



MUTUAL FUNDS ANNUAL REPORT 2019-2020

ASSETLINE

Assetline Capital (Private) Limited

**ASSETLINE MUTUAL FUNDS
ANNUAL REPORT 2019-2020**

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1. Corporate Information

Assetline Mutual Funds: *Assetline Income Fund*

Assetline Gilt Edged Fund

Assetline Income Plus Growth Fund

MANAGEMENT COMPANY & REGISTRAR

Assetline Capital (Private) Limited

Registered Office &

Principal Place of Business:

No. 120, 120A

Pannipitiya Road

Battaramulla

Sri Lanka

BOARD OF DIRECTORS OF THE MANAGEMENT COMPANY

Ms. R.M.A.S. Parakrama (Chairperson)

Mr. K.G. Vairavanathan

Mr. A.Y.D. De Silva

TRUSTEE & CUSTODIAN

Deutsche Bank AG

No. 86

Galle Road

Colombo 03

Sri Lanka

AUDITORS & TAX CONSULTANTS

B.R. De Silva & Company

No. 22/4

Vijaya Kumaranatunga Mawatha

Colombo 05

Sri Lanka

BANKERS

Commercial Bank of Ceylon PLC

Commercial House

No. 21

Sir Razik Fareed Mawatha

Colombo 01

Sri Lanka

National Development Bank PLC

No. 40

Navam Mawatha

Colombo 02

Sri Lanka

Sampath Bank PLC

No. 110

Sir James Peiris Mawatha

Colombo 02

Sri Lanka

Deutsche Bank AG

No. 86

Galle Road

Colombo 03

Sri Lanka

Nations Trust Bank PLC

No. 242

Union Place

Colombo 02

Sri Lanka

Seylan Bank PLC

Seylan Towers

No. 90

Galle Road

Colombo 03

Sri Lanka

Hatton National Bank PLC

HNB Towers

No. 479

T. B. Jayah Mawatha

Colombo 10

Sri Lanka

People's Bank

No. 75

Sir Chittampalam A. Gardiner Mawatha

Colombo 02

Sri Lanka

2. Assetline Capital (Private) Limited - Corporate Profile

Assetline Capital (Private) Limited (ACPL) is a licensed Unit Trust and Investment Manager approved by the Securities and Exchange Commission of Sri Lanka (SEC).

The ultimate parent company of ACPL is David Pieris Holdings (Private) Limited. The David Pieris Group, through its subsidiary DPMC Assetline Holdings (Private) Limited, has diversified in to financial services which include leasing, hire purchase, loans, insurance broking and corporate services. Further, the Group has subsidiaries that have ventured in to logistics, information technology and agriculture.

ACPL, since its incorporation in 2001 has been in capital market operations, initially as a margin provider. This business was later transferred to another group company and ACPL expanded its horizons in 2013 by offering investment management to high net-worth individuals and corporate entities. In July 2014, the Company stepped into the unit trust industry with the launch of Assetline Mutual Funds (AMF).

3. Profile of Assetline Mutual Funds

Assetline Income Fund (AINF) is an open ended fund investing in corporate debt instruments and government securities for tenures of one year or less. It is suitable for investors with a low to moderate risk profile and a short term investment horizon.

Assetline Gilt Edged Fund (AGEF) is an open ended fund investing exclusively in government securities. Most suited to investors with a very low risk profile, this fund caters to investors with different time horizons. The Operations of the fund was ceased effective from October 31, 2019.

Assetline Income Plus Growth Fund (AIGF) is an open-ended fund investing in equity and fixed income securities. This fund is suitable for investors with a high-risk profile and medium to longer term time horizon.

	Assetline Income Fund	Assetline Gilt Edged Fund	Assetline Income Plus Growth Fund
Inception Date	11-07-2014	11-07-2014	11-07-2014
Dividend Pattern	Irregular	Irregular	Irregular
Front-end Fee	NIL	NIL	1%
Trustee Fee	0.225% p.a.	0.18% p.a.	0.22% p.a.
Management Fee	0.5% p.a.	0.5% p.a.	1% p.a.
Custodian Fee for the Total Fund	Rs. 25,000/- per month	Rs. 25,000/- per month	Rs. 25,000/- per month
Exit Fee	NIL	NIL	<ul style="list-style-type: none">• For withdrawals within 2 Years : 1%• For withdrawals after 2 Years : NIL

4. Board of Directors of Assetline Capital (Private) Limited

Ms. Romany Parakrama, Chairperson



Ms. Romany Parakrama has been the Chairperson of the Board of Assetline Capital (Private) Limited, from February 01, 2017. Ms. Parakrama is also a Director of David Pieris Motor Company (Private) Limited and holds directorship positions in several other companies in the David Pieris Group.

Ms. Parakrama counts to over 28 years' experience in the banking industry with multi-national banks such as Amro Bank, American Express, Societe Generale and Standard Chartered Bank. Before joining the David Pieris Group in June 2015, she was the Regional Head, Internal Communications for South East Asia and the Head of Sustainability, Brand and Sponsorship for Standard Chartered Bank Singapore. In Sri Lanka, she has held a range of diverse roles including Head of Corporate Affairs, Head of Priority Banking and Head of Cash Management at Standard Chartered Bank.

Ms. Parakrama holds a Bachelor's Degree in Liberal Arts & Science (Magna cum Laude, Phi Beta Kappa) from Smith College USA and is an accredited Credit & Risk Professional with both Standard Chartered Bank and American Express.

Mr. Kishan Vairavanathan, Managing Director and Chief Executive Officer



Mr. Kishan Vairavanathan has been the Managing Director of Assetline Capital (Private) Limited from September 29, 2017 and the Chief Executive Officer of Assetline Capital (Private) Limited from November 15, 2016. Mr. Vairavanathan also holds directorship positions in Four other companies in the David Pieris Group, namely DPMC Assetline Holdings (Private) Limited, Assetline Leasing Company Limited, Assetline Securities (Private) Limited, David Pieris Investment Properties (Private) Limited and David Pieris International Ventures (Private) Limited.

Prior to joining Assetline Capital, Mr. Vairavanathan was Director and CEO at Capital Alliance Partners. He was Director at Janashakthi Limited, General Manager Investments at Janashakthi Insurance and Chief Executive Officer at NDB Stockbrokers.

Mr. Vairavanathan holds a Master in Business Administration (Finance and Investments) from Golden Gate University, USA and a Bachelor of Science in Mathematics from the University of Sussex UK.

Mr. Dhanika De Silva



Mr. Dhanika De Silva has been a Director of Assetline Capital (Private) Limited, from May 01, 2016. Mr. De Silva also holds directorship positions in several other companies of the David Pieris Group and is currently General Manager, Treasury Operations at David Pieris Holdings (Private) Limited.

Mr. De Silva joined David Pieris Motor Company (Private) Limited in 2006 as Manager, Treasury and Investment and subsequently was promoted to Divisional Manager, Planning and Development and Deputy General Manager, Planning and Development. Before joining David Pieris Motor Company (Private) Limited he worked as an Executive Officer, Treasury Dealing Room at Commercial Bank of Ceylon PLC.

Mr. De Silva has a Master of Arts in Financial Economics and an LL.B. (Honors) Degree from the University of Colombo. He is an Associate Member of Chartered Institute of Management Accountants UK and Institute of Certified Management Accountants of Sri Lanka.

5. Key Management Personnel of Assetline Capital (Private) Limited

Mr. Wishan Perera, Deputy General Manager

Mr. Wishan Perera joined the Company as the Divisional Manager of Assetline Capital (Private) Limited, in June 01, 2016 and currently is designated as the Deputy General Manager. He brings in wealth of financial and treasury expertise to the company.

Mr. Perera has unparalleled track record in Financial Markets with over 21 years of experience in the areas of Fund Management, Treasury Management, Investment Management, Treasury Audits, Bank Operations and Credit. Prior to joining Assetline Capital, he held the position of Chief Manager Treasury at Axis Bank Colombo while heading the overall operation for over two years where he enhanced his expertise in asset and liability management & risk management. He also worked for Seylan Bank PLC and gained extensive experience in fund management, FX operations, speculative trading and held the position of the Dealer of Primary Dealer Unit of the bank involved in G-Sec trading.

During his career, Mr. Perera has attended local and foreign training programs and workshops, covering various aspects of treasury operations including International Treasury Management program conducted by EuroFinance UK.

Mr. Perera is an Associate Member of Institute of Bankers of Sri Lanka and holds ACI (Paris) Dealing Certificate. He also has the Post Graduate Executive Diploma in Bank Management and Diploma in Treasury & Risk Management (IBSL).

6. Chief Executive Officer's Report

Dear Unit Holders,

It is with pleasure that we forward our annual report for the year ended 31st March 2020.

It was another poor year for both the economy and the share market. GDP growth of 2.30% in 2019 made it the fourth consecutive subpar year. Poor business sentiment fueled by weak corporate earnings in a low growth environment, the uncertainty of a presidential election, the Easter Sunday bombings and the global pandemic, all contributed to an overall muted sentiment.

More specifically, a marked lack of commitment to capital markets resulted in a year of non-existent primary market activity in listed equity. There was a significant outflow of foreign funds from both debt and equity and little or no local institutional participation in the local listed equity market. As a result, the All Share Index fell by 18% during the year, and foreign holdings in Government Securities fell from Rs. 168 Bn to Rs. 42 Bn, a reduction of 75%.

The company given the current tax structure decided to discontinue the Assetline Gilt Edged Fund and subsequently, with regulatory approval closed the fund on October 31, 2019. The remaining two funds, Assetline Income Fund and the Assetline Income Plus Growth Fund recorded a growth of 10.20% and a decline of 8.73% respectively for the period under review.

The year ahead will continue to be extremely challenging as the world and the country struggles to cope with the health and economic fallout of the viral pandemic and the consequent deep recession. However, we are optimistic about the long-term prospects for the capital markets of this country and remain committed to delivering superior returns to our stakeholders.

I wish to thank our staff, Auditors, the Securities and Exchange Commission of Sri Lanka and the Trustees for their contribution. Most importantly, I wish to extend our sincere appreciation to our loyal unit holders and look forward to rewarding their trust in the coming year.

Kishan Vairavanathan

Chief Executive Officer

7. Fund Manager's Report

It is with great pleasure that we submit to our valued investors the annual report of the Assetline Mutual Fund (AMF) for the period 01st April 2019 to 31st March 2020. The Easter Sunday terrorist attacks, the presidential election in November and the frequent policy changes that resulted along with the Covid – 19 pandemic created significant challenges to the capital markets in Sri Lanka. Against this background, the Funds delivered creditable returns whilst maintaining acceptable risk profiles.

At the beginning of the financial year, the equity market and economic activities were heavily impacted by the Easter Sunday attacks. As a result, the Government took initiatives to bring down interest rates in order to increase economic activities and encourage credit. The Central Bank of Sri Lanka made several policy changes by reducing policy rates three times, imposing deposit ceilings & lending caps and introducing favorable amendments to taxation for both corporates and individuals to stimulate the economy, by encouraging consumption driven economic growth. However, before the Government could achieve their targets the Covid-19 pandemic struck drying up all activity globally.

This created negative investor sentiment driving investors to switch to risk averse strategies. Foreigners exited from the equity and government securities markets. The CSE indices both fell sharply with the ASPI and S&P SL 20 declining by 18% and 29% respectively between 1st April 2019 and 31st March 2020. Furthermore, foreign holdings in Government Securities dropped by Rs. 126.3 Billion or 75.2% adding pressure on the exchange rate.

Despite this backdrop we believe that we have delivered value to our unit holders whilst catering to their risk appetite.

Our Funds

The management decided to cease the operations of the Assetline Gilt Edge fund (AGEF) with effect from 31st October 2019 as there was low investor appetite due to the low returns when compared with money market funds after the removal of notional tax and the disadvantage of the taxation with bank/corporate fixed income securities for individuals.

Assetline Capital (Pvt) Ltd currently manages two funds, Assetline Income Fund (AINF) and Assetline Income Plus Growth Fund (AIGF), each designed to cater to different investor requirements.

AINF is designed for investors with low to moderate risk appetite with a short-term investment horizon. The asset classes include corporate debt, fixed income securities, and government securities for tenors less than one year.

AGEF was set up to provide low- risk returns for investors with different time horizons and AIGF caters to investors with high-risk appetite and a longer time horizon. All the funds are open-ended and AINF and AGEF do not have front end or exit fees.

