,949            | 80,703           |
|                                                | <u>1,511,311</u> | <u>1,542,298</u> |

|                                                                                                           |  |
|-----------------------------------------------------------------------------------------------------------|--|
| <b>14. Net assets per unit</b>                                                                            |  |
| Reconciliation between the net asset value as per financial statements and the published net asset value. |  |

|                                             | 31.03.2026    | 31.03.2025    |
|---------------------------------------------|---------------|---------------|
|                                             | Rs.           | Rs.           |
| Net asset value as per financial statements | 364,946,553   | 195,655,527   |
| Fair value adjustment on unquoted shares    | -             | 2,152,749     |
| Under provision of audit fee adjustment     | -             | 245,930       |
| Income tax receivable                       | (3,220,785)   | (3,220,785)   |
| Published net asset value                   | 361,725,767   | 194,833,421   |
| Total no of units outstanding               | 1,192,413     | 875,936       |
| Net assets value per unit (Rs.)             | <u>303.36</u> | <u>222.43</u> |

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

|                                                     | No. of Units     | Rs.                |
|-----------------------------------------------------|------------------|--------------------|
| <b>Balance as at 1 April 2024</b>                   | 957,005          | 174,185,220        |
| 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         |
| <b>Balance as at 31 March 2025</b>                  | <u>875,936</u>   | <u>195,655,527</u> |
| Increase due to unit creations during the year      | 345,830          | 119,519,362        |
| Decrease due to unit redemptions during the year    | (29,353)         | (8,692,351)        |
| Increase in net assets attributable to unit holders | -                | 58,464,014         |
| <b>Balance as at 31 March 2026</b>                  | <u>1,192,413</u> | <u>364,946,593</u> |



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**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 2026                                            | Measured at fair value<br>Rs. | Carried at cost<br>Rs. | Amortised cost<br>Rs. | Total<br>Rs.       |
|----------------------------------------------------------------|-------------------------------|------------------------|-----------------------|--------------------|
| <b>Assets</b>                                                  |                               |                        |                       |                    |
| Cash at bank                                                   | -                             | -                      | 1,800,946             | 1,800,946          |
| Financial assets                                               |                               |                        |                       |                    |
| Financial assets measured at fair value through profit or loss | 333,714,494                   | -                      | -                     | 333,714,494        |
| Financial assets measured at amortised cost                    | -                             | -                      | 27,205,776            | 27,205,776         |
| Other receivables                                              | -                             | -                      | 515,863               | 515,863            |
| <b>Total</b>                                                   | <b>333,714,494</b>            | <b>-</b>               | <b>29,522,584</b>     | <b>363,237,078</b> |
| <b>Liabilities</b>                                             |                               |                        |                       |                    |
| Accrued expenses and other liabilities                         | -                             | 1,511,311              | -                     | 1,511,311          |
| <b>Total</b>                                                   | <b>-</b>                      | <b>1,511,311</b>       | <b>-</b>              | <b>1,511,311</b>   |

| As at 31 March 2025                                            | Measured at fair value<br>Rs. | Carried at cost<br>Rs. | Amortised cost<br>Rs. | Total<br>Rs.       |
|----------------------------------------------------------------|-------------------------------|------------------------|-----------------------|--------------------|
| <b>Assets</b>                                                  |                               |                        |                       |                    |
| 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            |
| <b>Total</b>                                                   | <b>171,917,560</b>            | <b>-</b>               | <b>22,059,480</b>     | <b>193,977,040</b> |
| <b>Liabilities</b>                                             |                               |                        |                       |                    |
| Accrued expenses and other payables                            | -                             | 1,542,298              | -                     | 1,542,298          |
| <b>Total</b>                                                   | <b>-</b>                      | <b>1,542,298</b>       | <b>-</b>              | <b>1,542,298</b>   |

**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.

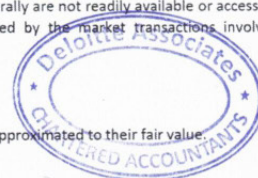
| As at 31 March 2026                                                         | Level 1<br>Rs.     | Level 2<br>Rs. | Level 3<br>Rs.   | Total fair value<br>Rs. |
|-----------------------------------------------------------------------------|--------------------|----------------|------------------|-------------------------|
| <b>Financial assets measured at fair value</b>                              |                    |                |                  |                         |
| Financial assets recognised through profit or loss - measured at fair value |                    |                |                  |                         |
| - Investments in quoted equity investments                                  | 324,783,007        | -              | -                | 324,783,007             |
| - Investments in unquoted equity investments                                | -                  | -              | 8,931,487        | 8,931,487               |
|                                                                             | <b>324,783,007</b> | <b>-</b>       | <b>8,931,487</b> | <b>333,714,494</b>      |
| <b>As at 31 March 2025</b>                                                  |                    |                |                  |                         |
| <b>Financial assets measured at fair value</b>                              |                    |                |                  |                         |
| 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               |
|                                                                             | <b>162,986,073</b> | <b>-</b>       | <b>8,931,487</b> | <b>171,917,560</b>      |

**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.





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**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/<br>financial liabilities       | Valuation technique(s)<br>and key input(s)                                                                                                                            | Significant<br>Unobservable<br>inputs                                                                           | Relationship and sensitivity of<br>unobservable inputs to fair value                                                                                                                                                                                                             |
|--------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Investments in<br>unquoted equity<br>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. 0.16 and Rs 3.27 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.68,089. If the net asset per share was 1% lower, the fair value would decrease by Rs.68,089. (while all other variables were held constant) |

**16.1.2 Reconciliation of level 3 fair value measurements of financial instruments**

|                                                 | Unquoted<br>equity<br>investments<br>Rs. | Total<br>Rs.     |
|-------------------------------------------------|------------------------------------------|------------------|
| Balance as at 1 April 2024                      | 11,085,246                               | 11,085,246       |
| Loss on fair valuation in profit or loss        | (2,152,749)                              | (2,152,749)      |
| <b>Balance as at 31 March 2025</b>              | <b>8,932,497</b>                         | <b>8,932,497</b> |
| Balance as at 1 April 2025                      | 8,932,497                                | 8,932,497        |
| Gain/(Loss) on fair valuation in profit or loss | -                                        | -                |
| <b>Balance as at 31 March 2026</b>              | <b>8,932,497</b>                         | <b>8,932,497</b> |

**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.



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**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/<br>(decrease) in<br>basis points | Effect on the profit for the year<br>ended |                   |
|--------------------------------------------|--------------------------------------------|--------------------------------------------|-------------------|
|                                            |                                            | 31.03.2026<br>Rs.                          | 31.03.2025<br>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%                                        | 3,247,830                                  | 1,629,842         |
| Decrease in quoted equity securities price | -1%                                        | (3,247,830)                                | (1,629,842)       |



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**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<br>months<br>Rs. | 3 months to<br>1 year<br>Rs. | 1-3 years<br>Rs. | 3-5 years<br>Rs. | Over 5<br>years<br>Rs. |
|-------------------------------------------------------|--------------------------|------------------------------|------------------|------------------|------------------------|
| <b>As at 31 March 2026</b>                            |                          |                              |                  |                  |                        |
| <b>Assets</b>                                         |                          |                              |                  |                  |                        |
| Cash at bank                                          | 1,800,946                | -                            | -                | -                | -                      |
| Financial assets at fair value through profit or loss |                          |                              |                  |                  |                        |
| Investments in quoted equity securities               | 324,783,007              | -                            | -                | -                | -                      |
| Investments in unquoted equity securities             | 8,931,487                | -                            | -                | -                | -                      |
| Financial assets - at amortised cost                  |                          |                              |                  |                  |                        |
| Investments in repurchase agreements                  | 27,211,551               | -                            | -                | -                | -                      |
| Other receivables                                     | 515,863                  | -                            | -                | -                | -                      |
| <b>Total financial assets</b>                         | <b>363,242,853</b>       | <b>-</b>                     | <b>-</b>         | <b>-</b>         | <b>-</b>               |

|                                                       | Up to 3<br>months<br>Rs. | 3 months to<br>1 year<br>Rs. | 1-3 years<br>Rs. | 3-5 years<br>Rs. | Over 5<br>years<br>Rs. |
|-------------------------------------------------------|--------------------------|------------------------------|------------------|------------------|------------------------|
| <b>As at 31 March 2025</b>                            |                          |                              |                  |                  |                        |
| <b>Assets</b>                                         |                          |                              |                  |                  |                        |
| 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                  | -                            | -                | -                | -                      |
| <b>Total financial assets</b>                         | <b>184,729,970</b>       | <b>10,000,000</b>            | <b>-</b>         | <b>-</b>         | <b>-</b>               |





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**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 2026                  | 12 Month<br>expected<br>credit losses | Life time<br>expected<br>credit losses<br>not credit<br>impaired | Life time<br>expected credit<br>losses credit<br>impaired | Total             |
|--------------------------------------|---------------------------------------|------------------------------------------------------------------|-----------------------------------------------------------|-------------------|
|                                      | Rs.                                   | Rs.                                                              | Rs.                                                       | Rs.               |
| <b>Assets</b>                        |                                       |                                                                  |                                                           |                   |
| Cash at bank                         | 1,800,946                             | -                                                                | -                                                         | 1,800,946         |
| Financial assets - at amortised cost | 27,205,776                            | -                                                                | -                                                         | 27,205,776        |
| Total financial assets               | <u>29,006,721</u>                     | <u>-</u>                                                         | <u>-</u>                                                  | <u>29,006,721</u> |

| As at 31 March 2025                  | 12 Month<br>expected<br>credit losses | Life time<br>expected<br>credit losses<br>not credit<br>impaired | Life time<br>expected credit<br>losses credit<br>impaired | Total             |
|--------------------------------------|---------------------------------------|------------------------------------------------------------------|-----------------------------------------------------------|-------------------|
|                                      | Rs.                                   | Rs.                                                              | Rs.                                                       | Rs.               |
| <b>Assets</b>                        |                                       |                                                                  |                                                           |                   |
| Cash at bank                         | 935,942                               | -                                                                | -                                                         | 935,942           |
| Financial assets - at amortised cost | 20,256,774                            | -                                                                | -                                                         | 20,256,774        |
| Total financial assets               | <u>21,192,716</u>                     | <u>-</u>                                                         | <u>-</u>                                                  | <u>21,192,716</u> |



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**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.                    |
| <b>As at 31 March 2026</b>   |                  |                                                                |                                             |                        |
| <b>Sector wise breakdown</b> |                  |                                                                |                                             |                        |
| Government                   | -                | -                                                              | 27,205,776                                  | 27,205,776             |
| Corporate                    | 1,800,946        | 333,714,494                                                    | -                                           | 335,515,439            |
| Total                        | <u>1,800,946</u> | <u>333,714,494</u>                                             | <u>27,205,776</u>                           | <u>362,721,215</u>     |
| <b>As at 31 March 2025</b>   |                  |                                                                |                                             |                        |
| <b>Sector wise breakdown</b> |                  |                                                                |                                             |                        |
| 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>     |