As of 31st March 2020, AINF & AIGF posted yields of 10.20% & 8.73% and the number of unit holders were 1,019 & 119 respectively. The NAV of AINF was Rs. 2.0 billion whilst AIGF was Rs. 146.6 million.

With the amendments proposed to the Inland Revenue Act by the new Government, our clients additionally benefitted from the removal of withholding tax after 01st of January 2020, resulting in an increase in unit prices. Funds were deployed after an in-depth analysis of interest rates & liquidity with a focus on credit ratings to balance risk and return.

The investment strategy was targeted to maintain a consistent yield for a maximum period and to avoid capital erosion. The funds were locked in medium-term bank deposits against the backdrop of reducing interest rates, whilst keeping enough liquidity in money market accounts. The fund has ample liquidity to engage in the equity market when the management considers it is opportune.

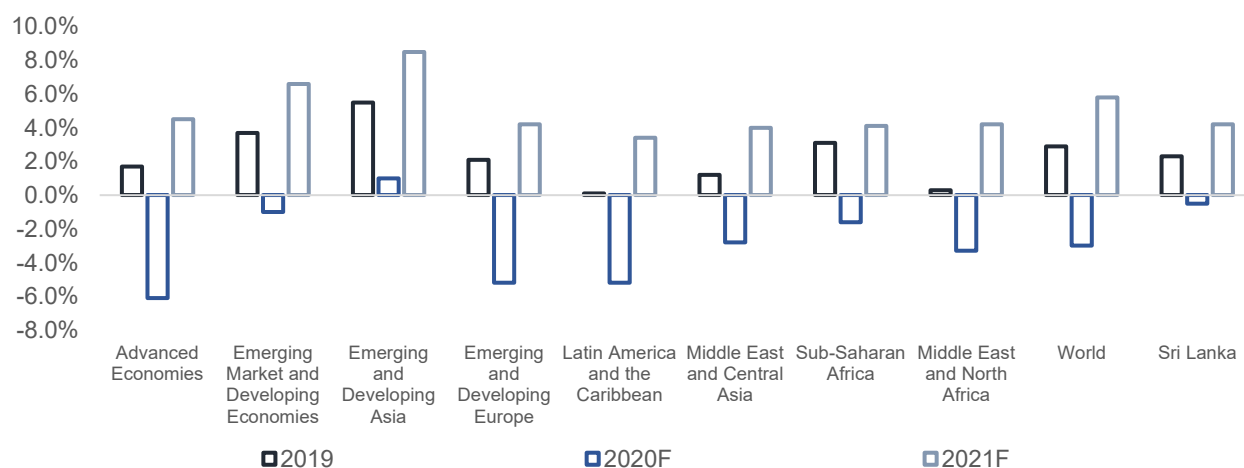
ECONOMIC EXPECTATIONS FOR 2020

The worst economic downturn since the great depression

The COVID-19 pandemic is inflicting high and rising human costs worldwide, and the necessary protection measures are severely impacting economic activity. As per the world economic outlook (WEO) latest release, this has resulted in the projected global economy contracting sharply by 3% in 2020. This is much worse than during the 2008–09 financial crisis. However, assuming the pandemic fades away in the second half of 2020, WEO April release forecasts a global economic recovery of 5.8% in 2021 supported by gradual unwinding of containment efforts that are in place the world over, helped by fiscal and monetary policy support. Effective policy measures are essential to prevent the possibility of worse outcomes. Moreover, there must be measures to reduce contagion since protecting lives is an important investment for long-term human and economic health. Due to the critical economic fallout in specific sectors, policymakers will need to implement substantial, targeted fiscal, monetary, and financial market measures to support affected households and businesses domestically. Further, strong multilateral cooperation is essential to overcome the effects of the pandemic, including assistance for financially constrained countries which are facing twin health and funding shocks and for channeling aid to countries with weak health care systems.

Source: [World Economic Outlook – April 2020](#)

Region Wise: Real GDP Growth



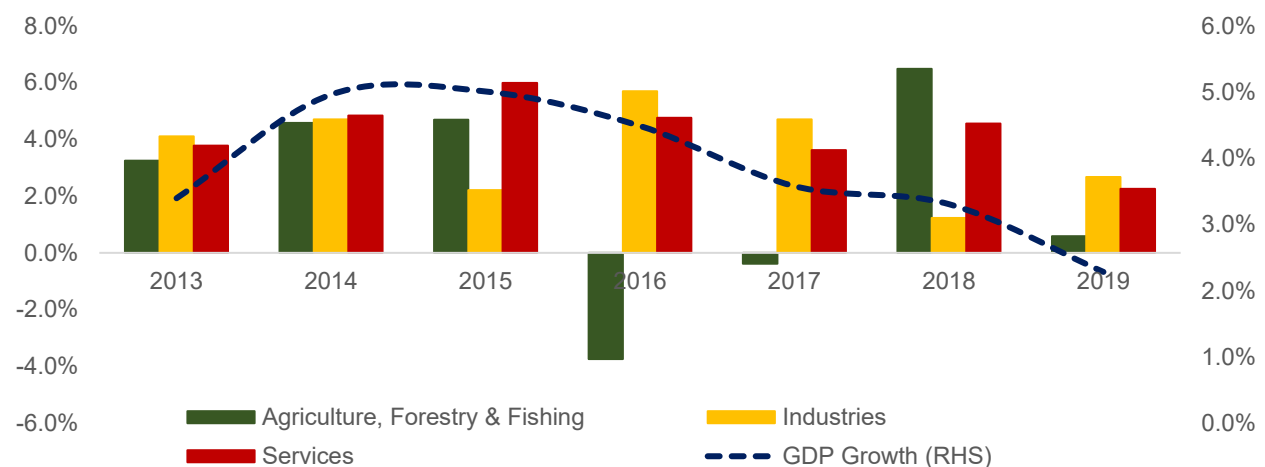
Source: IMF

The only region with a positive growth

As per WEO April release forecasts, emerging and developing Asia is projected to be the only region with a positive growth of 1.0% in 2020, although 4.8 percentage points below the World Economic Outlook projections done in January 2020. In China, indicators such as industrial production, retail sales, and fixed asset investment suggest that the contraction in economic activity in the first quarter could have been about 8% YoY. Even with a sharp rebound in the remainder of the year and sizable fiscal support, the economy is projected to grow at a subdued 1.2% in 2020. Several economies in the region are forecast to grow at modest rates, including India (1.9%), Indonesia (0.5%) and Bangladesh (2.0%) whilst Pakistan and Sri Lanka are forecast to experience slight contractions of -1.5% and -0.5% respectively.

Source: *World Economic Outlook – April 2020*

GDP and Sectorial Growth from 2013 – 2019



Source: CBSL

The Covid-19 outbreak is likely to affect Sri Lanka's economic performance

The real GDP of Sri Lanka grew by 2.3% YoY for the full year of 2019 in comparison to 3.3% of growth recorded in 2018. We witnessed a noteworthy slowdown in the performance of service-related activities mainly due to the impact of the Easter Sunday attacks, while accommodation, food and beverage service activities contracted, and transportation services was also subdued. Meanwhile, the growth in industry activities was largely supported by the recovery in construction, and mining and quarrying activities during the period. Moreover, the growth in agriculture activities was mainly driven by the substantial recovery in growing of oleaginous fruits (coconut, king coconut and oil palm) together with the expansion in growing of rice.

Sri Lanka's economic growth had begun to turnaround as a result of fiscal and monetary stimulus and the return of the business confidence after the presidential election. However, it has increasingly evident that domestic economic activity during the year 2020 would continue to be affected by the spread of Covid-19.

The Central Bank of Sri Lanka (CBSL) has taken a number of measures to support the revival of domestic economic activities, in the context of well anchored inflation expectations and the absence of demand driven pressures on inflation. These include the reduction of policy interest rates of the CBSL by 75 basis points, facilitating the implementation of the credit support package for borrowers in both performing and non-performing categories and the implementation of a credit guarantee scheme to revive non-performing advances, while maintaining the dialogue with the financial market to ensure market lending rates continue to decline in line with the Monetary Law Act Order No. 02 of 2019. The Central Bank also assured the financial market of the provision of liquidity as necessary to counter any impact arising from the evolving situation.

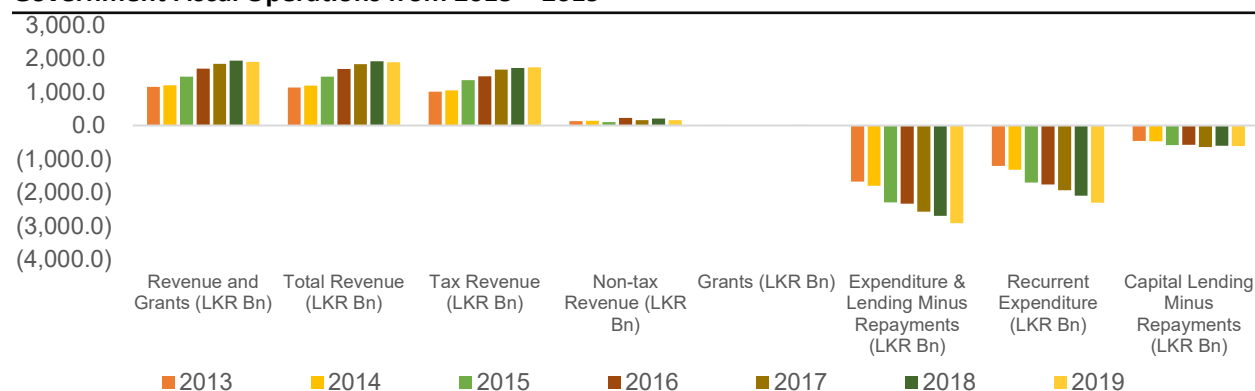
Source: CBSL

Easter Sunday attack affected the revenue targets in 2019

Fiscal performance weakened in 2019 amidst a notable decline in government revenue, resulting mainly from the impact of the large import compression particularly of motor vehicles, and subdued economic activity exacerbated by the Easter Sunday attacks in April 2019, as well as the rise in recurrent expenditure mainly on account of subsidies and transfers, and salaries and wages. Total revenue and grants declined by 1.7% YoY in 2019 in comparison to 2018. However, tax revenue increased slightly by 1.3% YoY in comparison to 2018. Moreover, non-tax revenue declined significantly by 24.9% YoY in 2019 in comparison to 2018. Meanwhile, government expenditure increased by 8.2% YoY whilst recurrent and capital expenditure increasing by 10.1% and 1.1% YoY respectively in 2019 in comparison to 2018.

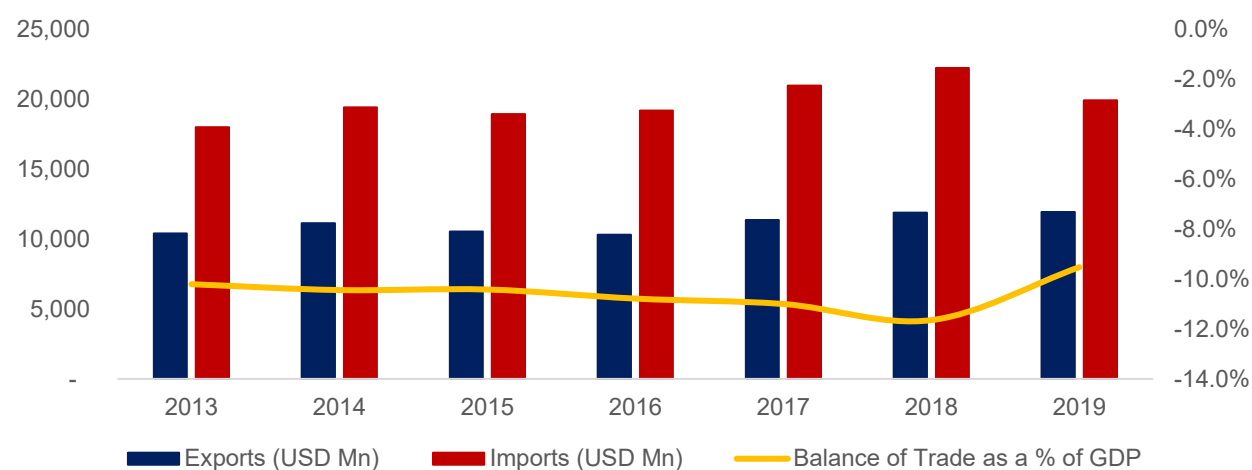
Source: [Central Bank Annual Report – 2019](#)

Government Fiscal Operations from 2013 – 2019



Source: CBSL

Balance of Trade as a % GDP



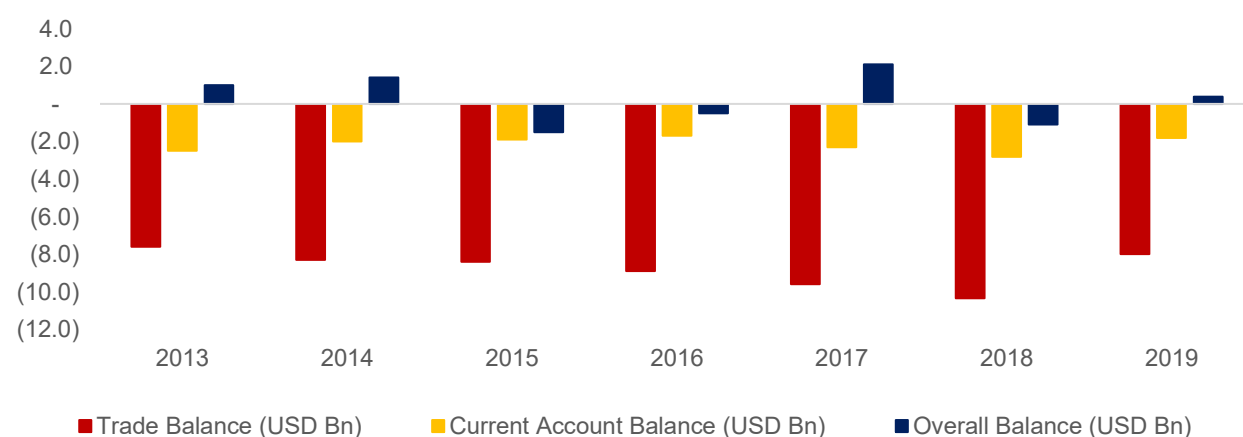
Source: CBSL

Notable contraction in import growth caused the narrowing of trade balance

Trade balance has narrowed to USD 8.0 Bn during the 2019 over the previous year supported by a significant contraction in the growth of imports and a modest growth of exports. Tourist arrivals notably declined by 18.0% YoY in 2019 in comparison to 2018 following the impact of Easter Sunday attack. Even though, monthly tourist arrivals recovered notably after the Easter Sunday attacks, in compared to 2018, YoY growth numbers were significantly declined by 18% for the full year of 2019. Following the outbreak of the new coronavirus which originated in Wuhan, China, tourism sector suffers further setback in the period ahead reversing the recovering trend of the tourist arrivals since the Easter Sunday attacks. Moreover, workers' remittances decreased by 4.3% YoY in USD terms during 2019 compared to the 2018.

Source: CBSL

BOP Position



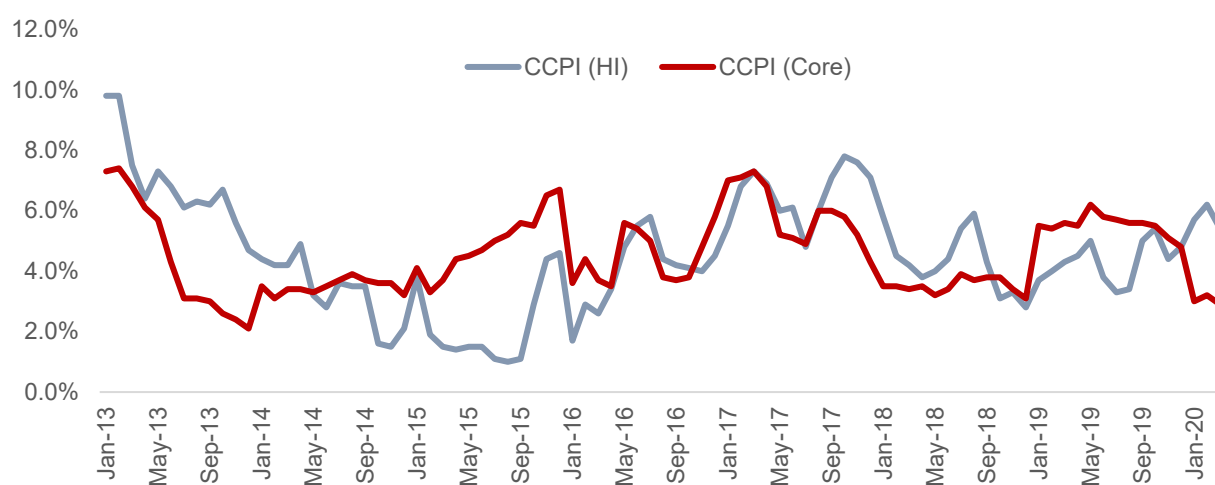
Source: CBSL

External sector is bound to suffer with rising global uncertainties

Foreign investment in government securities recorded a notable outflow during 2019, while so far in 2020 foreign investment in rupee denominated government securities recorded a net outflow, partly due to increased investor appetite for safe haven assets amidst rising global uncertainty. Further, CBSL continued to purchase dollars except in August and December with a total 12-month net purchases tally of approx. USD 387.0 Mn during 2019. This leads to the overall balance recording a surplus of USD 0.4 Bn in 2019. Reflecting these dynamics, gross official reserves amounted to USD 7.6 Bn, equivalent to 4.6 months of imports as at end December 2019. However, CBSL recorded a total 3-month net sales of dollars of USD 78.3 Mn so far during 2020, where a significant amount of dollars was sold during March 2020.

Source: CBSL

CCPI Inflation of Headline and Core, YoY Basis



Source: Department of Census and Statistics

Inflation to remain at desired levels despite temporary supply side pressures

During 2019, the general price level moved in tandem with the prices of volatile food items, which declined during the first three months of the year and increased thereafter recording considerably higher prices towards the latter part of the year. Price pressures stemming from supply shortages in certain food items during the year were partially mitigated by timely reduction of some administered prices and duties on imported food items. The significant increase in food prices witnessed towards the latter part of the year was mainly due to supply shortages caused by adverse weather conditions that prevailed especially in major cultivating areas. However, the reduction of the VAT rate and telecommunication levy, and removal of NBT in December 2019 made a favorable impact on the general price level.

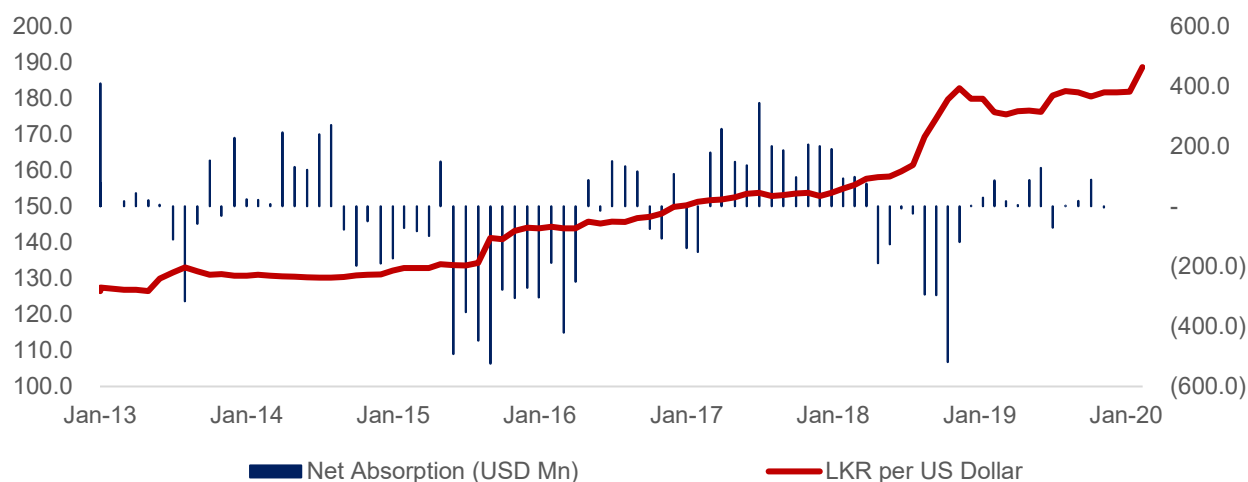
Headline inflation, as measured by the year-on-year change in the Colombo Consumer Price Index (CCPI) showed an unexpected uptick, driven by a rapid acceleration in food inflation during January and February of 2020. However, inflation is expected to stabilize within the desired range over the medium term despite transitory deviations arising from supply side disruptions.

Source: CBSL

LKR depreciates sharply against the US dollar

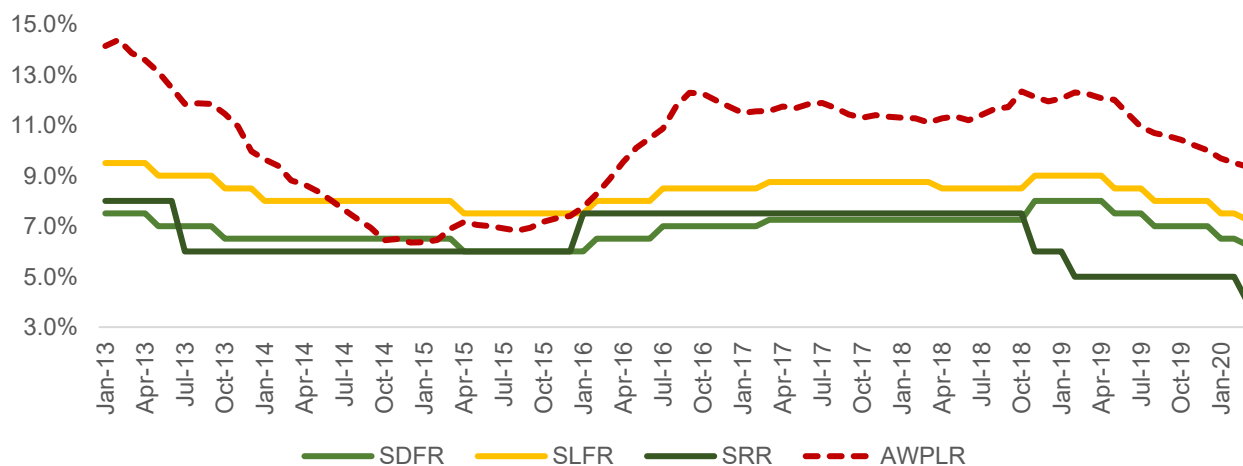
The selling rate of the US dollar was LKR 184.63 in the beginning of the year, and it reported a considerable drop to LKR 176 in April, before the Easter Sunday attacks. Since then, it remained well below the LKR 180 level until mid-August and picked up to the LKR 180 -184 range during the latter part of the year. Following double-digit depreciation, a year ago, the Sri Lankan rupee appreciated by 0.6% against the US dollar in 2019. The rupee depreciated sharply since the third week of March 2020, driven by the identification of the first Sri Lankan coronavirus patient inside the country and the spread of the virus in several parts of the island. Given that the currencies the world over are depreciating amidst economic slowdown due to the pandemic, it is certain the LKR will also find similar fate for the rest of 2020. However, some of the more recent measures taken to ease pressure on imports may help in defending the currency locally, at least in the short run.