**Credit quality analysis of financial investments**

**As at 31 March 2026**

|                       | 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   | -                                                              | 27,205,776                                  | 27,205,776             |



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**17. Financial risk management (Contd.)**

**17.1.(c) Credit risk (Contd.)**

As at 31 March 2025

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

**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 2026**

**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 31.03.2026    |                            | Year ended 31.03.2025    |                            |
|----------------------------------------------------------|------------------------------------------------------------------|--------------------------|----------------------------|--------------------------|----------------------------|
|                                                          |                                                                  | Transaction Value<br>Rs. | Outstanding Balance<br>Rs. | Transaction Value<br>Rs. | Outstanding Balance<br>Rs. |
| National Assets Management Limited<br>(Managing Company) | Management fee                                                   | 4,061,156                | (473,217)                  | 2,728,015                | (248,431)                  |
|                                                          | Registrar's fees                                                 | 676,859                  | (78,869)                   | 454,669                  | (41,405)                   |
|                                                          | Investments in units                                             | 64,350,838               | (64,350,838)               | -                        | -                          |
|                                                          | No. of units as of 31 March 2026 is 212,130 (31 March 2025: Nil) |                          |                            |                          |                            |

**18.2 Transaction with trustee**

| Company Name and Nature of Relationship | Nature of Transaction | Year ended 31.03.2026    |                            | Year ended 31.03.2025    |                            |
|-----------------------------------------|-----------------------|--------------------------|----------------------------|--------------------------|----------------------------|
|                                         |                       | Transaction Value<br>Rs. | Outstanding Balance<br>Rs. | Transaction Value<br>Rs. | Outstanding Balance<br>Rs. |
| Deutsche Bank (Trustee)                 | Trustee fee           | 818,653                  | (95,392)                   | 549,916                  | (50,079)                   |

**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 31.03.2026    |                            | Year ended 31.03.2025    |                            |
|------------------------------------------------------|-----------------------|--------------------------|----------------------------|--------------------------|----------------------------|
|                                                      |                       | Transaction Value<br>Rs. | Outstanding Balance<br>Rs. | Transaction Value<br>Rs. | Outstanding Balance<br>Rs. |
| DFCC Bank PLC<br>(A shareholder of managing company) | Investments in units  | 47,020,196               | (47,020,196)               | 28,273,524               | (28,273,524)               |

No. of units as of 31 March 2026 is 155,000 (31 March 2025: 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.

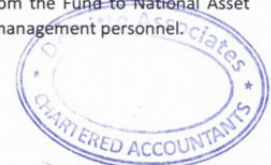
Close Family Members of a Key Management Personnel are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity. They may include;

- 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



**NAMAL GROWTH FUND**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 MARCH 2026**

**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 at 31 March 2026).

| Name of the company               | Relationship              | Mr. Malay Mukherjee | Mr. Nasser Hamad | Mr. Nirupan Wijeyanathan | Mr. Prins Perera | Mr. Brian Joseph | Mr. Ravi Dassanayake | Mr. Sanjay Pokhrel | Mr. Brian Selvanayagam |
|-----------------------------------|---------------------------|---------------------|------------------|--------------------------|------------------|------------------|----------------------|--------------------|------------------------|
| Union Bank of Colombo PLC         | Related party through KMP | -                   | -                | -                        | -                | -                | -                    | Director           | -                      |
| UB Finance PLC                    | Related party through KMP | -                   | -                | -                        | -                | -                | -                    | -                  | -                      |
| Rockfort Advisory (Pvt) Ltd       | Related party through KMP | -                   | -                | Director                 | Director         | -                | Director             | Director           | -                      |
| DFCC Consulting (Pvt) Ltd         | Related party through KMP | -                   | -                | -                        | Director         | -                | Director             | -                  | -                      |
| AMW Capital Leasing & Finance PLC | Related party through KMP | -                   | -                | -                        | -                | -                | -                    | -                  | Director               |
| Lanka Realty Investments PLC      | Related party through KMP | -                   | -                | -                        | -                | -                | -                    | -                  | 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 41.50% in Treasury Bonds and 35.96% in Investment grade Commercial Papers, 11.31% in fixed deposits and 0.24% in Cash as at the end March 2026. 26.60% in 3-6 months and 12.54% in 4-5 years.

#### Performance Review

The Fund generated a return of 9.40% for the year ended 31st March 2026. The Fund did not pay any dividends for FY2026.

#### Fund Performance

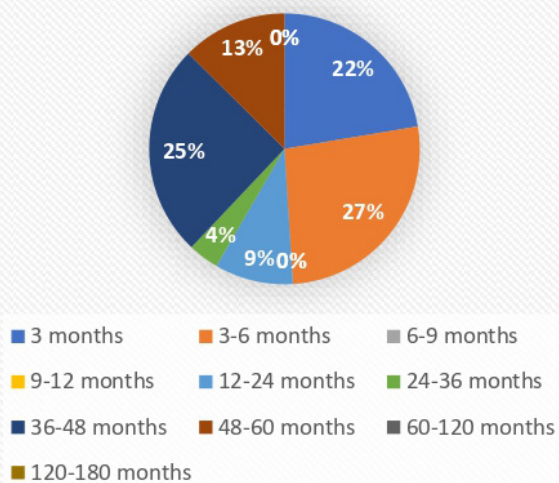
| Fund Performance as at 31st March 2026 (Annualized) |                    |                    |                    |                     |                     |
|-----------------------------------------------------|--------------------|--------------------|--------------------|---------------------|---------------------|
|                                                     | 3 months           | 6 months           | 12 months          | 24 months           | 36 months           |
| NAMAL Income Fund                                   | 7.38%              | 7.69%              | 9.40%              | 11.58%              | 8.83%               |
| Government Securities                               | 7.64% <sup>1</sup> | 7.75% <sup>2</sup> | 8.15% <sup>3</sup> | 10.78% <sup>4</sup> | 26.69% <sup>5</sup> |

#### \*Special Note

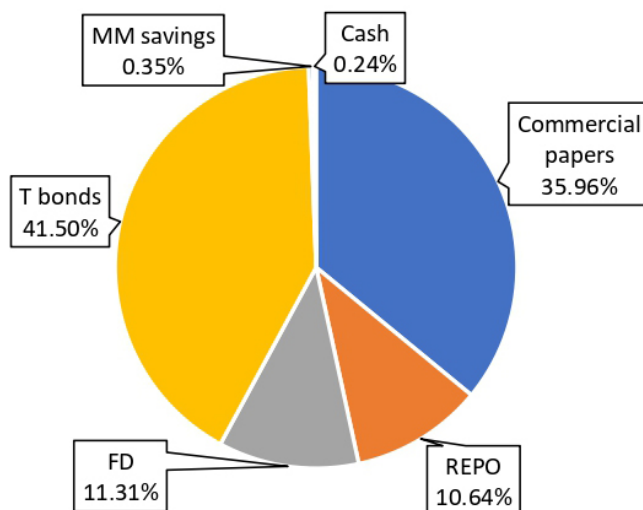
1) All Treasury Bill and Treasury Bond rates were obtained from the Central Bank of Sri Lanka (CBSL) website.

2) The 3-month, 6-month, 9-month and 12-month Treasury Bill rates, together with the 2-year and 3-year Treasury Bond rates, have been obtained from the CBSL Daily Market Summary Report. The rates represent the average of the two-way quoted bid and offer yields

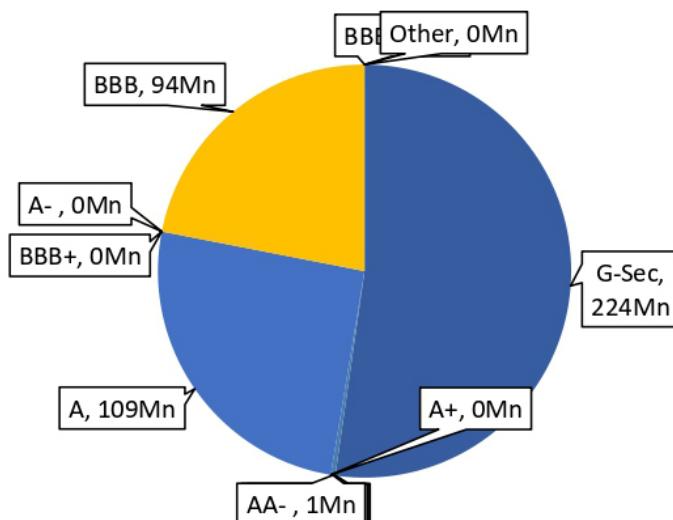
## Maturity Profile



## Asset Allocation



## Credit Quality



**NAMAL INCOME FUND  
FINANCIAL STATEMENTS  
TOGETHER WITH AUDITOR'S  
REPORT  
FOR THE YEAR ENDED  
31 MARCH 2026**



## 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 2026, 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 2026, 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 Institute of Chartered Accountants of Sri Lanka ("CA Sri Lanka Code of Ethics") and we have fulfilled our other ethical responsibilities in accordance with the CA Sri Lanka 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, but does not include the financial statements and our auditor's report thereon. The annual report 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 when it becomes available 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, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance and take appropriate actions based on the circumstances.

#### 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.

G J David FCA, T U Jayasinghe FCA, P D R Bharatha FCA, W A D Gayan ACA, H A C H Gunarathne FCA, M P M T Gunasekara FCA, M S J Henry FCA, M M R Hilmy FCA, S Y Kodagoda ACA, M M M Manzeer FCA

## 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

24 July 2026



**NAMAL INCOME FUND**  
**STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED 31 MARCH 2026**

|                                                                                | Note | 2025/2026<br>Rs.         | 2024/2025<br>Rs.         |
|--------------------------------------------------------------------------------|------|--------------------------|--------------------------|
| <b>Investment Income</b>                                                       |      |                          |                          |
| Interest income                                                                | 6.   | 58,633,964               | 69,443,140               |
| Realised gains on financial assets held at fair value through profit or loss   | 9.3  | 2,174,999                | 6,907,985                |
| Unrealised gains on financial assets held at fair value through profit or loss | 9.4  | 1,195,668                | 11,025,677               |
| <b>Total investment income</b>                                                 |      | <u>62,004,631</u>        | <u>87,376,802</u>        |
| <b>Expenses</b>                                                                |      |                          |                          |
| Management and registrar's fee                                                 |      | 4,567,478                | 6,598,542                |
| Trustee and custodian fees                                                     |      | 459,604                  | 459,604                  |
| Auditor's remuneration                                                         |      | 483,687                  | 483,687                  |
| Bank charges                                                                   |      | 118,760                  | 132,065                  |
| Profession fees                                                                |      | -                        | 76,723                   |
| Other expenses                                                                 |      | 145,571                  | 160,000                  |
| <b>Total operating expenses</b>                                                |      | <u>5,775,100</u>         | <u>7,910,621</u>         |
| <b>Profit before tax</b>                                                       |      | 56,229,531               | 79,466,181               |
| Income tax expense                                                             | 7.   | -                        | -                        |
| <b>Profit for the year</b>                                                     |      | <u>56,229,531</u>        | <u>79,466,181</u>        |
| Other comprehensive income                                                     |      | -                        | -                        |
| <b>Increase in net assets attributable to unit holders</b>                     |      | <u><u>56,229,531</u></u> | <u><u>79,466,181</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 2026**

|                                                                              | Note    | 31.03.2026<br>Rs.  | 31.03.2025<br>Rs.  |
|------------------------------------------------------------------------------|---------|--------------------|--------------------|
| <b>Assets</b>                                                                |         |                    |                    |
| Cash and cash equivalents                                                    | 8.      | 2,552,775          | 3,088,706          |
| Financial assets - fair value through profit or loss                         | 9.      | 178,588,570        | 332,885,569        |
| Financial assets - debt instruments at amortised cost                        | 10.     | 249,151,909        | 372,112,215        |
| <b>Total assets</b>                                                          |         | <u>430,293,254</u> | <u>708,086,490</u> |
| <b>Unit holders' funds and liabilities</b>                                   |         |                    |                    |
| <b>Liabilities</b>                                                           |         |                    |                    |
| Accrued expenses and other payables                                          | 11.     | <u>1,023,762</u>   | <u>1,381,491</u>   |
| <b>Total liabilities (excluding net assets attributable to unit holders)</b> |         | <u>1,023,762</u>   | <u>1,381,491</u>   |
| <b>Unit holders' fund</b>                                                    |         |                    |                    |
| Net assets attributable to unit holders                                      |         | <u>429,269,492</u> | <u>706,704,999</u> |
| <b>Total unit holders' funds and liabilities</b>                             |         | <u>430,293,254</u> | <u>708,086,490</u> |
| <br>Net asset value per unit (Rs.)                                           | <br>12. | <br>15.94          | <br>14.57          |

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 24 July 2026.

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

  
.....  
**Mr. Brian Joseph**  
Director  
Fund Management Company

  
.....  
**Deutsche Bank AG**  
Trustee



**NAMAL INCOME FUND**  
**STATEMENT OF CHANGES IN UNIT HOLDERS' FUNDS**  
**FOR THE YEAR ENDED 31 MARCH 2026**

|                                                     | 2025/2026<br>Rs.   | 2024/2025<br>Rs.   |
|-----------------------------------------------------|--------------------|--------------------|
| Unit holders' funds at the beginning of the year    | 706,704,999        | 764,529,099        |
| Increase in net assets attributable to unit holders | 56,229,531         | 79,466,181         |
| Receipts on unit creations                          | 189,645,292        | 1,545,954,635      |
| Payments on unit redemptions                        | (523,310,330)      | (1,683,244,916)    |
| Unit holders' funds at the end of the year          | <u>429,269,492</u> | <u>706,704,999</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 2026**

|                                                               | 2025/2026<br>Rs.        | 2024/2025<br>Rs.         |
|---------------------------------------------------------------|-------------------------|--------------------------|
| <b>Cash flows from operating activities</b>                   |                         |                          |
| Interest received                                             | 60,647,039              | 66,458,283               |
| Net investments in fixed deposits                             | 5,000,000               | -                        |
| Net repurchase agreements                                     | 69,247,786              | (90,000,000)             |
| Net investment in commercial papers                           | (2,073,385)             | (20,926,617)             |
| Net investment in treasury bills                              | 48,081,550              | (571,638)                |
| Net investment in treasury bonds                              | 105,752,900             | 227,820,922              |
| Net investments in trust certificates                         | 52,606,045              | (52,606,045)             |
| Operating expenses paid                                       | (6,132,828)             | (7,900,813)              |
| <b>Net cash generated from operating activities</b>           | <u>333,129,107</u>      | <u>122,274,092</u>       |
| <b>Cash flows from financing activities</b>                   |                         |                          |
| Amounts received on unit creations                            | 189,645,292             | 1,545,954,635            |
| Amounts paid on unit redemptions                              | (523,310,330)           | (1,683,244,916)          |
| <b>Net cash used in financing activities</b>                  | <u>(333,665,038)</u>    | <u>(137,290,281)</u>     |
| <b>Net decrease in cash and cash equivalents</b>              | (535,931)               | (15,016,189)             |
| <b>Cash and cash equivalents at the beginning of the year</b> | 3,088,706               | 18,104,895               |
| <b>Cash and cash equivalents at the end of the year</b>       | <u><u>2,552,775</u></u> | <u><u>3,088,706</u></u>  |
| <b>At the beginning of the year</b>                           |                         |                          |
| Cash at banks                                                 | <u>3,088,706</u>        | 18,104,895               |
|                                                               | <u><u>3,088,706</u></u> | <u><u>18,104,895</u></u> |
| <b>At the end of the year</b>                                 |                         |                          |
| Cash at banks                                                 | <u>2,552,775</u>        | 3,088,706                |
|                                                               | <u><u>2,552,775</u></u> | <u><u>3,088,706</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  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2026**

**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 2026 were authorized for issue by the Fund Management Company and the Trustee on 24 July 2026.

**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 2026**

**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**

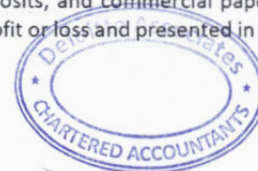
The Fund classifies all its financial assets in the following measurement categories:

- 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 2026**

**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**

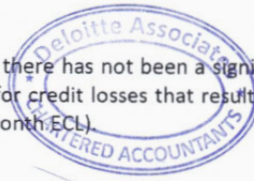
After initial recognition, financial liabilities are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in the profit or loss and other comprehensive income statement when the liabilities are derecognized as well as through the EIR amortization process.

**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 2026**

**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 2026, 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**

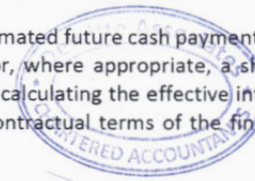
Financial assets and financial liabilities are offset, and the net amount reported in the statement of financial position if, and only if:

- 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**  
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**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**

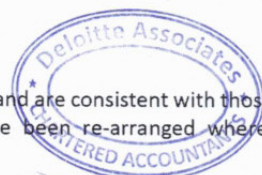
Management considers credit, liquidity and market risk and assesses the impact on valuation of investments when determining the fair value. When available, the Fund measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as active 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 2026**

|                                   | 2025/2026         | 2024/2025         |
|-----------------------------------|-------------------|-------------------|
|                                   | Rs.               | Rs.               |
| <b>6. Interest Income</b>         |                   |                   |
| Interest on fixed deposits        | 8,026,176         | 5,762,095         |
| Interest on saving accounts       | 44,245            | 281,284           |
| Interest on money market savings  | 234,012           | 466,555           |
| Interest on repurchase agreements | 4,409,783         | 12,264,260        |
| Interest on commercial papers     | 15,187,724        | 18,793,275        |
| Interest on treasury bills        | 1,433,444         | 6,339,715         |
| Interest on treasury bonds        | 27,558,188        | 24,945,834        |
| Interest on trust certificate     | 1,740,392         | 590,122           |
|                                   | <u>58,633,964</u> | <u>69,443,140</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.

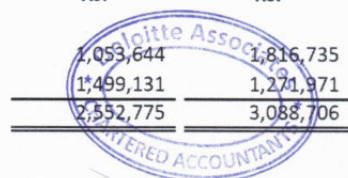
**7. Income tax expenses**

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 | 2025/2026           | 2024/2025           |
|---------------------------------------------------------------|---------------------|---------------------|
|                                                               | Rs.                 | Rs.                 |
| Accounting profit from ordinary activities before tax         | 56,229,531          | 79,466,181          |
| Less:- Exempted income                                        | <u>(56,229,531)</u> | <u>(79,466,181)</u> |
| Taxable income                                                | <u>-</u>            | <u>-</u>            |
| Income tax provision for the year                             | <u>-</u>            | <u>-</u>            |

|                                           | 31.03.2026       | 31.03.2025       |
|-------------------------------------------|------------------|------------------|
|                                           | Rs.              | Rs.              |
| <b>8. Cash and cash equivalents</b>       |                  |                  |
| Savings account -Deutsche Bank (Note 8.1) | 1,053,644        | 1,816,735        |
| Money market savings - HNB (Note 8.1)     | <u>1,499,131</u> | <u>1,271,971</u> |
|                                           | <u>2,552,775</u> | <u>3,088,706</u> |





**NAMAL INCOME FUND**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 MARCH 2026**

**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 2026 is with Credit rating of (A+) and balance in HNB as at 31 March 2026 is with Credit rating of (AA-).

**31.03.2026**      **31.03.2025**  
**Rs.**                      **Rs.**

**9. Financial assets - fair value through profit or loss**

|                                         |                    |                    |
|-----------------------------------------|--------------------|--------------------|
| Investment in treasury bills (Note 9.1) | -                  | 48,591,773         |
| Investment in treasury bonds (Note 9.2) | 178,588,570        | 284,293,796        |
|                                         | <u>178,588,570</u> | <u>332,885,569</u> |

**9.1 Investments in treasury bills**

| Name of the primary dealer  | As at 31 March 2026 |                                    | As at 31 March 2025 |                                    |
|-----------------------------|---------------------|------------------------------------|---------------------|------------------------------------|
|                             | Value               | Holdings as a % of net asset value | Value               | Holdings as a % of net asset value |
|                             | Rs.                 |                                    | Rs.                 |                                    |
| Wealth trust Securities Ltd | -                   | -                                  | 48,591,773          | 6.9%                               |
|                             | <u>-</u>            |                                    | <u>48,591,773</u>   |                                    |

**9.2 Investments in treasury bonds**

|                             |                    |       |                    |       |
|-----------------------------|--------------------|-------|--------------------|-------|
| DFCC Bank                   | 70,206,522         | 16.4% | 123,525,472        | 17.5% |
| Wealth trust Securities Ltd | 108,382,048        | 25.2% | 160,768,324        | 22.7% |
|                             | <u>178,588,570</u> |       | <u>284,293,796</u> |       |

**31.03.2026**      **31.03.2025**  
**Rs.**                      **Rs.**

**9.3 Realised gains on financial assets at fair value through profit or loss**

|                                          |                  |                  |
|------------------------------------------|------------------|------------------|
| Proceed on realization of treasury bonds | 106,226,800      | 1,699,812,373    |
| Cost of treasury bonds                   | (104,051,801)    | (1,692,867,700)  |
| Realized gain on treasury bonds          | <u>2,174,999</u> | <u>6,944,673</u> |
| Proceed on realization of treasury bills | -                | 429,407,362      |
| Cost of treasury bills                   | -                | (429,444,050)    |
| Realized gain on treasury bills          | <u>-</u>         | <u>(36,688)</u>  |
| Total net realized gain                  | <u>2,174,999</u> | <u>6,907,985</u> |

**9.4 Unrealised gains on financial assets held at fair value through profit or loss**

|                                 |                  |                   |
|---------------------------------|------------------|-------------------|
| (Loss) / Gain on treasury bills | (25,340)         | 17,301            |
| Gain on treasury bonds          | 1,221,008        | 11,008,376        |
| Total net unrealized gain       | <u>1,195,668</u> | <u>11,025,677</u> |