Net Absorption Vs Exchange Rate



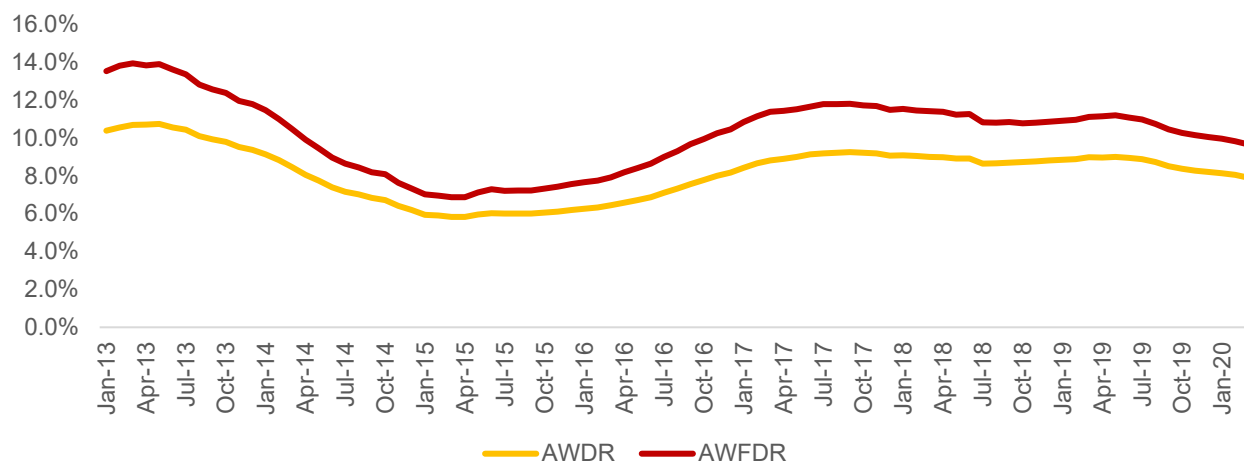
Source: CBSL

Policy Rates Movements Vs AWPLR



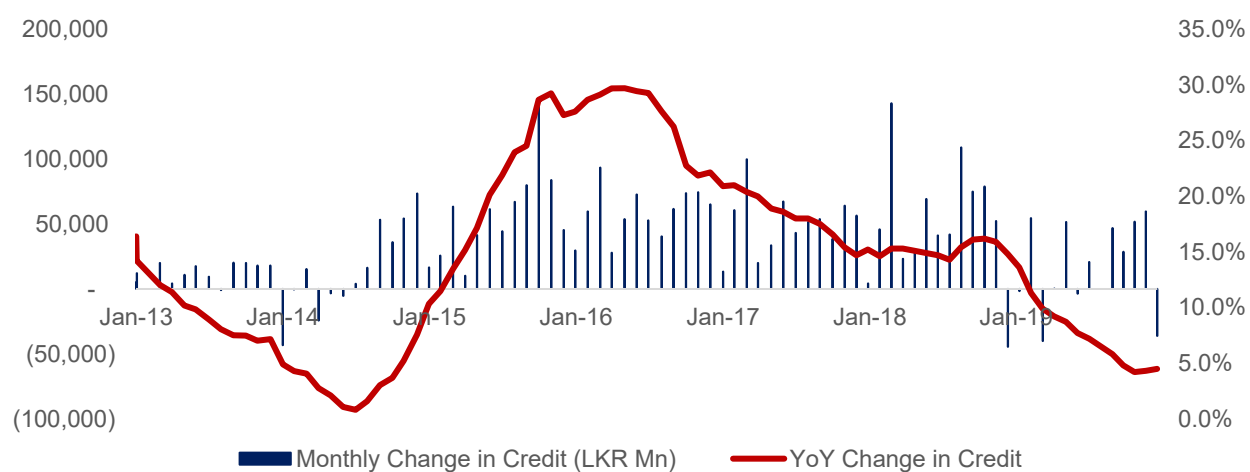
Source: CBSL

Movements in AWDR and AWFDR



Source: CBSL

Credit Granted by Commercial Banks to Private Sector



Source: CBSL

Fund Management Team, Assetline Capital (Pvt) Ltd, Management Company

8. Fund Performance – Assetline Income Fund (AINF)

The NAV of the Assetline Income Fund (AINF) as at 31st March 2020 was Rs. 2.0 Bn. AINF recorded a 10.20 % financial-year yield and 9.03% Month-on-Month yield (MOM), while the number of unit holders were 1,019.

The NAV was Rs. 2.99 Bn on 31st March 2019 and fluctuated within a range of Rs. 3.86 Bn and Rs. 1.9 Bn during the period ending 31st March 2020.

The financial-year yield of AINF continued to grow during the year from 9.52% on 31st March 2019 to 10.20% on 31st March 2020. This was mainly to the removal of WHT in February 2020, where the relative portion of WHT charged was released, resulting in an improvement in interest income. The fund returns were continuously challenged by a number of policy changes by the Central Bank of Sri Lanka i.e. deposit rate cap, lending rate cap and policy rate cuts. This was to facilitate monetary easing to encourage consumption driven economic growth. Despite these actions, AINF was able to maintain the financial-year yield above 9.52% for the period

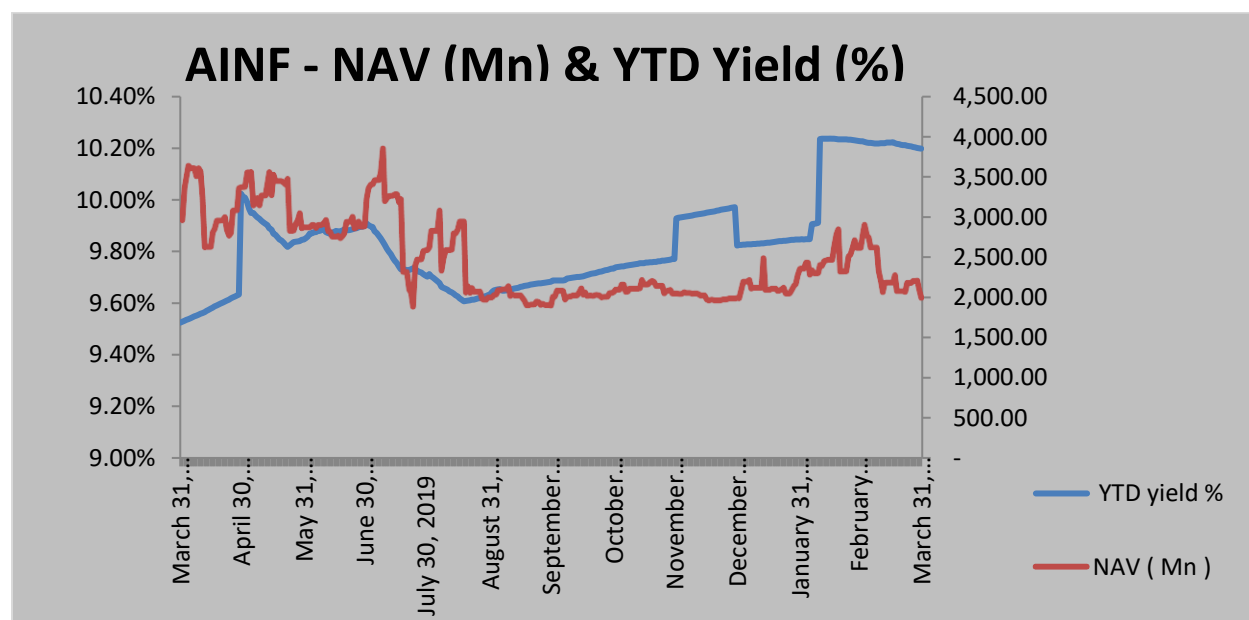
under review. Given our view on future interest rate movements, funds were invested in a mixed tenor up to one year.

The number of unit holders in AINF reduced by 13.20% to 1,019 from 1,174 during the 12-month period.

The AINF maturities are well diversified with maturity profiles varying from 1-4 weeks to 6-12 months with the view to maximizing the yield of the fund. The majority of investments are in the “1-3 months” maturity bucket making up 48.0% of NAV while “1-4 weeks” maturities made up 27.0%.

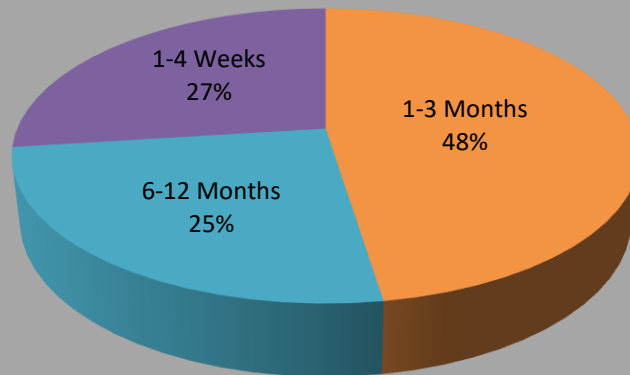
The AINF has an investment mix of fixed deposits and money market savings accounts, with 84.0% of the funds invested in bank fixed deposits.

All the funds of AINF were invested in counter parties having “BBB+” credit rating and above. 43.28% of funds are invested in counter parties with “A+” followed by “AA+” and “AA-” with 29.36 % and 17.19% respectively.



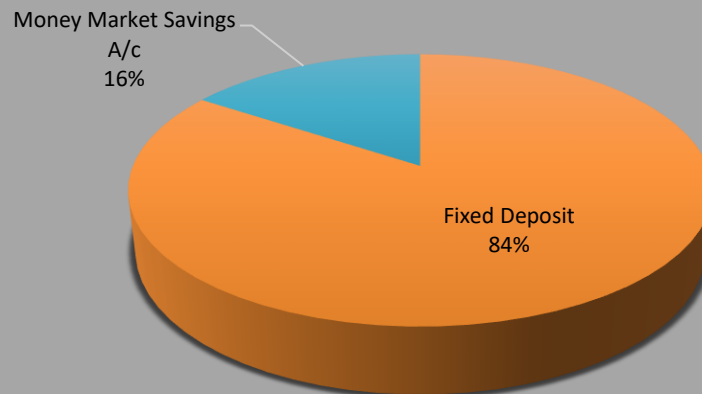
(Figure 1: NAV and financial-year yield of AINF)

Maturity Profile - AINF



(Figure 2: Maturity profile of AINF as at 31st March 2020)

Asset Allocation - AINF



(Figure 3: Asset allocation of AINF as at 31st March 2020)

Rating	Fitch	
	Amount (LKR)	As % of NAV
AA+	587,383,816.82	29.36%
AA-	343,938,212.69	17.19%
A+	865,701,719.82	43.28%
A-	169,471,845.03	8.47%
BBB+	27,379,417.32	1.37%
Total	1,993,875,011.68	100%

(Figure 4: Credit profile of AINF)

ASSETLINE INCOME FUND

FOR THE YEAR ENDED 31ST MARCH 2020



Private & Confidential

INDEPENDENT AUDITOR'S REPORT
TO THE UNITHOLDERS OF ASSETLINE INCOME FUND

Report on the Audit of the Financial Statements**1. Opinion**

We have audited the financial statements of Assetline Income Fund, which comprise the statement of financial position as at 31st March, 2020, and the statement of comprehensive income, statement of changes in unit holder's fund and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Fund as at 31st March 2020, and its financial performance and its cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

2. 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 issued by CA Sri Lanka and we have fulfilled our other ethical responsibilities in accordance with the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

3. Other Information

The Managements are responsible for the other information presented in the annual report together with financial statements. Our opinion on the financial statements does not cover this other information and accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the other information and in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work we have not identified material misstatements in the other information.

We have nothing to report in this respect.



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

Management 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 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, management 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 management 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.

5. Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SLAuSs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SLAuSs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control.

Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

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.



We also provide those charged with governance with a statement that we have complied with ethical requirements in accordance with the Code of Ethics regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

6. Report on Other Legal and Regulatory Requirements


(I.) As required by section 163 (2) of the Companies Act No. 07 of 2007, we state the following:

a) The basis of opinion and scope and limitations of the audit are as stated above.

b) In our opinion:

- We have obtained all the information and explanations that were required for the audit and as far as it appears from our examination, proper accounting records have been kept by the Fund.
- The financial statements of the Fund, comply with the requirements of section 151 of the Companies Act.

(II.) The financial statements of Assetline Income Fund is complied with the requirements of the Unit Trust Code issued by Securities and Exchange Commission of Sri Lanka and the Trust Deed.


B. R. DE SILVA & CO.
 Chartered Accountants
 Colombo 05.

Date... 9th/06/2020

LW/SA/sn (20/04)



ASSETLINE INCOME FUND**STATEMENT OF COMPREHENSIVE INCOME**
FOR THE YEAR ENDED 31ST MARCH 2020

		2020 Rs.	2019 Rs.
<u>Investment Income</u>			
Interest income from financial assets at amortised cost	(04)	260,792,723	234,921,578
Total investment income		<u>260,792,723</u>	<u>234,921,578</u>
<u>Expenses</u>			
Management fee	09 (g)	(12,428,232)	(11,304,803)
Trustee and custodian fee	09 (g)	(6,652,134)	(6,177,439)
Audit fee		(253,514)	(189,749)
Professional fee		(35,096)	(35,000)
Other operating expenses		(508,972)	(770,200)
Total operating expenses		<u>(19,877,948)</u>	<u>(18,477,190)</u>
Net operating profit		<u>240,914,775</u>	<u>216,444,387</u>
<u>Finance cost</u>			
		-	-
Profit after deductions and before tax		240,914,775	216,444,387
Income tax expense		-	-
Increase in net assets attributable to unitholders	(07)	<u>240,914,775</u>	<u>216,444,387</u>

The Notes to the Financial Statements in pages (05) to (23) form an integral part of these Financial Statements.