**NAMAL INCOME FUND**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 MARCH 2026**

|                                                           | 31.03.2026         | 31.03.2025         |
|-----------------------------------------------------------|--------------------|--------------------|
|                                                           | Rs.                | Rs.                |
| 10. Financial assets - debt instruments at amortised cost |                    |                    |
| Investment in fixed deposits (Note 10.1)                  | 48,650,104         | 50,281,428         |
| Investment in repurchase agreements (Note 10.2)           | 45,769,835         | 115,127,206        |
| Investment in commercial papers (Note 10.3)               | 154,731,970        | 153,507,535        |
| Investment in trust certificates (Note 10.4)              | -                  | 53,196,046         |
|                                                           | <u>249,151,909</u> | <u>372,112,215</u> |

### 10.1 Investments in fixed deposits

| Name of the issuer      | As at 31 March 2026 |                                    | As at 31 March 2025 |                                    |
|-------------------------|---------------------|------------------------------------|---------------------|------------------------------------|
|                         | Value               | Holdings as a % of net asset value | Value               | Holdings as a % of net asset value |
|                         | Rs.                 |                                    | Rs.                 |                                    |
| Allianz Finance Co Ltd. | 48,650,104          | 11.3%                              | 50,281,428          | 7.1%                               |
|                         | <u>48,650,104</u>   |                                    | <u>50,281,428</u>   |                                    |

## 10.2 Investments in repurchase agreements

|                         |                   |      |                    |      |
|-------------------------|-------------------|------|--------------------|------|
| HNB Securities Limited  | 12,702,679        | 3.0% | -                  | -    |
| SAFE Holdings (PVT) LTD | 33,067,156        | 7.7% | 50,069,863         | 7.1% |
| DFCC Bank               | -                 | -    | 65,057,343         | 9.2% |
|                         | <u>45,769,835</u> |      | <u>115,127,206</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

|                       |                    |       |                    |       |
|-----------------------|--------------------|-------|--------------------|-------|
| Brown and Company PLC | 68,985,068         | 16.1% | -                  | -     |
| Janashakthi PLC       | 40,278,877         | 9.4%  | -                  | -     |
| LOLC Holdings PLC     | 45,468,025         | 10.6% | 102,679,213        | 14.5% |
| C. W. Mackie PLC      | -                  | -     | 50,828,322         | 7.2%  |
|                       | <u>154,731,970</u> |       | <u>153,507,535</u> |       |

#### 10.4 Investment in Trust Certificates

|                                |   |   |            |      |
|--------------------------------|---|---|------------|------|
| Mahindra Ideal Finance Limited | - | - | 53,196,046 | 7.5% |
|                                | - |   | 53,196,046 |      |



**NAMAL INCOME FUND**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 MARCH 2026**

|                                                | 31.03.2026       | 31.03.2025       |
|------------------------------------------------|------------------|------------------|
|                                                | Rs.              | Rs.              |
| <b>11. Accrued expenses and other payables</b> |                  |                  |
| Fund manager and registrar fee payable         | 283,480          | 458,034          |
| Trustee and custodian fee payable              | 39,035           | 39,035           |
| Auditor's remuneration payable                 | 392,620          | 483,687          |
| Consultancy fee payable                        | 308,355          | 324,220          |
| Other payables                                 | 272              | 76,515           |
|                                                | <u>1,023,762</u> | <u>1,381,491</u> |

|                                                                                                           |                    |                    |
|-----------------------------------------------------------------------------------------------------------|--------------------|--------------------|
| <b>12. Net assets per unit</b>                                                                            |                    |                    |
| Reconciliation between the net asset value as per financial statements and the published net asset value. |                    |                    |
|                                                                                                           | 31.03.2026         | 31.03.2025         |
|                                                                                                           | Rs.                | Rs.                |
| Net asset value as per financial statements                                                               | 429,269,492        | 706,704,999        |
| Published net asset value                                                                                 | <u>429,269,492</u> | <u>706,704,999</u> |
| <br>Total no of units outstanding                                                                         | <br>26,929,747     | <br>48,501,254     |
| <br>Net assets value per unit (Rs.)                                                                       | <br><u>15.94</u>   | <br><u>14.57</u>   |

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

|                                                     | No. of Units      | Rs.                |
|-----------------------------------------------------|-------------------|--------------------|
| <b>Balance as at 1 April 2024</b>                   | 59,074,518        | 764,529,099        |
| 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         |
| <b>Balance as at 31 March 2025</b>                  | <u>48,501,254</u> | <u>706,704,999</u> |
| <br>Increase due to unit creation during the year   | <br>12,581,060    | <br>189,645,292    |
| Decrease due to unit redemption during the year     | (34,152,567)      | (523,310,330)      |
| Increase in net assets attributable to unit holders | -                 | 56,229,531         |
| <b>Balance as at 31 March 2026</b>                  | <u>26,929,747</u> | <u>429,269,492</u> |





**NAMAL INCOME FUND**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 MARCH 2026**

**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<br>fair value<br>Rs. | Carried at cost<br>Rs. | Amortised cost<br>Rs. | Total<br>Rs.       |
|----------------------------------------------------------------|----------------------------------|------------------------|-----------------------|--------------------|
| <b>As at 31 March 2026</b>                                     |                                  |                        |                       |                    |
| <b>Assets</b>                                                  |                                  |                        |                       |                    |
| Cash at bank                                                   | -                                | -                      | 2,552,775             | -                  |
| Financial assets                                               |                                  |                        |                       |                    |
| Financial assets measured at fair value through profit or loss | 178,588,570                      | -                      | -                     | -                  |
| Financial assets measured at amortised cost                    | -                                | -                      | 249,151,909           | -                  |
| <b>Total</b>                                                   | <b>178,588,570</b>               | <b>-</b>               | <b>251,704,684</b>    | <b>-</b>           |
| <b>Liabilities</b>                                             |                                  |                        |                       |                    |
| Accrued expenses and other liabilities                         | -                                | 1,023,762              | -                     | 1,381,491          |
| <b>Total</b>                                                   | <b>-</b>                         | <b>1,023,762</b>       | <b>-</b>              | <b>1,381,491</b>   |
|                                                                | Measured at<br>fair value<br>Rs. | Carried at cost<br>Rs. | Amortised cost<br>Rs. | Total<br>Rs.       |
| <b>As at 31 March 2025</b>                                     |                                  |                        |                       |                    |
| <b>Assets</b>                                                  |                                  |                        |                       |                    |
| 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        |
| <b>Total</b>                                                   | <b>332,885,569</b>               | <b>-</b>               | <b>375,200,921</b>    | <b>708,086,490</b> |
| <b>Liabilities</b>                                             |                                  |                        |                       |                    |
| Accrued expenses and other payables                            | -                                | 1,381,491              | -                     | 1,371,683          |
| <b>Total</b>                                                   | <b>-</b>                         | <b>1,381,491</b>       | <b>-</b>              | <b>1,371,683</b>   |

**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<br>Rs.     | Level 2<br>Rs. | Level 3<br>Rs. | Total fair value<br>Rs. |
|-----------------------------------------------------------------------------|--------------------|----------------|----------------|-------------------------|
| <b>As at 31 March 2026</b>                                                  |                    |                |                |                         |
| <b>Financial assets measured at fair value</b>                              |                    |                |                |                         |
| Financial assets recognised through profit or loss - measured at fair value |                    |                |                |                         |
| - Investments in treasury bonds                                             | 178,588,570        | -              | -              | 178,588,570             |
|                                                                             | <b>178,588,570</b> | <b>-</b>       | <b>-</b>       | <b>178,588,570</b>      |
| <b>As at 31 March 2025</b>                                                  |                    |                |                |                         |
| <b>Financial assets measured at fair value</b>                              |                    |                |                |                         |
| 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             |
|                                                                             | <b>332,885,569</b> | <b>-</b>       | <b>-</b>       | <b>332,885,569</b>      |

**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**  
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**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)<br>in basis points | Effect on the profit for the year<br>ended |                   |
|------------------------------------------|----------------------------------------|--------------------------------------------|-------------------|
|                                          |                                        | 31.03.2026<br>Rs.                          | 31.03.2025<br>Rs. |
| Increase in treasury bonds interest rate | +0.5%                                  | (2,400,330)                                | (4,435,395)       |
| Decrease in treasury bonds interest rate | -0.5%                                  | 2,443,869                                  | 4,528,824         |
| Increase in treasury bills interest rate | +0.5%                                  | -                                          | (89,845)          |
| Decrease in treasury bills interest rate | -0.5%                                  | -                                          | 88,783            |



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**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<br>months<br>Rs. | 3 months to 1<br>year<br>Rs. | 1-3 years<br>Rs. | 3-5 years<br>Rs.   | Over 5 years<br>Rs. |
|--------------------------------------------------------------|--------------------------|------------------------------|------------------|--------------------|---------------------|
| <b>As at 31 March 2026</b>                                   |                          |                              |                  |                    |                     |
| <b>Assets</b>                                                |                          |                              |                  |                    |                     |
| Cash at bank                                                 | 2,552,775                | -                            | -                | -                  | -                   |
| <b>Financial assets at fair value through profit or loss</b> |                          |                              |                  |                    |                     |
| Investment in treasury bonds                                 | -                        | -                            | -                | 164,630,399        | -                   |
| <b>Financial assets - at amortised cost</b>                  |                          |                              |                  |                    |                     |
| Investment in fixed deposits                                 | 49,626,000               | -                            | -                | -                  | -                   |
| Investment in repurchase agreements                          | 45,809,866               | -                            | -                | -                  | -                   |
| Investment in commercial papers                              | 156,612,411              | -                            | -                | -                  | -                   |
| Investment in trust certificates                             | -                        | -                            | -                | -                  | -                   |
| <b>Total financial assets</b>                                | <b>254,601,052</b>       | <b>-</b>                     | <b>-</b>         | <b>164,630,399</b> | <b>-</b>            |

**Expected undiscounted cash flows**

|                                                              | Up to 3<br>months<br>Rs. | 3 months to 1<br>year<br>Rs. | 1-3 years<br>Rs.  | 3-5 years<br>Rs.   | Over 5 years<br>Rs. |
|--------------------------------------------------------------|--------------------------|------------------------------|-------------------|--------------------|---------------------|
| <b>As at 31 March 2025</b>                                   |                          |                              |                   |                    |                     |
| <b>Assets</b>                                                |                          |                              |                   |                    |                     |
| Cash at bank                                                 | 3,088,706                | -                            | -                 | -                  | -                   |
| <b>Financial assets at fair value through profit or loss</b> |                          |                              |                   |                    |                     |
| 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          |
| <b>Financial assets - at amortised cost</b>                  |                          |                              |                   |                    |                     |
| 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                   | -                 | -                  | -                   |
| <b>Total financial assets</b>                                | <b>288,379,239</b>       | <b>175,876,180</b>           | <b>60,864,992</b> | <b>256,437,895</b> | <b>52,750,000</b>   |





**NAMAL INCOME FUND**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 MARCH 2026**

**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<br>expected<br>credit losses | Life time<br>expected credit<br>losses not credit<br>impaired | Life time<br>expected credit<br>losses credit<br>impaired | Total              |
|--------------------------------------|---------------------------------------|---------------------------------------------------------------|-----------------------------------------------------------|--------------------|
|                                      | Rs.                                   | Rs.                                                           | Rs.                                                       | Rs.                |
| <b>As at 31 March 2026</b>           |                                       |                                                               |                                                           |                    |
| <b>Assets</b>                        |                                       |                                                               |                                                           |                    |
| Cash at bank                         | 2,552,775                             | -                                                             | -                                                         | 2,552,775          |
| Financial assets - at amortised cost | 249,151,909                           | -                                                             | -                                                         | 249,151,909        |
| <b>Total financial assets</b>        | <b>251,704,683</b>                    | <b>-</b>                                                      | <b>-</b>                                                  | <b>251,704,683</b> |

|                                      | 12 Month<br>expected<br>credit losses | Life time<br>expected credit<br>losses not credit<br>impaired | Life time<br>expected credit<br>losses credit<br>impaired | Total              |
|--------------------------------------|---------------------------------------|---------------------------------------------------------------|-----------------------------------------------------------|--------------------|
|                                      | Rs.                                   | Rs.                                                           | Rs.                                                       | Rs.                |
| <b>As at 31 March 2025</b>           |                                       |                                                               |                                                           |                    |
| <b>Assets</b>                        |                                       |                                                               |                                                           |                    |
| Cash at bank                         | 3,088,706                             | -                                                             | -                                                         | 3,088,706          |
| Financial assets - at amortised cost | 372,112,215                           | -                                                             | -                                                         | 372,112,215        |
| <b>Total financial assets</b>        | <b>375,200,921</b>                    | <b>-</b>                                                      | <b>-</b>                                                  | <b>375,200,921</b> |

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 2026**

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<br>measured at fair<br>value through<br>profit or loss | Financial<br>assets<br>measured at<br>amortised cost | Total financial<br>assets |
|------------------------------|------------------|-------------------------------------------------------------------------|------------------------------------------------------|---------------------------|
|                              | Rs.              | Rs.                                                                     | Rs.                                                  | Rs.                       |
| <b>As at 31 March 2026</b>   |                  |                                                                         |                                                      |                           |
| <b>Sector wise breakdown</b> |                  |                                                                         |                                                      |                           |
| Government                   | -                | 178,588,570                                                             | 45,769,835                                           | 224,358,405               |
| Corporate                    | 2,552,775        | -                                                                       | 203,382,074                                          | 205,934,849               |
| Total                        | <u>2,552,775</u> | <u>178,588,570</u>                                                      | <u>249,151,909</u>                                   | <u>430,293,254</u>        |
| <b>As at 31 March 2025</b>   |                  |                                                                         |                                                      |                           |
| <b>Sector wise breakdown</b> |                  |                                                                         |                                                      |                           |
| Government                   | -                | 332,885,569                                                             | 115,127,206                                          | 448,012,775               |
| Corporate                    | 3,088,706        | -                                                                       | 256,985,009                                          | 260,073,715               |
| Total                        | <u>3,088,706</u> | <u>332,885,569</u>                                                      | <u>372,112,215</u>                                   | <u>708,086,490</u>        |

**Credit quality analysis of financial investments**

|                                               | Risk status | Financial assets<br>measured at fair<br>value through<br>profit or loss | Financial<br>assets<br>measured at<br>amortised cost | Total       |
|-----------------------------------------------|-------------|-------------------------------------------------------------------------|------------------------------------------------------|-------------|
|                                               |             | Rs.                                                                     | Rs.                                                  | Rs.         |
| <b>As at 31 March 2026</b>                    |             |                                                                         |                                                      |             |
| Government securities                         | Risk free   | 178,588,570                                                             | 45,769,835                                           | 224,358,405 |
| <b>Debt instruments having credit ratings</b> |             |                                                                         |                                                      |             |
| AA+ to A+                                     | Low risk    | -                                                                       | 114,453,093                                          | 114,453,093 |
| A to BBB+                                     | Medium risk | -                                                                       | 94,419,939                                           | 94,419,939  |
| BBB-                                          | High risk   | -                                                                       | 40,278,877                                           | 40,278,877  |



**NAMAL INCOME FUND**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 MARCH 2026**

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

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

**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 2026**

**5'16.**

**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 31.03.2026 |                     | Year ended 31.03.2025 |                     |
|-------------------------------------------------------|-----------------------------|-----------------------|---------------------|-----------------------|---------------------|
|                                                       |                             | Transaction Value     | Outstanding Balance | Transaction Value     | Outstanding Balance |
|                                                       |                             | Rs.                   | Rs.                 | Rs.                   | Rs.                 |
| National Assets Management Limited (Managing Company) | Investments in unit trust   | -                     | -                   | 54,316,746            | (54,316,746)        |
|                                                       | Management fee              | 3,653,982             | (226,784)           | 915,363               | (386,535)           |
|                                                       | Registrar's fee             | 913,496               | (56,696)            | 228,841               | (96,634)            |
|                                                       | No. of units as of 31 March | -                     | -                   | 4,196,708             | -                   |

**16.2**

**Transaction with trustee**

| Company Name and Nature of Relationship | Nature of Transaction | Year ended 31.03.2026 |                     | Year ended 31.03.2025 |                     |
|-----------------------------------------|-----------------------|-----------------------|---------------------|-----------------------|---------------------|
|                                         |                       | Transaction Value     | Outstanding Balance | Transaction Value     | Outstanding Balance |
|                                         |                       | Rs.                   | Rs.                 | Rs.                   | Rs.                 |
| Deutsche Bank (Trustee)                 | Trustee fee           | 241,896               | (20,545)            | 241,896               | (20,545)            |
|                                         | Custodian fee         | 217,708               | (18,490)            | 217,708               | (18,490)            |



**NAMAL INCOME FUND**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 MARCH 2026**

**16. Related party disclosures (contd.)**

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

According to Sri Lanka Accounting

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. 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.

**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 2026).

| Name of the company               | Relationship              | Mr. Malay Mukherjee | Mr. Nasser Hamad | Mr. Nirupan Wijeyanath | Mr. Prins Perera | Mr. Brian Joseph | Mr. Ravi Dassanayak | Mr. Sanjay Pokhrel | Mr. Brian Selvanayaga |
|-----------------------------------|---------------------------|---------------------|------------------|------------------------|------------------|------------------|---------------------|--------------------|-----------------------|
| Union Bank of Colombo PLC         | Related party through KMP | -                   | -                | -                      | -                | -                | -                   | Director           | -                     |
| UB Finance PLC                    | Related party through KMP | -                   | -                | -                      | -                | -                | -                   | -                  | -                     |
| Rockfort Advisory (Pvt) Ltd       | Related party through KMP | -                   | -                | Director               | Director         | -                | Director            | Director           | -                     |
| DFCC Consulting (Pvt) Ltd         | Related party through KMP | -                   | -                | -                      | Director         | -                | Director            | -                  | -                     |
| AMW Capital Leasing & Finance PLC | Related party through KMP | -                   | -                | -                      | -                | -                | -                   | -                  | Director              |
| Lanka Realty Investments PLC      | Related party through KMP | -                   | -                | -                      | -                | -                | -                   | -                  | Director              |

**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 government securities and money market instruments. Investments are subject to a detailed analysis to manage duration, ensure credit quality and investor protection.

#### Asset Allocation

The Fund had invested 33.28% in Repos and 31.88% in Investment grade Commercial Papers, 32.13% in fixed deposits and 16% in Cash & 7% in Treasury Bills as at the end March 2026. 33.28% has a maturity profile of 2-7 days, 36.94% in 1-3 months and 20.68% in 3-6 months.

#### Performance Review

The Fund generated a return of 8.41% for the year ended 31st March 2026. The Fund did not pay any dividends for FY2026.

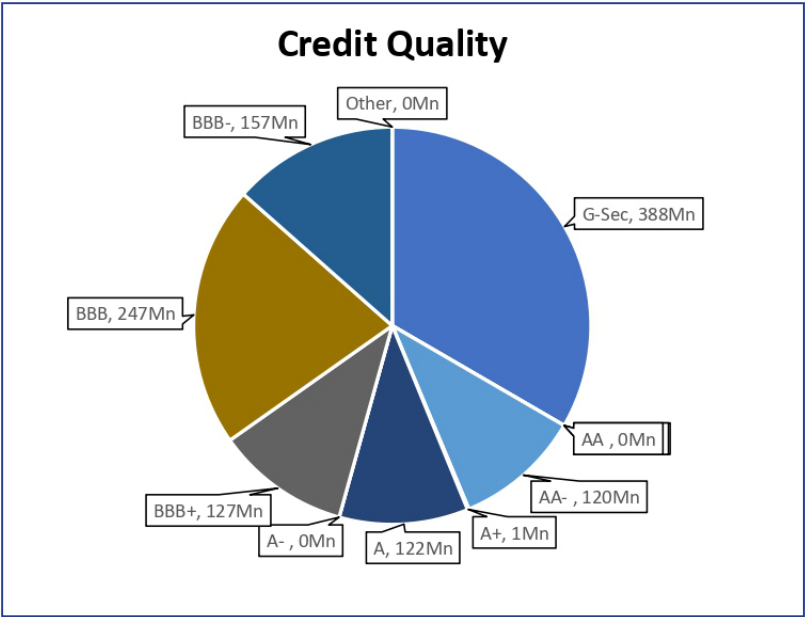
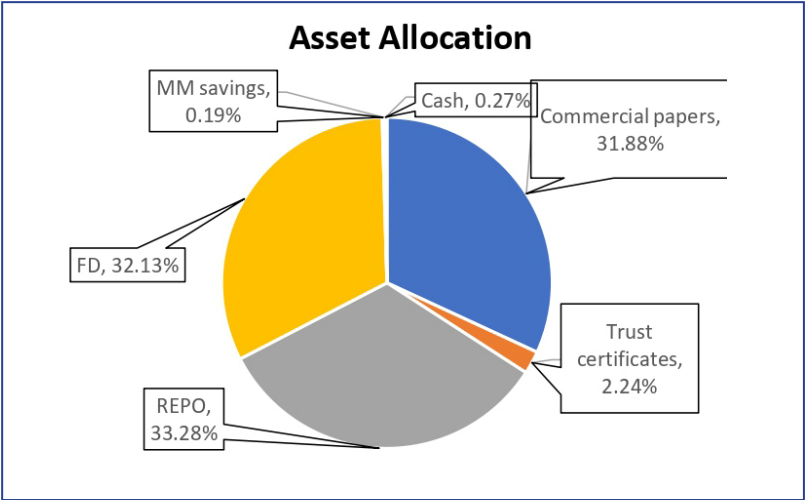
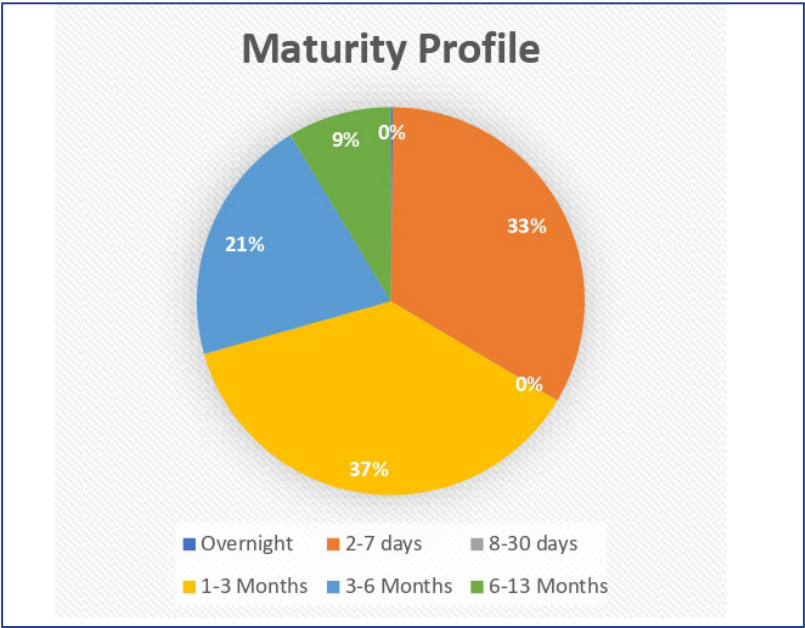
#### Fund Performance