ASSETLINE INCOME FUNDSTATEMENT OF FINANCIAL POSITION
AS AT 31ST MARCH 2020

	Notes	2020 Rs.	2019 Rs.
<u>ASSETS</u>			
<u>Current assets</u>			
Cash and cash equivalents	(05)	8,151,501	12,667,518
Financial assets at amortised cost	(06)	1,993,875,031	2,980,285,119
Income tax receivables		42,338,456	42,338,456
Total assets		2,044,364,988	3,035,291,094
<u>LIABILITIES</u>			
<u>Current liabilities</u>			
Accrued expenses and other payables		1,721,955	2,482,279
Liabilities (excluding net assets attributable to unitholders)		1,721,955	2,482,279
<u>UNITHOLDERS' FUNDS</u>			
Net assets attributable to unitholders	(07)	2,042,643,033	3,032,808,814
Total unitholders' fund and liabilities		2,044,364,988	3,035,291,094

The Manager is responsible for these Financial Statements and these Financial Statements were approved by the Manager.

Signed for and on behalf of the Manager by:

	<u>NAME</u>
DIRECTOR	1. Kishan Ganesh Vairavanathan
	2. Dhanika De Silva

SIGNATURE

[Handwritten signatures]

DATE OF APPROVAL 09/06/2020

The Notes to the Financial Statements in pages (05) to (23) form an integral part of these Financial Statements.



ASSETLINE INCOME FUNDSTATEMENT OF CHANGES IN UNITHOLDERS' FUND
FOR THE YEAR ENDED 31ST MARCH 2020

	<i>Notes</i>	2020 <i>Rs.</i>	2019 <i>Rs.</i>
Unitholders' fund at beginning of the year		3,032,808,814	83,228,749
Increase in net assets attributable to unitholders		240,914,775	216,444,387
Received on unit creations		14,853,055,482	21,119,693,991
Paid on unit redemptions		(16,084,136,038)	(18,386,558,312)
Unitholders' fund at end of the year	(07)	<u><u>2,042,643,033</u></u>	<u><u>3,032,808,814</u></u>

The Notes to the Financial Statements in pages (05) to (23) form an integral part of these Financial Statements.



ASSETLINE INCOME FUND**STATEMENT OF CASH FLOW
FOR THE YEAR ENDED 31ST MARCH 2020**

	<i>Notes</i>	2020 Rs.	2019 Rs.
Cash flows from operating activities			
Proceeds from sale of Financial assets at amortised cost		44,934,111,424	35,001,677,329
Purchase of Financial assets at amortised cost		(43,964,217,673)	(37,801,659,377)
Other payables		500	-
Interest received		277,309,060	104,649,092
Management fees paid		(12,880,521)	(17,763,450)
Other expenses paid		(7,758,251)	(9,554,487)
Net cash in outflow from operating activities		1,226,564,540	(2,722,650,893)
Cash flows from financing activities			
Proceeds from subscription by unitholders	(07)	14,853,055,482	21,119,693,991
Payments for redemptions by unitholders	(07)	(16,084,136,038)	(18,386,558,312)
Net cash from financing activities		(1,231,080,556)	2,733,135,679
Net increase in cash and cash equivalents		(4,516,017)	10,484,785
Cash and cash equivalents at beginning of the year		12,667,518	2,182,733
Net increase in cash and cash equivalents		(4,516,017)	10,484,785
Cash and cash equivalents at end of the year	(05)	8,151,501	12,667,518

The Notes to the Financial Statements in pages (05) to (22) form an integral part of these Financial Statements.



ASSETLINE INCOME FUND**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST MARCH, 2020****1. GENERAL INFORMATION**

Under Section 31 of the Securities and Exchange Commission of Sri Lanka, Act No.36 of 1987 as amended by the Act No. 26 of 1991 and the Act No. 18 of 2003, the Securities and Exchange Commission of Sri Lanka granted a license to operate the Assetline Income Fund ('the Fund') to Assetline Capital (Private) Limited (the 'Management Company') on 17 June 2014. The Fund commenced its commercial operations on 11 July 2014. The registered office of the Management Company is located at No 120, 120A Pannipitiya Road, Battaramulla.

The primary investment objective of the Fund would be to maximize the total return of the Fund and provide an investment vehicle for investors with short term investment horizon by carefully investing in fixed income securities which include fixed deposits and other money market securities with tenures less than 1 year.

The Fund's investment activities are managed by Assetline Capital (Private) Limited.

2. BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

2.1. Basis of preparation**2.1.1. Statement of Compliance**

The financial statements are prepared in accordance with and comply with Sri Lanka Accounting Standards (SLFRSs and LKASs) issued by the Institute of Chartered Accountants of Sri Lanka and adopted as directed by the Securities and Exchange Commission of Sri Lanka.

The financial statements are prepared on the basis of fair value measurement of assets and liabilities except where otherwise stated.

The statement of financial position is presented on a liquidity basis. Assets and liabilities are presented in decreasing order of liquidity and do not distinguish between current and non-current. All balances are expected to be recovered or settled within twelve months, except for investments in financial assets and net assets attributable to unitholders.

Contd..... (06)



ASSETLINE INCOME FUNDNOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST MARCH, 2020**2.1.2. Comparative Information**

The accounting policies have been consistently applied by the Fund with those of the previous financial year. Further comparative information is reclassified where ever necessary to comply with the current presentation in the Financial Statements.

2.2. Significant Accounting Policies

The following are the significant accounting policies consistently applied by the Fund in preparing its Financial Statements.

2.2.1. Financial Instruments

A financial instrument is any contract that gives rise to financial asset of one entity and a financial liability or equity instrument of another entity.

2.2.1.1 Financial Assets**a) Initial Recognition and Subsequent Measurement**

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss. The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Fund's business model for managing them.

b) Subsequent Measurement

For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortised cost (debt instruments)
 - Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)
 - Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at fair value through profit or loss

Financial Assets at Amortised Cost (Debt Instruments)

The Fund measures financial assets at amortised cost if both of the following conditions are met:

Contd..... (07)



ASSETLINE INCOME FUNDNOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST MARCH, 2020

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows and;
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in net assets attributable to unitholders when the asset is derecognised, modified or impaired.

The Fund's financial assets at amortised cost include cash and cash equivalent, Fixed deposits and money market savings.

c) Derecognition

A financial asset is primarily derecognised (i.e., removed from the Fund's statement of financial position) when:

- The rights to receive cash flows from the asset have expired;
- Or
- 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 (a) the Fund has transferred substantially all the risks and rewards of the asset, or (b) the Fund has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset

2.2.1.2 Financial Liabilities

a) Initial Recognition and Measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs. The Fund's

financial liabilities include Management fee, Trustee fees, Custodian fee and professional fee payables.

Contd..... (08)



ASSETLINE INCOME FUNDNOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST MARCH, 2020**b) Subsequent Measurement**

The measurement of financial liabilities depends on their classification, as described below:

Loans and Borrowings (Financial liabilities at amortised cost)

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of profit or loss.

c) Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss.

2.2.2. Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously.

2.2.3. Impairment of Financial Assets

The Fund assesses at each reporting date, whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset (an 'incurred loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

Contd..... (09)



ASSETLINE INCOME FUND**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST MARCH, 2020**

Evidence of impairment may include indications that the default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

2.3. Net assets attributable to unitholders

Unitholders' funds have been calculated as the difference between the carrying amounts of the assets and the carrying amounts of the liabilities, as at the statement of financial position 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 in accordance with the valuation guidelines issued by the Unit trust Association of Sri Lanka and approved by the Securities and Exchange Commission of Sri Lanka, by the number of units in issue.

Distribution to unit holders is recognised in the statement of changes in unitholders' funds. Income not distributed is included in net assets attributable to unitholders.

2.4. Cash and Cash Equivalents

For the purpose of presentation in the statement of cash flows, cash and cash equivalents include cash in hand, at bank and bank overdrafts. The Bank overdrafts are shown within borrowings in the statement of financial position.

Payments and receipts relating to the purchase and sale of investment securities are classified as cash flows from operating activities.

2.5. Investment Income

Interest income is recognized in profit or loss for all financial assets that are measured at amortised cost or loss using the effective interest method

The effective interest method is a method of calculating the amortized cost of a financial asset or financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts throughout the expected life of the financial instrument, or a shorter period where appropriate, to the net carrying amount of the financial asset or liability. When calculating the effective interest rate, the Fund estimates cash flows considering all contractual terms of the financial instrument but does not consider future credit losses. The calculation includes all fees paid or received between the parties to the contract that are an integral part of the effective interest rate, including transaction costs and all other premiums or discounts.

Contd..... (10)



ASSETLINE INCOME FUND**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST MARCH, 2020****2.6. Expenses**

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

The management participation fees of the fund are as follows:

Management Fee	- 0.50% of Net Asset Value of the Fund
Trustee Fee	- 0.225% of Net Asset Value of the Fund
Custodian Fee	- Flat Fee of Rs. 25,000 per month

2.7 Income tax

The Unit Trust act as pass through agent and a beneficiary of Trust (instead of the Trust) is liable to tax on the income of the Trust in terms of Section 57 of the Inland Revenue Act No.24 of 2017.

2.8. Distributions

In accordance with the trust deed, the Fund distributes income adjusted for amounts determined by the Assetline Capital (Private) Limited, to unitholders by cash or reinvestment. The distributions are recognised in statement of changes in unitholders' funds.

2.9. Subscriptions and redemptions

Subscriptions received for units in the Fund are recorded net of any entry fees payable prior to the issue of units in the Fund. Redemptions from the Fund are recorded gross of any exit fees payable after the cancellation of units redeemed.

2.10. Use of estimates

The Fund makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates are continually evaluated and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

2.11. New accounting standards and interpretations

There are no Accounting standards which have been issued by the Institute of Chartered Accountants of Sri Lanka but not yet effective, having a material impact on the financial statements of the Fund.

Contd..... (11)



ASSETLINE INCOME FUNDNOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST MARCH, 2020**3. FINANCIAL RISK MANAGEMENT**

The Fund's activities expose it to a variety of financial risks: market risk (including price risk and interest rate risk), credit risk and liquidity risk.

The Fund's overall risk management programme focuses on ensuring compliance with the Fund's investment policy. It also seeks to maximise the returns derived for the level of risk to which the Fund is exposed and seeks to minimise potential adverse effects on the Fund's financial performance.

All security investments present a risk of loss of capital. The maximum loss of capital on debt securities is limited to the fair value of those positions.

The management of these risks is carried out by the Management Company under policies approved by investment advisory panel of the responsible entity. It provides written principles for overall risk management, as well as written policies covering

specific areas, such as interest rate risk, credit risk, the use of non-derivative financial instruments and the investment of excess liquidity.

The Fund uses different methods to measure different types of risks to which it is exposed. These methods are explained below.

a) Price risk

The Fund is not exposed to equity price risk since there are no investments in equity securities.

b) Foreign exchange rate risk

The Fund is not exposed to the fluctuations in exchange rates. The Fund's all investments and transactions are denominated in LKR.

c) Cash flow and fair value interest rate risk

The Fund is exposed to cash flow interest rate risk on financial instruments with variable interest rates. Financial instruments with fixed rates expose the Fund to fair value interest rate risk.

The Fund's interest bearing financial assets expose it to risks associated with the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. The risk is measured using sensitivity analysis.

Contd..... (12)



ASSETLINE INCOME FUND**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST MARCH, 2020****- Cash flow and fair value interest rate risk (Contd....)**

The Fund has direct exposure to interest rate changes on the valuation and cash flows of its interest bearing assets and liabilities. However, it may also be indirectly affected by the impact of interest rate changes on the earnings of certain companies in which the Fund invests and impact on the valuation of certain assets that use interest rates as an input in their valuation model. Therefore, the sensitivity analysis in Note 3.2 may not fully indicate the total effect on the Fund's net assets attributable to unitholders of future movements in interest rates.

The table below summarises the Fund's exposure to interest rate risks.

<i>31st March 2020</i>	<i>Floating interest rate</i>	<i>Fixed interest rate Rs.</i>	<i>Non- interest bearing Rs.</i>	<i>Total Rs.</i>
<u>Financial assets</u>				
Cash and cash equivalents (Note 5)	-	-	8,151,501	8,151,501
Financial assets measured at amortised cost (Note 6)	-	1,993,875,031	-	1,993,875,031
<u>Financial liabilities</u>				
Accrued expenses and other payables	-	-	(1,721,955)	(1,721,955)
Net exposed	-	1,993,875,031	6,429,546	2,000,304,577

<i>31st March 2019</i>	<i>Floating interest rate</i>	<i>Fixed interest rate</i>	<i>Non- interest bearing</i>	<i>Total</i>
<u>Financial assets</u>				
Cash and cash equivalents (Note 5)	-	-	12,667,518	12,667,518
Financial assets measured at amortised cost (Note 6)	-	2,980,285,119	-	2,980,285,119
<u>Financial liabilities</u>				
Accrued expenses and other payables	-	-	(2,482,279)	(2,482,279)
Net exposed	-	2,980,285,119	10,185,239	2,990,470,358

Contd..... (13)



**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST MARCH, 2020**

3.2 Summarised sensitivity analysis

The following table summarises the sensitivity of the Fund's operating profit and net assets attributable to unitholders to interest rate risk. The reasonably possible movements in the risk variables have been determined based on management's best estimate, having regard to a number of factors, including historical levels of changes in interest rates and historical correlation of the Fund's investments with the relevant benchmark and market volatility. However, actual movements in the risk variables may be greater or less than anticipated due to a number of factors, including unusually large market movements resulting from changes in the performance of and / or correlation between the performances of the economies, markets and securities in which the Fund invests. As a result, historic variations in risk variables should not be used to predict future variations in the risk variables.

<i>Change in interest rate of the Financial assets at amortised cost</i>	<i>Impact on operating profit / net assets attributable to unitholders' Interest rate risk</i>	
	<i>2020 Rs.</i>	<i>2019 Rs.</i>
+1%	19,938,750	29,802,851
-1%	(19,938,750)	(29,802,851)

3.3 Credit risk

The Fund is exposed to credit risk, which is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

The main concentration to which the Fund is exposed arises from the Fund's investments in debt securities. The Fund is also exposed to counterparty credit risk on cash and cash equivalents, other financial assets.

In accordance with the Fund's policy, the Management Company monitors the Fund's credit position on a daily basis.

- Debt securities

The Fund invests in debt securities which have a minimum credit rating of BBB+ as designated by reputed rating agencies. An analysis of debt by rating is set out in the table below.

Contd..... (14)



ASSETLINE INCOME FUNDNOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST MARCH, 2020- Debt securities (Contd...)

<i>Debt securities by rating category</i>	<i>2020</i>	<i>2019</i>
Risk Free Investments	-	-
AA+	30%	24%
AA-	17%	14%
AA		07%
A+	43%	21%
A	-	18%
A-	09%	16%
BBB+	01%	-
Total	100%	100%

3.4 Liquidity risk

Liquidity risk is the risk that the Fund may not be able to generate sufficient cash resources to settle its obligations in full as they fall due or can only do so on terms that are materially disadvantageous.

The Fund is exposed to daily cash redemptions of redeemable units. Its policy is therefore to invest the majority of its assets in investments that are traded in an active market and can be readily disposed.

The Fund has the ability to borrow in the short term to ensure settlement. No such borrowings have been arisen during the year.

In accordance with the Fund's policy, the Management Company monitors the Fund's liquidity position on a daily basis.



ASSETLINE INCOME FUNDNOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST MARCH 2020

	2020 Rs.	2019 Rs.
(04) <u>INTEREST INCOME FROM FINANCIAL ASSETS AT AMORTISED COST</u>		
Interest Income from Fixed Deposits	224,270,325	200,841,092
Interest Income from Money market savings	36,522,398	34,080,485
Total Interest income from fixed income securities	260,792,723	234,921,578
(05) <u>CASH AND CASH EQUIVALENTS</u>		
Cash at bank	8,151,501	12,667,518
(06) <u>FINANCIAL ASSETS MEASURED AT AMORTISED COST</u>		
- Fixed Deposit [See Note (a) below]	1,680,184,210	2,430,583,495
- Money Market Savings [See Note (b) below]	313,690,821	549,701,624
Total Financial Assets at amortised cost	1,993,875,031	2,980,285,119



ASSETLINE INCOME FUND**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST MARCH 2020**

(a) Financial Assets measured at amortised cost : Fixed Deposits

31st March 2020	Maturity Date	Cost Rs	Market Value Rs	Interest Rate %
National Savings Bank	09/ Apr/ 2020	100,000,000	112,750,685	13.00
People's Bank- Head Quarters	26/ Apr/ 2020	50,000,000	56,095,959	13.05
People's Bank- Head Quarters	26/ Apr/ 2020	50,000,000	56,095,959	13.05
National Savings Bank	14/ Jun/ 2020	50,000,000	54,616,000	11.54
National Savings Bank	14/ Jun/ 2020	50,000,000	54,616,000	11.54
National Savings Bank	14/ Jun/ 2020	50,000,000	54,616,000	11.54
National Development Bank PLC.	15/ Jun/ 2020	50,000,000	54,616,000	11.54
National Development Bank PLC.	18/ Jun/ 2020	100,000,000	109,105,534	11.54
National Development Bank PLC.	18/ Jun/ 2020	100,000,000	109,105,534	11.54
National Development Bank PLC.	18/ Jun/ 2020	50,000,000	54,552,767	11.54
National Development Bank PLC.	18/ Jun/ 2020	50,000,000	54,552,767	11.54
Seylan Bank Battaramulla	24/ Jun/ 2020	75,000,000	81,686,877	11.54
Seylan Bank Battaramulla	24/ Jun/ 2020	75,000,000	81,686,877	11.54
DFCC Bank PLC	29/ Jun/ 2020	55,309,589	59,732,841	10.50
DFCC Bank PLC	29/ Jun/ 2020	55,309,589	59,732,841	10.50
DFCC Bank PLC	29/ Jun/ 2020	55,309,589	59,732,841	10.50
DFCC Bank PLC	29/ Jun/ 2020	55,309,589	59,732,841	10.50
DFCC Bank PLC	14/ Oct/ 2020	50,000,000	52,503,425	10.75
DFCC Bank PLC	14/ Oct/ 2020	50,000,000	52,503,425	10.75
Sampath Bank - Pelawatte Branch	16/ Oct/ 2020	50,000,000	52,473,973	10.75
Sampath Bank - Pelawatte Branch	05/ Mar/ 2021	150,000,000	151,081,849	9.75
Bank Of Ceylon	25/ Mar/ 2021	84,964,726	85,111,378	9.00
Bank Of Ceylon	25/ Mar/ 2021	56,643,151	56,740,919	9.00
Bank Of Ceylon	25/ Mar/ 2021	56,643,151	56,740,918	9.00
		1,569,489,384	1,680,184,210	

31st March 2019	Maturity Date	Cost Rs	Market Value Rs	Interest Rate %
DFCC Bank PLC	09/ Apr/ 2019	7,000,000	7,041,130	10.75
People's Bank.	09/ Apr/ 2019	7,000,000	7,106,027	10.90
National Savings Bank	24/ Apr/ 2019	5,000,000	5,451,483	11.50
National Savings Bank	01/ Jun/ 2019	2,000,000	2,017,348	10.75
Sampath Bank - Pelawatte Branch	05/ Jun/ 2019	3,000,000	3,023,717	11.25
People's Bank.	11/ Jun/ 2019	50,000,000	50,304,721	11.15
People's Bank.	11/ Jun/ 2019	50,000,000	50,304,721	11.15



Contd....

ASSETLINE INCOME FUND**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST MARCH 2020**

<i>31st March 2019</i>	<i>Maturity Date</i>	<i>Cost Rs</i>	<i>Market Value Rs</i>	<i>Interest Rate %</i>
People's Bank.	11/Jun/2019	10,000,000	10,060,950	11.15
Sampath Bank - Pelawatte Branch	11/Jun/2019	50,000,000	50,314,283	11.50
Sampath Bank - Pelawatte Branch	11/Jun/2019	50,000,000	50,314,284	11.50
Sampath Bank - Pelawatte Branch	11/Jun/2019	10,000,000	10,062,859	11.50
Hatton National Bank PLC	11/Jun/2019	50,000,000	50,300,616	11.00
Hatton National Bank PLC	11/Jun/2019	50,000,000	50,300,616	11.00
National Development Bank PLC.	25/Jun/2019	20,000,000	20,040,446	11.10
National Development Bank PLC.	05/Jul/2019	50,000,000	54,392,123	12.50
National Development Bank PLC.	05/Jul/2019	50,000,000	54,392,123	12.50
National Development Bank PLC.	05/Jul/2019	50,000,000	54,392,123	12.50
National Development Bank PLC.	05/Jul/2019	50,000,000	54,392,123	12.50
National Development Bank PLC.	05/Jul/2019	50,000,000	54,392,123	12.50
Nations Trust Bank	05/Jul/2019	50,000,000	54,392,123	12.50
Nations Trust Bank	05/Jul/2019	50,000,000	54,392,123	12.50
Nations Trust Bank	05/Jul/2019	50,000,000	54,392,123	12.50
Nations Trust Bank	05/Jul/2019	50,000,000	54,392,123	12.50
Nations Trust Bank	05/Jul/2019	50,000,000	54,392,123	12.50
Sampath Bank - Pelawatte Branch	05/Jul/2019	50,000,000	54,163,733	11.85
Sampath Bank - Pelawatte Branch	05/Jul/2019	50,000,000	54,163,733	11.85
Nations Trust Bank	09/Jul/2019	40,000,000	43,461,644	12.50
Nations Trust Bank	09/Jul/2019	40,000,000	43,461,644	12.50
National Development Bank PLC.	09/Jul/2019	50,000,000	54,327,055	12.50
Commercial Bank of Ceylon PLC	09/Jul/2019	40,000,000	43,323,178	12.00
Commercial Bank of Ceylon PLC	09/Jul/2019	40,000,000	43,323,178	12.00
Commercial Bank of Ceylon PLC	09/Jul/2019	35,000,000	37,907,781	12.00
Nations Trust Bank	10/Jul/2019	50,000,000	54,310,788	12.50
Nations Trust Bank	10/Jul/2019	50,000,000	54,310,788	12.50
Nations Trust Bank	10/Jul/2019	50,000,000	54,310,788	12.50
People's Bank.	10/Jul/2019	50,000,000	54,052,140	11.75
People's Bank.	10/Jul/2019	50,000,000	54,052,140	11.75
Commercial Bank of Ceylon PLC	23/Jul/2019	25,000,000	26,967,671	12.00
Commercial Bank of Ceylon PLC	23/Jul/2019	25,000,000	26,967,671	12.00
Commercial Bank of Ceylon PLC	23/Jul/2019	25,000,000	26,967,671	12.00
DFCC Bank PLC	23/Jul/2019	50,000,000	53,935,342	12.00
DFCC Bank PLC	23/Jul/2019	50,000,000	53,935,342	12.00
DFCC Bank PLC	23/Jul/2019	50,000,000	53,935,342	12.00
DFCC Bank PLC	23/Jul/2019	50,000,000	53,935,342	12.00



Contd....