| Fund Performance as at 31st March 2026 (Annualized) |                          |                          |                          |                           |                           |
|-----------------------------------------------------|--------------------------|--------------------------|--------------------------|---------------------------|---------------------------|
|                                                     | 3 months                 | 6 months                 | 12 months                | 24 months                 | 36 months                 |
| <b>NAMAL High Yield Fund</b>                        | <b>8.10%</b>             | <b>8.27%</b>             | <b>8.41%</b>             | <b>9.39%</b>              | <b>14.01%</b>             |
| <b>Government Securities</b>                        | <b>7.64%<sup>1</sup></b> | <b>7.75%<sup>2</sup></b> | <b>8.15%<sup>3</sup></b> | <b>10.78%<sup>4</sup></b> | <b>26.69%<sup>5</sup></b> |

#### \*Special Note

1) All Treasury Bill and Treasury Bond rates were obtained from the Central Bank of Sri Lanka (CBSL) website.

2) The 3-month, 6-month, 9-month and 12-month Treasury Bill rates, together with the 2-year and 3-year Treasury Bond rates, have been obtained from the CBSL Daily Market Summary Report. The rates represent the average of the two-way quoted bid and offer yields



**NAMAL HIGH YILED FUND  
FINANCIAL STATEMENTS  
TOGETHER WITH AUDITOR'S  
REPORT  
FOR THE YEAR ENDED  
31 MARCH 2026**



## 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 2026, 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 2026, 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 Institute of Chartered Accountants of Sri Lanka ("CA Sri Lanka Code of Ethics") and we have fulfilled our other ethical responsibilities in accordance with the CA Sri Lanka 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, but does not include the financial statements and our auditor's report thereon. The annual report 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 when it becomes available 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, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance and take appropriate actions based on the circumstances.

#### 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.

G J David FCA, T U Jayasinghe FCA, P D R Bharatha FCA, W A D Gayan ACA, H A C H Gunarathne FCA, M P M T Gunasekara FCA, M S J Henry FCA,  
M M R Hilmy FCA, S Y Kodagoda ACA, M M M Manzeer FCA

## 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

24 July 2026





**NAMAL HIGH YIELD FUND**  
**STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED 31 MARCH 2026**

|                                                                | Note | 2025/2026<br>Rs.         | 2024/2025<br>Rs.          |
|----------------------------------------------------------------|------|--------------------------|---------------------------|
| <b>Investment Income</b>                                       |      |                          |                           |
| Interest income                                                | 6.   | 108,956,985              | 139,476,920               |
| <b>Total investment income</b>                                 |      | <u>108,956,985</u>       | <u>139,476,920</u>        |
| <b>Expenses</b>                                                |      |                          |                           |
| Management fees                                                |      | 6,156,925                | 7,085,575                 |
| Trustee and custodian fees                                     |      | 2,524,293                | 2,861,250                 |
| Auditor's remuneration                                         |      | 264,881                  | 431,066                   |
| Consultancy fees                                               |      | 99,999                   | 99,999                    |
| Other expenses                                                 |      | 213,653                  | 233,537                   |
| <b>Total operating expenses</b>                                |      | <u>9,259,751</u>         | <u>10,711,427</u>         |
| <b>Profit before tax</b>                                       |      | 99,697,234               | 128,765,493               |
| Income tax expense                                             | 7.   | -                        | -                         |
| <b>Profit for the year</b>                                     |      | <u>99,697,234</u>        | <u>128,765,493</u>        |
| <b>Net increase in net assets attributable to unit holders</b> |      | <u><u>99,697,234</u></u> | <u><u>128,765,493</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 2026**

|                                                                              | Note    | 31.03.2026<br>Rs.    | 31.03.2025<br>Rs.    |
|------------------------------------------------------------------------------|---------|----------------------|----------------------|
| <b>Assets</b>                                                                |         |                      |                      |
| Cash and cash equivalents                                                    | 8.      | 3,305,066            | 6,634,020            |
| Financial assets - debt instruments at amortised cost                        | 9.      | 1,002,785,247        | 1,271,443,277        |
| Other receivables                                                            | 10.     | 2,639,810            | 2,627,657            |
| Income tax receivable                                                        | 11.     | 5,081,419            | 5,081,419            |
| <b>Total assets</b>                                                          |         | <u>1,013,811,542</u> | <u>1,285,786,373</u> |
| <b>Unit holders' funds and liabilities</b>                                   |         |                      |                      |
| <b>Current liabilities</b>                                                   |         |                      |                      |
| Accrued expenses and other payables                                          | 12.     | <u>1,222,864</u>     | <u>1,650,124</u>     |
| <b>Total liabilities (excluding net assets attributable to unit holders)</b> |         | <u>1,222,864</u>     | <u>1,650,124</u>     |
| <b>Unit holders' fund</b>                                                    |         |                      |                      |
| Net assets attributable to unit holders                                      | 13      | <u>1,012,588,678</u> | <u>1,284,136,249</u> |
| <b>Total unit holders' funds and liabilities</b>                             |         | <u>1,013,811,542</u> | <u>1,285,786,373</u> |
| <br>Net assets per unit (Rs.)                                                | <br>13. | <br>46.39            | <br>42.79            |

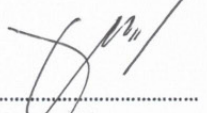
Figures in brackets indicate deductions.

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 23 July 2026.

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

  
 .....  
**Mr. Brian Joseph**  
 Director  
 Fund Management Company

  
 .....  
**Deutsche Bank AG**  
 Trustee



**NAMAL HIGH YIELD FUND**  
**STATEMENT OF CHANGES IN UNIT HOLDERS' FUNDS**  
**FOR THE YEAR ENDED 31 MARCH 2026**

|                                                     | 2025/2026<br>Rs.     | 2024/2025<br>Rs.     |
|-----------------------------------------------------|----------------------|----------------------|
| Unit holders' funds at the beginning of the year    | 1,284,136,249        | 861,784,545          |
| Increase in net assets attributable to unit holders | 99,697,234           | 128,765,493          |
| Receipts on unit creations                          | 1,021,736,512        | 2,704,400,523        |
| Payments on unit redemptions                        | (1,392,981,317)      | (2,410,814,312)      |
| Unit holders' funds at the end of the year          | <u>1,012,588,678</u> | <u>1,284,136,249</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 2026**

|                                                                 |    | 2025/2026<br>Rs.        | 2024/2025<br>Rs.         |
|-----------------------------------------------------------------|----|-------------------------|--------------------------|
| <b>Cash flows from operating activities</b>                     |    |                         |                          |
| Interest received                                               |    | 119,395,981             | 178,040,544              |
| Management fees and trustee fees paid                           |    | (8,836,893)             | (9,697,583)              |
| Other expenses paid                                             |    | (850,118)               | (664,384)                |
| Net investments in commercial papers                            |    | 72,999,999              | (50,596,164)             |
| Net investments in fixed deposits                               |    | 67,614,247              | (377,514,247)            |
| Net investments in treasury bills                               |    | 93,211,800              | (1,048,650)              |
| Net investments in treasury bonds                               |    | -                       | 54,589,184               |
| Net investments in repurchase agreements                        |    | (51,015,395)            | (8,500,000)              |
| Net investments in trust certificates                           |    | 74,999,999              | (99,999,999)             |
| Net increase in other receivables                               |    | 396,230                 | 37,808                   |
| <b>Net cash used operating activities</b>                       |    | <u>367,915,851</u>      | <u>(315,353,491)</u>     |
| <b>Cash flows from financing activities</b>                     |    |                         |                          |
| Cash received on unit creations                                 | 13 | 1,021,736,512           | 2,704,400,523            |
| Cash paid on unit redemptions                                   | 13 | (1,392,981,317)         | (2,410,814,312)          |
| <b>Net cash generated from / (used in) financing activities</b> |    | <u>(371,244,805)</u>    | <u>293,586,211</u>       |
| <b>Net decrease in cash and cash equivalents</b>                |    | (3,328,954)             | (21,767,280)             |
| <b>Cash and cash equivalents at the beginning of the year</b>   |    | <u>6,634,020</u>        | <u>28,401,300</u>        |
| <b>Cash and cash equivalents at the end of the year</b>         |    | <u><u>3,305,066</u></u> | <u><u>6,634,020</u></u>  |
| <b>At the beginning of the year</b>                             |    |                         |                          |
| Cash at banks                                                   |    | <u>6,634,020</u>        | <u>28,401,300</u>        |
|                                                                 |    | <u><u>6,634,020</u></u> | <u><u>28,401,300</u></u> |
| <b>At the end of the year</b>                                   |    |                         |                          |
| Cash at banks                                                   | 8  | <u>3,305,066</u>        | <u>6,634,020</u>         |
|                                                                 |    | <u><u>3,305,066</u></u> | <u><u>6,634,020</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 2026**

**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 8<sup>th</sup> 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 2026 were authorized for issue by the Fund Management Company and the Trustee on 24 July 2026.

**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 2026**

**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 2026**

**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 2026, 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 2026**

**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 2026**

**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 2026**

|                                   | 2025/2026<br>Rs.   | 2024/2025<br>Rs.   |
|-----------------------------------|--------------------|--------------------|
| <b>6. Interest income</b>         |                    |                    |
| Interest on commercial papers     | 33,241,408         | 37,628,655         |
| Interest on saving accounts       | 75,071             | 339,779            |
| Interest on fixed deposits        | 40,343,169         | 30,789,799         |
| Interest on money market savings  | 388,191            | 986,463            |
| Interest on treasury bills        | 2,134,286          | 10,324,129         |
| Interest on treasury bonds        | -                  | 18,813,517         |
| Interest on repurchase agreements | 26,328,217         | 30,947,990         |
| Interest on trust certificates    | 6,038,260          | 9,608,780          |
| Placement fee income              | 408,383            | 37,808             |
|                                   | <u>108,956,985</u> | <u>139,476,920</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**

|                                                       | 2025/2026<br>Rs.    | 2024/2025<br>Rs.     |
|-------------------------------------------------------|---------------------|----------------------|
| Accounting profit from ordinary activities before tax | 99,697,234          | 128,765,493          |
| Less:- Exempted income                                | <u>(99,697,234)</u> | <u>(128,765,493)</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 2026**

|                                            | 31.03.2026       | 31.03.2025       |
|--------------------------------------------|------------------|------------------|
|                                            | Rs.              | Rs.              |
| <b>8. Cash and cash equivalents</b>        |                  |                  |
| Savings account - Deutsche Bank (Note 8.1) | 1,075,457        | 1,140,861        |
| Money market savings - HNB (Note 8.1)      | 860,269          | 222,136          |
| Money market savings - NDB (Note 8.1)      | 1,369,340        | 5,240,478        |
| Money market savings - DFCC (Note 8.1)     | -                | 30,545           |
|                                            | <u>3,305,066</u> | <u>6,634,020</u> |

- 8.1** Bank balances are maintained only to settle day to day operations. Balance in Deutsche bank represents as at 31 March 2026 is with credit rating of "A+". Balance in HNB represents as at 31 March 2026 is with credit rating of "AA-". Balance in NDB represents as at 31 March 2026 is with credit rating of "A-". Balance in DFCC bank represents as at 31 March 2026 is with credit rating of "A".

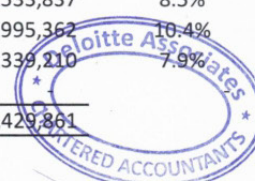
|                                                                 | 31.03.2026           | 31.03.2025           |
|-----------------------------------------------------------------|----------------------|----------------------|
|                                                                 | Rs.                  | Rs.                  |
| <b>9. Financial assets - debt instruments at amortised cost</b> |                      |                      |
| Investments in commercial papers (Note 9.1)                     | 214,856,970          | 289,427,089          |
| Investments in fixed deposits (Note 9.2)                        | 374,229,471          | 444,429,861          |
| Investments in treasury bills (Note 9.3)                        | -                    | 97,865,714           |
| Investments in repurchase agreements (Note 9.4)                 | 387,640,010          | 336,848,339          |
| Investments in trust certificates (Note 9.5)                    | 26,058,796           | 102,872,273          |
|                                                                 | <u>1,002,785,247</u> | <u>1,271,443,277</u> |

**9.1 Investments in commercial papers**

| Name of the issuer   | As at 31 March 2026 |                                    | As at 31 March 2025 |                                    |
|----------------------|---------------------|------------------------------------|---------------------|------------------------------------|
|                      | Value               | Holdings as a % of net asset value | Value               | Holdings as a % of net asset value |
|                      | Rs.                 |                                    | Rs.                 |                                    |
| LOLC Holdings PLC    | 121,897,397         | 12.0%                              | 178,066,165         | 13.9%                              |
| Browns & Company PLC | 92,959,573          | 9.2%                               | -                   | -                                  |
| C. W. Mackie PLC     | -                   | -                                  | 111,360,924         | 8.7%                               |
|                      | <u>214,856,970</u>  |                                    | <u>289,427,089</u>  |                                    |

**9.2 Investments in fixed deposits**

|                                      |                    |       |                    |       |
|--------------------------------------|--------------------|-------|--------------------|-------|
| Alliance Finance Company PLC         | 154,508,116        | 15.3% | 100,561,452        | 7.8%  |
| Mahindra Ideal Finance Limited       | 119,059,202        | 11.8% | 109,533,837        | 8.5%  |
| Abans Finance PLC                    | -                  | -     | 132,995,362        | 10.4% |
| Citizen Development Business Finance | -                  | -     | 101,339,210        | 7.9%  |
| Singer Finance                       | 100,662,154        | 9.9%  | -                  | -     |
|                                      | <u>374,229,471</u> |       | <u>444,429,861</u> |       |



**NAMAL HIGH YIELD FUND**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 MARCH 2026**

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

| Name of the issuer                              | As at 31 March 2026 |                                    | As at 31 March 2025 |                                    |
|-------------------------------------------------|---------------------|------------------------------------|---------------------|------------------------------------|
|                                                 | Value               | Holdings as a % of net asset value | Value               | Holdings as a % of net asset value |
|                                                 | Rs.                 |                                    | Rs.                 |                                    |
| <b>9.3 Investments in treasury bills</b>        |                     |                                    |                     |                                    |
| Wealth Trust Securities Ltd                     | -                   | -                                  | 97,865,714          | 7.6%                               |
|                                                 | <u>-</u>            |                                    | <u>97,865,714</u>   |                                    |
| <b>9.4 Investments in repurchase agreements</b> |                     |                                    |                     |                                    |
| SAFE Holdings (Pvt) Ltd                         | 257,412,365         | 25.4%                              | 100,139,726         | 7.8%                               |
| DFCC Bank PLC                                   | 130,227,645         | 12.9%                              | 236,708,613         | 18.4%                              |
|                                                 | <u>387,640,010</u>  |                                    | <u>336,848,339</u>  |                                    |
| <b>9.5 Investments in Trust Certificates</b>    |                     |                                    |                     |                                    |
| Asia Asset Finance PLC                          | -                   | -                                  | 51,775,156          | 4.0%                               |
| Singer Finance (Lanka) PLC                      | -                   | -                                  | 51,097,117          | 4.0%                               |
| Browns & company PLC                            | 26,058,796          | 2.6%                               | -                   | -                                  |
|                                                 | <u>26,058,796</u>   |                                    | <u>102,872,273</u>  |                                    |
|                                                 |                     |                                    | <b>31.03.2026</b>   | <b>31.03.2025</b>                  |
|                                                 |                     |                                    | <b>Rs.</b>          | <b>Rs.</b>                         |
| <b>10. Other receivables</b>                    |                     |                                    |                     |                                    |
| Placement fee receivable                        |                     |                                    | 2,128,907           | 2,116,754                          |
| WHT receivables                                 |                     |                                    | 510,903             | 510,903                            |
|                                                 |                     |                                    | <u>2,639,810</u>    | <u>2,627,657</u>                   |
| <b>11. Income tax receivable</b>                |                     |                                    |                     |                                    |
| WHT recoverable                                 |                     |                                    | 5,081,419           | 5,081,419                          |
|                                                 |                     |                                    | <u>5,081,419</u>    | <u>5,081,419</u>                   |

As of 31st March 2026, the income tax receivable balance comprises WHT recoverable of Rs.5,081,418/- (2024/25 - 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 2026**

|                                                | 31.03.2026       | 31.03.2026       |
|------------------------------------------------|------------------|------------------|
|                                                | Rs.              | Rs.              |
| <b>12. Accrued expenses and other payables</b> |                  |                  |
| Fund management fees payable                   | 426,025          | 540,253          |
| Trustee fee and custodian fee payable          | 179,236          | 220,683          |
| Auditor's remuneration payable                 | 264,880          | 431,066          |
| Consultancy fees payable                       | 167,428          | 194,659          |
| Unit cancellation payable                      | 74,646           | 74,616           |
| Other payable                                  | 110,649          | 188,847          |
|                                                | <u>1,222,864</u> | <u>1,650,124</u> |

**13. Net assets per unit**

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

|                                            | 31.03.2026           | 31.03.2025           |
|--------------------------------------------|----------------------|----------------------|
|                                            | Rs.                  | Rs.                  |
| Net asset value as per financial statement | 1,012,588,678        | 1,284,136,249        |
| Under provision of audit fee               | -                    | 166,185              |
| Income tax recoverable                     | (5,081,419)          | (5,081,419)          |
| Published net asset value                  | <u>1,007,507,259</u> | <u>1,279,221,015</u> |
| No of units outstanding                    | 21,716,039           | 29,892,609           |
| Published net asset value per unit         | <u>46.39</u>         | <u>42.79</u>         |

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

|                                                     | No. of Units      | Rs.                  |
|-----------------------------------------------------|-------------------|----------------------|
| <b>Balance as at 1 April 2024</b>                   | 21,940,907        | 861,784,545          |
| 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          |
| <b>Balance as at 31 March 2025</b>                  | <u>29,892,609</u> | <u>1,284,136,249</u> |
| Increase due to unit creation during the year       | 23,089,992        | 1,021,736,512        |
| Decrease due to unit redemption during the year     | (31,266,562)      | (1,392,981,317)      |
| Increase in net assets attributable to unit holders | -                 | 99,697,234           |
| <b>Balance as at 31 March 2026</b>                  | <u>21,716,039</u> | <u>1,012,588,678</u> |





**NAMAL HIGH YIELD FUND**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 MARCH 2026**

**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 2026**

|                                             | Measured<br>at fair value | Carried at<br>cost | Amortised cost       | Total                |
|---------------------------------------------|---------------------------|--------------------|----------------------|----------------------|
|                                             | Rs.                       | Rs.                | Rs.                  | Rs.                  |
| <b>Assets</b>                               |                           |                    |                      |                      |
| Cash at bank                                | -                         | -                  | 3,305,066            | 3,305,066            |
| Financial assets                            |                           |                    |                      |                      |
| Financial assets measured at amortised cost | -                         | -                  | 1,002,785,247        | 1,002,785,247        |
| Other receivables                           | -                         | -                  | 2,639,810            | 2,639,810            |
| <b>Total</b>                                | <u>-</u>                  | <u>-</u>           | <u>1,008,730,123</u> | <u>1,008,730,123</u> |
| <b>Liabilities</b>                          |                           |                    |                      |                      |
| Accrued expenses and other liabilities      | -                         | 1,222,864          | -                    | 1,222,864            |
| <b>Total</b>                                | <u>-</u>                  | <u>1,222,864</u>   | <u>-</u>             | <u>1,222,864</u>     |

**As at 31 March 2025**

|                                             | Measured<br>at fair value | Carried at<br>cost | Amortised cost       | Total                |
|---------------------------------------------|---------------------------|--------------------|----------------------|----------------------|
|                                             | Rs.                       | Rs.                | Rs.                  | Rs.                  |
| <b>Assets</b>                               |                           |                    |                      |                      |
| Cash at bank                                | -                         | -                  | 6,634,020            | 6,634,020            |
| Financial assets                            |                           |                    |                      |                      |
| Financial assets measured at amortised cost | -                         | -                  | 1,271,443,277        | 1,271,954,180        |
| Other receivables                           | -                         | -                  | 2,116,754            | 2,116,754            |
| <b>Total</b>                                | <u>-</u>                  | <u>-</u>           | <u>1,280,194,051</u> | <u>1,280,704,954</u> |
| <b>Liabilities</b>                          |                           |                    |                      |                      |
| Accrued expenses and other payables         | -                         | 1,650,124          | -                    | 1,650,124            |
| <b>Total</b>                                | <u>-</u>                  | <u>1,650,124</u>   | <u>-</u>             | <u>1,650,124</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 2026**