ASSETLINE INCOME FUND**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST MARCH 2020**

<i>31st March 2019</i>	<i>Maturity Date</i>	<i>Cost</i>	<i>Market Value</i>	<i>Interest Rate</i>
		<i>Rs</i>	<i>Rs</i>	<i>%</i>
National Savings Bank	20/Feb/2020	100,000,000	101,353,425	13.00
DFCC Bank PLC	18/Sep/2019	100,000,000	100,473,699	13.00
People's Bank- Head Quarters	18/Mar/2020	100,000,000	100,482,808	13.25
National Savings Bank	18/Mar/2020	100,000,000	100,473,699	13.00
Bank Of Ceylon	25/Mar/2020	75,000,000	75,181,053	13.25
Bank Of Ceylon	25/Mar/2020	50,000,000	50,120,702	13.25
Bank Of Ceylon	25/Mar/2020	50,000,000	50,120,702	13.25
		<u>2,309,000,000</u>	<u>2,430,583,495</u>	

(b) Financial Assets measured at amortised cost : Money Market Savings

<i>31st March 2020</i>	<i>Cost</i>	<i>Market Value</i>	<i>Interest Rate</i>
			<i>%</i>
Seylan Bank PLC.	5,736,649	6,098,092	7.25
National Development Bank PLC.	277,594,589	280,077,849	7.50
Sampath Bank - Pelawatte Branch	135,330	135,463	3.00
Deutsche Bank AG	27,131,493	27,379,417	4.00
	<u>310,598,061</u>	<u>313,690,821</u>	

<i>31st March 2019</i>	<i>Cost</i>	<i>Market value</i>	<i>Interest rate</i>
	<i>Rs.</i>	<i>Rs.</i>	<i>%</i>
Seylan Bank PLC.	471,773,862	477,710,420	10.25
National Development Bank PLC.	34,136,216	34,304,264	9.5
Sampath Bank - Pelawatte Branch	35,071,116	37,686,940	9.5
	<u>540,981,195</u>	<u>549,701,624</u>	



ASSETLINE INCOME FUND**NOTES TO THE FINANCIAL STATEMENTS**
FOR THE YEAR ENDED 31ST MARCH 2020**(07) NET ASSETS ATTRIBUTABLE TO UNITHOLDERS**

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

	Number of units	Net assets attributable to unitholders (Rs.)
Opening balance	3,118,953	83,228,749
Subscriptions	1,524,975,503	21,119,693,991
Redemptions	(1,319,833,499)	(18,386,558,312)
Increase in net assets attributable to unitholders	-	216,444,387
At 31 March 2019	208,260,957	3,032,808,814
Opening balance	208,260,957	3,032,808,814
Subscriptions	993,689,729	14,853,055,482
Redemptions	(1,075,571,247)	(16,084,136,038)
Increase in net assets attributable to unitholders	-	240,914,775
At 31 March 2020	126,379,439	2,042,643,034

As stipulated within the Trust deed, each unit represents a right to an individual share in the Fund and does not extend to a right to the underlying assets of the Fund. There are no separate classes of units and each unit has the same rights attaching to it as all other units of the Fund.

Capital risk management

The Fund considers its net assets attributable to unitholders as capital, notwithstanding net assets attributable to unitholders are classified as a liability. The amount of net assets attributable to unitholders can change significantly on a daily basis as the Fund is subject to daily subscriptions and redemptions at the discretion of unitholders.

Daily Subscriptions and redemptions are reviewed relative to the liquidity of the Fund's underlying assets on a daily basis by the Management Company. Under the terms of the Unit Trust Code, the responsible entity has the discretion to reject an application for units and to defer a redemption of units if the exercise of such discretion is in the best interests of unitholders.



ASSETLINE INCOME FUNDNOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST MARCH 2020**(08) REMUNERATION OF AUDITORS**

During the year, the following fees were paid or payable for services provided by the auditor of the Fund:

	2020 Rs.	2019 Rs.
Audit and other assurance services		
Audit of financial statements	210,000	200,000
Total remuneration for audit and other assurance services	210,000	200,000
Taxation services		
Tax compliance services	30,000	35,000
Total remuneration for taxation services	30,000	35,000

It is the Fund's policy to employ B.R. De Silva & Co. on assignments additional to their statutory duties where B.R. De Silva & Co.'s expertise and experience with the Fund are important. These assignments are principally tax compliance services or where B.R. De Silva & Co. is awarded assignments on a competitive basis. It is the Fund's policy to seek competitive tenders for all major consulting projects.

(09) RELATED PARTY TRANSACTIONS*a) Responsible entity*

The responsible entity of Assetline Income Fund is Assetline Capital (Private) Limited.

*b) Key management personnel***i) Directors**

Key management personnel includes persons who were directors of Assetline Capital (Private) Limited at any time during the financial year.

- Ms. R.M.A.S. Parakrama - Non-Executive Chairperson (From 01.02.2017 onwards)
- Mr. A.Y.D. De Silva - Executive Director (From 16.01.2019 onwards)
- Mr. K.G. Vairavanathan - Managing Director and Chief Executive Officer (From 29.09.2017 onwards)

ii) Other key management personnel

There were no other key management persons other than persons given in 09 [b (i)] above with responsibility for planning, directing and controlling the activities of the fund, directly or indirectly during the financial year.



ASSETLINE INCOME FUNDNOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST MARCH 2020*c) Key management personnel unitholdings*

The key management personnel of Assetline Capital (Private) Limited held units in the Fund as follows:

<i>Unitholder</i>	<i>No of units held opening</i>	<i>No of units held closing</i>	<i>Fair value of investment</i>	<i>Dividend paid or payable by the</i>
R.M.A.S. Parakrama	-	762,013	12,060,918	-

d) Key management personnel compensation

Key management personnel are paid by Assetline Capital (Private) Limited. Payments made from the Fund to Assetline Capital (Private) Limited do not include any amounts directly attributable to the compensation of key management personnel.

e) Other transactions within the Fund

There were no other key management persons other than persons given in 09 [b (i)] above with responsibility for planning, directing and controlling the activities of the fund, directly or indirectly during the financial year.

f) Related party unitholding

The Management Company of the Fund Assetline Capital (Pvt) Ltd. DPMC Assetline Holdings (Private) Limited, the immediate parent company of the Management Company and other related parties of the Management Company, held units in the Fund as follows:

31 March 2020

<i>Unitholder</i>	<i>No of units held opening</i>	<i>No of units held closing</i>	<i>Fair value of investment</i>	<i>Dividend paid or payable by the fund</i>
Assetline Capital (Pvt) Ltd	1,298,793	1,845,758	29,214,097	-
DPMC Assetline Holdings(Private) Limited	1,969,106	3,222,922	51,011,448	-



ASSETLINE INCOME FUNDNOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST MARCH 2020

31 March 2020

Unitholder	No of units held opening	No of units held closing	Fair value of investment	Dividend paid or payable by the fund
<i>Other related parties:</i>				
David Pieris Holdings (Pvt) Ltd	19,349,533	4,704,675	74,464,184	-
Assetline Corporate Services (Private) Limited	1,888	1,823	28,853	-
Assetline Insurance Brokers (Private) Limited	3,438,402	1,582,186	25,042,372	-
Assetline Securities (Private) Limited	106,381	-	-	-
David Pieris Automobiles (Private) Limited	1,920,761	-	-	-
David Pieris Motor Company (Lanka) Limited	99,250,876	34,687,786	549,027,873	-
David Pieris Motor Company (Private) Limited	6,211,192	163,002	2,579,942	-
DP Global Ventures (Private) Limited	-	76,536	1,211,393	-
DP Logistics (Private) Limited	803,724	5,181,369	82,009,154	-
Hill Cottage Nuwara Eliya (Private) Limited	-	2,971	47,029	-
David Pieris Racing & Leisure (Private) Limited	-	74,028	1,171,695	-
D P Infotech (private) Limited	-	1,080,860	17,107,529	-
Mr. D.P. PIERIS	59,067,310	60,619,220	959,462,830	-
Mrs. E.M. PIERIS	10,824,935	8,291,642	131,237,615	-
Dee Investments (Pvt.) Ltd.	510,307	1,184,893	18,754,124	-
Mr. J.D. Pieris	81,835	428,859	6,787,845	-
Mr. E.D. Pieris	163	8,398	132,914	-
<i>Close family member of KMP</i>				
H.S.N. Hettiarachchi	52,509	-	-	-

g) *Transactions with and amounts due to related parties*

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

	Charge for the year ended 31 March 2020	Charge for the year ended 31 March 2019	Balance outstanding 31 March 2020	Balance outstanding 31 March 2019
Management fees	12,428,232	11,304,803	984,423	1,436,712
Trustee and custodian fees	6,652,134	6,117,439	505,430	772,248
	<u>19,080,366</u>	<u>17,422,242</u>	<u>1,489,853</u>	<u>2,208,960</u>



ASSETLINE INCOME FUNDNOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST MARCH 2020(10) CONTINGENT ASSETS, LIABILITIES AND COMMITMENTS

There were no material contingent liabilities at the statement of financial position date.

(11) EVENTS OCCURRING AFTER THE REPORTING PERIOD**Covid-19 Post Balance Sheet Note:**

The outbreak and spread of the coronavirus globally since January 2020 have caused disruption to business and economic activities, and uncertainty to the global economy. Quarantine measures taken by respective countries indirectly affected the Fund through its unit holders. Recent COVID 19 containing measures taken by Local Government has also caused temporal disruption to business operations and economic activities of the Fund and its unit holders. Resulting negative financial effects, financial repercussions would be felt by the Fund in forthcoming Financial year 2020/21.

Reduced interest rate schemes announced, is likely to have negative impact on the earnings, cash flows and liquidity positions of the Funds.

The Fund will continue to take appropriate actions to mitigate any potential impact and will keep its contingency and risk management measures under review, as the situation evolves. With the situation and the spread of the coronavirus still evolving, the impact to financial institutions and also to the Fund's financial results cannot be reasonably estimated at the current stage.



10. Fund Performance – Assetline Gilt Edged Fund (AGEF)

The NAV of the Assetline Gilt Edged Fund (AGEF) as at 31st October 2019 was Rs. 9.98 Mn. AGEF recorded a 2.27% financial-Year yield and – 14.75% month-on-month (MOM) yield, while the number of unit holders were 127.

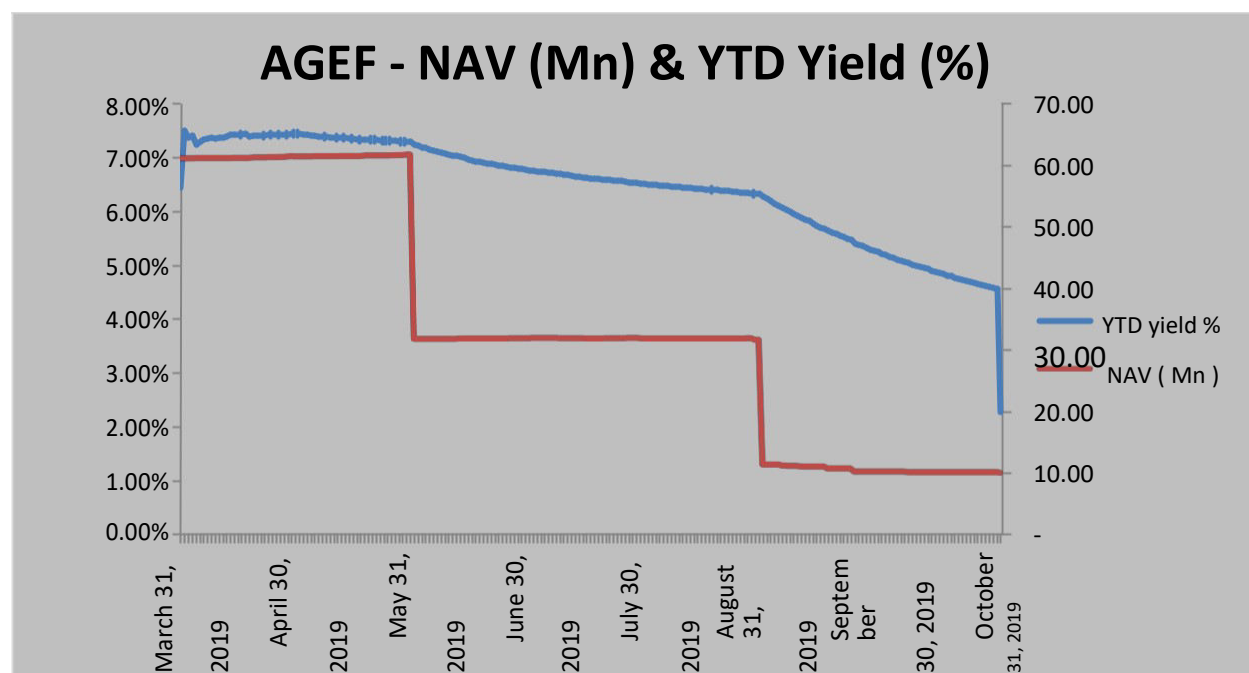
The Management decided to cease the operations of the fund with effect from 31st October 2019, considering the low investor appetite for gilt edged funds due to the removal of notional tax and the disadvantage when compared to the taxation of bank/corporate fixed income securities for individuals. Meanwhile the fixed operational cost and declining interest rates pushed the funds yield downwards. With the approval of the Securities and Exchange Commission for the closure of the fund on 30th September 2019, which was extended to 31st October 2019, investments were placed to generate enough income to manage the fixed costs.