**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 2026**

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

**Maturity analysis of the financial assets and financial liabilities**

**Expected undiscounted cash flows**

|                                      | Up to 3<br>months<br>Rs. | 3 months to 1<br>year<br>Rs. | 1-3 years<br>Rs. | 3-5 years<br>Rs. | Over 5 years<br>Rs. |
|--------------------------------------|--------------------------|------------------------------|------------------|------------------|---------------------|
| <b>As at 31 March 2026</b>           |                          |                              |                  |                  |                     |
| <b>Assets</b>                        |                          |                              |                  |                  |                     |
| Cash at bank                         | 3,305,066                | -                            | -                | -                | -                   |
| Financial assets - at amortised cost |                          |                              |                  |                  |                     |
| Investments in commercial papers     | 217,428,110              | -                            | -                | -                | -                   |
| Investments in fixed deposits        | 380,772,002              | -                            | -                | -                | -                   |
| Investments in trust certificates    | -                        | 27,345,137                   | -                | -                | -                   |
| Investments in repurchase agreement  | 387,881,397              | -                            | -                | -                | -                   |
| Other receivables                    | 2,128,907                | -                            | -                | -                | -                   |
|                                      | <u>991,515,482</u>       | <u>27,345,137</u>            | <u>-</u>         | <u>-</u>         | <u>-</u>            |

|                                      | Up to 3<br>months<br>Rs. | 3 months to 1<br>year<br>Rs. | 1-3 years<br>Rs. | 3-5 years<br>Rs. | Over 5 years<br>Rs. |
|--------------------------------------|--------------------------|------------------------------|------------------|------------------|---------------------|
| <b>As at 31 March 2025</b>           |                          |                              |                  |                  |                     |
| <b>Assets</b>                        |                          |                              |                  |                  |                     |
| 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  | 336,848,339              | -                            | -                | -                | -                   |
| Other receivables                    | 2,116,754                | -                            | -                | -                | -                   |
| <b>Total financial assets</b>        | <u>644,520,661</u>       | <u>680,263,758</u>           | <u>-</u>         | <u>-</u>         | <u>-</u>            |





**NAMAL HIGH YIELD FUND**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 MARCH 2026**

**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 2026                  | 12 Month<br>expected credit<br>losses | Life time<br>expected credit<br>losses not credit<br>impaired | Life time<br>expected credit<br>losses credit<br>impaired | Total                |
|--------------------------------------|---------------------------------------|---------------------------------------------------------------|-----------------------------------------------------------|----------------------|
|                                      | Rs.                                   | Rs.                                                           | Rs.                                                       | Rs.                  |
| <b>Assets</b>                        |                                       |                                                               |                                                           |                      |
| Cash at bank                         | 3,305,066                             | -                                                             | -                                                         | 3,305,066            |
| Financial assets - at amortised cost | 1,002,785,247                         | -                                                             | -                                                         | 1,002,785,247        |
| Total financial assets               | <u>1,006,090,313</u>                  | <u>-</u>                                                      | <u>-</u>                                                  | <u>1,006,090,313</u> |

| As at 31 March 2025                  | 12 Month<br>expected credit<br>losses | Life time<br>expected credit<br>losses not credit<br>impaired | Life time<br>expected credit<br>losses credit<br>impaired | Total                |
|--------------------------------------|---------------------------------------|---------------------------------------------------------------|-----------------------------------------------------------|----------------------|
|                                      | Rs.                                   | Rs.                                                           | Rs.                                                       | Rs.                  |
| <b>Assets</b>                        |                                       |                                                               |                                                           |                      |
| Cash at bank                         | 6,634,020                             | -                                                             | -                                                         | 6,634,020            |
| Financial assets - at amortised cost | 1,271,443,277                         | -                                                             | -                                                         | 1,271,443,277        |
| Total financial assets               | <u>1,278,077,297</u>                  | <u>-</u>                                                      | <u>-</u>                                                  | <u>1,278,077,297</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 2026**

**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<br>measured at fair<br>value through<br>profit or loss | Financial assets<br>measured at<br>amortised cost | Total financial<br>assets |
|------------------------------|------------------|-------------------------------------------------------------------------|---------------------------------------------------|---------------------------|
|                              | Rs.              | Rs.                                                                     | Rs.                                               | Rs.                       |
| <b>As at 31 March 2026</b>   |                  |                                                                         |                                                   |                           |
| <b>Sector wise breakdown</b> |                  |                                                                         |                                                   |                           |
| Government                   | -                | -                                                                       | 387,640,010                                       | 387,640,010               |
| Corporate                    | 3,305,066        | -                                                                       | 615,145,237                                       | 618,450,303               |
| Total                        | <u>3,305,066</u> | <u>-</u>                                                                | <u>1,002,785,247</u>                              | <u>1,006,090,313</u>      |
| <b>As at 31 March 2025</b>   |                  |                                                                         |                                                   |                           |
| <b>Sector wise breakdown</b> |                  |                                                                         |                                                   |                           |
| Government                   | -                | -                                                                       | 434,714,053                                       | 434,714,053               |
| Corporate                    | 6,634,020        | -                                                                       | 836,729,224                                       | 843,363,244               |
| Total                        | <u>6,634,020</u> | <u>-</u>                                                                | <u>1,271,443,277</u>                              | <u>1,278,077,297</u>      |

**Credit quality analysis of financial investments**

|                                               | Risk status | Financial assets<br>measured at fair<br>value through<br>profit or loss | Financial assets<br>measured at<br>amortised cost | Total financial<br>assets |
|-----------------------------------------------|-------------|-------------------------------------------------------------------------|---------------------------------------------------|---------------------------|
|                                               | Rs.         | Rs.                                                                     | Rs.                                               | Rs.                       |
| <b>As at 31 March 2026</b>                    |             |                                                                         |                                                   |                           |
| Government securities                         | Risk free   | -                                                                       | 387,640,010                                       | 387,640,010               |
| <b>Debt instruments having credit ratings</b> |             |                                                                         |                                                   |                           |
| AA+ to A+                                     | Low risk    | -                                                                       | 121,897,397                                       | 121,897,397               |
| A to BBB+                                     | Medium risk | -                                                                       | 493,247,840                                       | 493,247,840               |
| BBB-                                          | High risk   | -                                                                       | -                                                 | -                         |

|                                               | Risk status | Financial assets<br>measured at fair<br>value through<br>profit or loss | Financial assets<br>measured at<br>amortised cost | Total financial<br>assets |
|-----------------------------------------------|-------------|-------------------------------------------------------------------------|---------------------------------------------------|---------------------------|
|                                               | Rs.         | Rs.                                                                     | Rs.                                               | Rs.                       |
| <b>As at 31 March 2025</b>                    |             |                                                                         |                                                   |                           |
| Government securities                         | Risk free   | -                                                                       | 434,714,053                                       | 434,714,053               |
| <b>Debt instruments having credit ratings</b> |             |                                                                         |                                                   |                           |
| AA+ to A+                                     | Low risk    | -                                                                       | 51,775,156                                        | 51,775,156                |
| A to BBB+                                     | Medium risk | -                                                                       | 784,954,068                                       | 785,464,946               |
| BBB-                                          | High risk   | -                                                                       | -                                                 | -                         |



**NAMAL HIGH YIELD FUND  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2026**

**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 2026**

**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 31.03.2026    |                            | Year ended 31.03.2025    |                            |
|-------------------------------------------------------|-----------------------------------------------------------------------------|--------------------------|----------------------------|--------------------------|----------------------------|
|                                                       |                                                                             | Transaction Value<br>Rs. | Outstanding Balance<br>Rs. | Transaction Value<br>Rs. | Outstanding Balance<br>Rs. |
| National Assets Management Limited (Managing Company) | Investments in unit trust                                                   | 49,771,559               | (49,771,559)               | 111,423,900              | (111,423,900)              |
|                                                       | No. of units as of 31 March 2026 is 1,073,028.30 (31 March 2025: 2,604,348) | 6,156,925                | (426,025)                  | 7,085,575                | (540,253)                  |
|                                                       | Management fee                                                              |                          |                            |                          |                            |

**16.2 Transaction with trustee**

| Company Name and Nature of Relationship | Nature of Transaction | Year ended 31.03.2026    |                            | Year ended 31.03.2025    |                            |
|-----------------------------------------|-----------------------|--------------------------|----------------------------|--------------------------|----------------------------|
|                                         |                       | Transaction Value<br>Rs. | Outstanding Balance<br>Rs. | Transaction Value<br>Rs. | Outstanding Balance<br>Rs. |
| Deutsche Bank (Trustee)                 | Trustee fee           | 2,234,016                | (154,582)                  | 2,570,973                | (196,029)                  |
|                                         | Custodian fee         | 290,277                  | (24,654)                   | 290,277                  | (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
- 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 HIGH YIELD FUND**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 MARCH 2026**

**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 2026).

| Name of the company               | Relationship              | Mr. Malay Mukherjee | Mr. Nasser Hamad | Mr. Nirupan Wijeyanathan | Mr. Prins Perera | Mr. Brian Joseph | Mr. Ravi Dassanayake | Mr. Sanjay Pokhrel | Mr. Brian Selvanayagam |
|-----------------------------------|---------------------------|---------------------|------------------|--------------------------|------------------|------------------|----------------------|--------------------|------------------------|
| Union Bank of Colombo PLC         | Related party through KMP | -                   | -                | -                        | -                | -                | -                    | Director           | -                      |
| UB Finance PLC                    | Related party through KMP | -                   | -                | -                        | -                | -                | -                    | -                  | -                      |
| Rockfort Advisory (Pvt) Ltd       | Related party through KMP | -                   | -                | Director                 | Director         | -                | Director             | Director           | -                      |
| DFCC Consulting (Pvt) Ltd         | Related party through KMP | -                   | -                | -                        | Director         | -                | Director             | -                  | -                      |
| AMW Capital Leasing & Finance PLC | Related party through KMP | -                   | -                | -                        | -                | -                | -                    | -                  | Director               |
| Lanka Realty Investments PLC      | Related party through KMP | -                   | -                | -                        | -                | -                | -                    | -                  | 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. Prins Perera

Mr. Ravi Dassanayake

Mr. Sanjay Pokhrel

Mr. Nassar Hammad

Mr. Brian Joseph

Mr Shankanada Yapa Abeywardhena

Mr Brian Vinod Selvanayagam

Mr. Dilshan Rodrigo Resigned *with effect 14th July 2025*

Mr. Wijenanda Dambawinne Resigned *with effect 24th December 2025*

#### UNIT TRUST INFORMATION

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



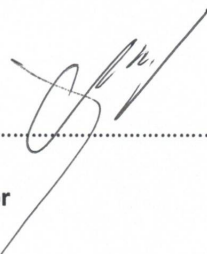
## DECLARATION BY TRUSTEES AND MANAGING COMPANY

### DECLARATION BY TRUSTEE 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



DEUTSCHE BANK AG  
Colombo Branch  
Authorized Signatories  
Trustee

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“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”

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**National Asset Management Ltd**  
No.07, Glen Aber Place, Colombo 03.  
T:94 11 2445911 [www.namalfunds.com](http://www.namalfunds.com)