The number of unit trust holders reduced from 378 to 127 (66.40% reduction) during the first two quarters of the current financial year.

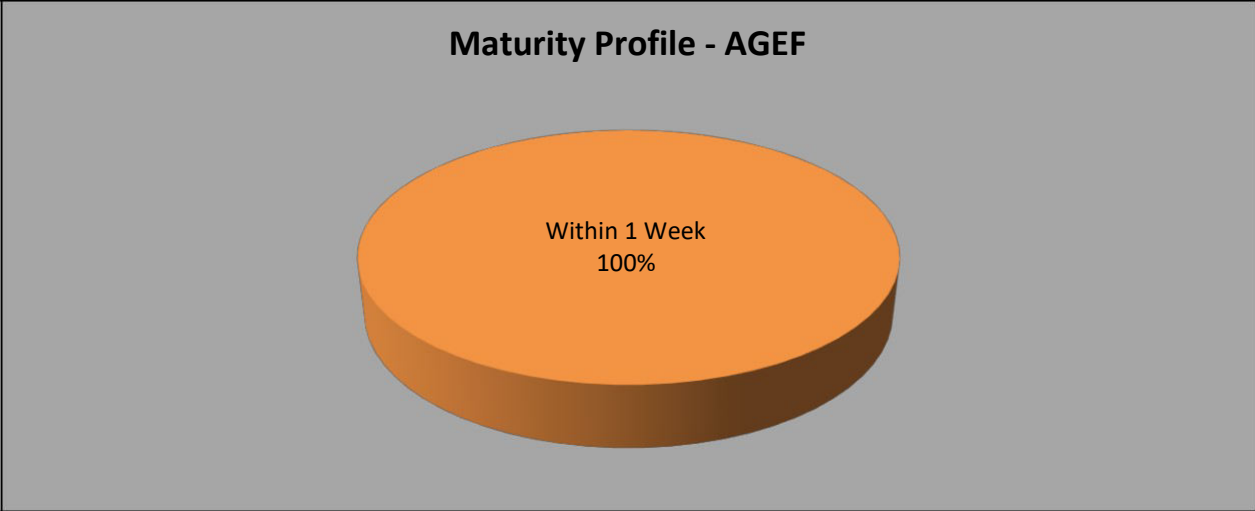
The AGEF maturities were invested for less than 1-week to accommodate unit holder redemptions during the period of the closure of the fund.

According to the investment rationale, all the funds of AGEF were invested in REPO's to avoid any fair value loss.

The closure of the fund was handled under the guidance of the Trustee and the Securities and Exchange Commission.



(Figure 1 : NAV and financial-year yield of AGEF)



(Figure 2 : Maturity profile of AGEF as at 31st October 2019)



(Figure 3: Asset Allocation of AGEF as at 31st October 2019)

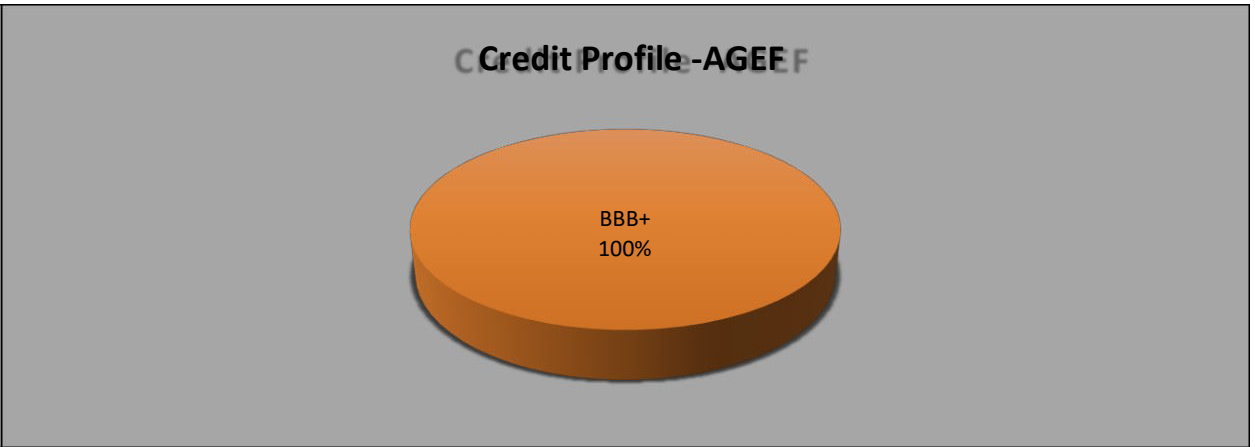


Figure 4: Credit profile of AGEF as at 31st October 2019)

ASSETLINE GILT EDGED FUND

FOR THE YEAR ENDED 31ST MARCH 2020



Private & Confidential

INDEPENDENT AUDITOR'S REPORT
TO THE UNITHOLDERS OF ASSETLINE GILT EDGED FUND

Report on the Audit of the Financial Statements

1. Opinion

We have audited the financial statements of Assetline Gilt Edged Fund, which comprise the statement of financial position as at 31st March, 2020, and the statement of comprehensive income, statement of changes in unit holder's fund and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Fund as at 31st March 2020, and its financial performance and its cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

2. 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 issued by CA Sri Lanka and we have fulfilled our other ethical responsibilities in accordance with the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

3. Emphasis of Matter

Without qualifying our opinion, we draw attention to Note No. 2.1 (Page 05) of this financial Statements which describe the basis of preparation of these financial statements.

4. Other Information

The Managements are responsible for the other information presented in the annual report together with financial statements. Our opinion on the financial statements does not cover this other information and accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the other information and in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work we have not identified material misstatements in the other information.

We have nothing to report in this respect.



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

Management 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 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, management 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 management 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.

6. Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SLAuSs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SLAuSs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control.

Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

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.




We also provide those charged with governance with a statement that we have complied with ethical requirements in accordance with the Code of Ethics regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

7. Report on Other Legal and Regulatory Requirements

- (I.) As required by section 163 (2) of the Companies Act No. 07 of 2007, we state the following:
- a) The basis of opinion and scope and limitations of the audit are as stated above.
 - b) In our opinion:
 - We have obtained all the information and explanations that were required for the audit and as far as it appears from our examination, proper accounting records have been kept by the Fund.
 - The financial statements of the Fund, comply with the requirements of section 151 of the Companies Act.
- (II.) The financial statements of Assetline Gilt Edged Fund is complied with the requirements of the Unit Trust Code issued by Securities and Exchange Commission of Sri Lanka and the Trust Deed.


B. R. DE SILVA & CO.
Chartered Accountants
Colombo 05.

Date... 9th/06/2020
LW/SA/sn (20/03)



ASSETLINE GILT EDGED FUNDSTATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31ST MARCH 2020

<u>Income</u>	Notes	2020 Rs.	2019 Rs.
Interest income from financial assets at amortised cost	(04)	1,713,946	5,000,898
Total investment income		<u>1,713,946</u>	<u>5,000,898</u>
<u>Expenses</u>			
Management fee	(10)g	(99,216)	(288,794)
Trustee and custodian fee	(10)g	(242,326)	(464,561)
Audit Fees		(269,578)	(189,749)
Professional fee		(30,388)	(35,000)
Other operating expenses		(23,900)	(48,750)
Total operating expenses		<u>(665,408)</u>	<u>(1,026,853)</u>
Net operating profit		<u>1,048,538</u>	<u>3,974,045</u>
<u>Finance cost</u>		-	-
Profit after deductions and before tax		1,048,538	3,974,045
Income tax expense		-	-
Increase in net assets attributable to unitholders	(07)	<u><u>1,048,538</u></u>	<u><u>3,974,045</u></u>

The Notes to the Financial Statements in pages (05) to (20) form an integral part of these Financial Statements.



ASSETLINE GILT EDGED FUNDSTATEMENT OF FINANCIAL POSITION
AS AT 31ST MARCH 2020

	Notes	2020 Rs.	2019 Rs.
<u>ASSETS</u>			
<u>Current Assets</u>			
Cash and cash equivalents	(05)	-	138,609
Financial assets at amortised cost	(06)	-	61,337,963
Income Tax Receivables		-	11,492,122
Total Assets		-	72,968,694
<u>LIABILITIES</u>			
<u>Current liabilities</u>			
Accrued expenses and other payables		-	332,364
Liabilities (excluding net assets attributable to unitholders)		-	332,364
<u>UNITHOLDERS' FUNDS</u>			
Net assets attributable to unitholders	(07)	-	72,636,330
Total unitholders' funds and liabilities		-	72,968,694

The Manager is responsible for these Financial Statements and these Financial Statements were approved by the Manager.

Signed for and on behalf of the Manager by:

	<u>NAME</u>	<u>SIGNATURE</u>
DIRECTOR	1. <u>Kishan Ganesh Vairavanathan</u>	<u>[Signature]</u>
	2. <u>Dhanika De Silva</u>	<u>[Signature]</u>
DATE OF APPROVAL <u>09/06/2020</u>		

The Notes to the Financial Statements in pages (05) to (20) form an integral part of these Financial Statements.



ASSETLINE GILT EDGED FUNDSTATEMENT OF CHANGES IN UNITHOLDERS' FUND
FOR THE YEAR ENDED 31ST MARCH 2020

		2020 Rs.	2019 Rs.
Unitholders' fund at beginning of the year		72,636,330	14,685,034
Income Tax Receivable Write off		(11,492,122)	-
Increase in net assets attributable to unitholders		1,048,538	3,974,045
Received on unit creations	(07)	315,250	56,223,750
Paid on unit redemptions	(07)	(62,507,997)	(2,246,499)
Unitholders' fund at end of the year	(07)	<u>-</u>	<u>72,636,330</u>

The Notes to the Financial Statements in pages (05) to (20) form an integral part of these Financial Statements.



ASSETLINE GILT EDGED FUNDSTATEMENT OF CASH FLOW
FOR THE YEAR ENDED 31ST MARCH 2020

	2020 Rs.	2019 Rs.
<u>Cash flows from operating activities</u>		
Proceeds from sale of financial assets at fair value through profit or loss	-	-
Proceeds from sale of Financial assets at amortised cost	389,798,213	439,237,705
Purchase of Financial assets at amortised cost	(328,521,694)	(497,514,224)
Interest received	1,775,391	4,941,432
Management fees paid	(99,216)	(287,331)
Other expenses paid	(566,192)	(720,092)
Net cash outflow from operating activities	62,386,501	(54,342,510)
<u>Cash flows from financing activities</u>		
Proceeds from subscription by unitholders (07)	315,250	56,223,750
Payment for redemption by unitholders (07)	(62,507,997)	(2,246,500)
Net cash from financing activities	(62,192,747)	53,977,250
Net increase in cash and cash equivalents	193,754	(365,260)
Cash and cash equivalents at the beginning of the year	138,609	503,869
Net increase in cash and cash equivalents	193,754	(365,260)
Cash and cash equivalents at the end of the year (05)	-	138,609

The Notes to the Financial Statements in pages (05) to (20) form an integral part of these Financial Statements.



NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST MARCH, 2020

1. GENERAL INFORMATION

Under Section 31 of the Securities and Exchange Commission of Sri Lanka, Act No.36 of 1987 as amended by the Act No. 26 of 1991 and the Act No. 18 of 2003, the Securities and Exchange Commission of Sri Lanka granted a license to operate the Assetline Gilt edged Fund ('the Fund') to Assetline Capital (Private) Limited (the 'Management Company') on 17 June 2014. The Fund commenced its commercial operations on 11 July 2014. The registered office of the Management Company is located at No 120, 120A Pannipitiya Road, Battaramulla.

The objective of the Fund is to provide a secure investment vehicle, with a steady growth, that caters to the different investment horizons of the unit holders. The Fund aims to achieve this objective by investing in government securities minimizing the risk to the unit holder.

The Fund's investment activities are managed by Assetline Capital (Private) Limited.

2. BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

2.1. Basis of preparation

The Directors have assessed that the Fund will not continue as a going concern and ceased its operations under normal course of business with effect from 31 October 2019. Hence, the going concern assumption has not been adopted in preparing these financial statements. The liabilities were transfer to the management company on December 31 ,2019.

2.1.1. Statement of Compliance

The financial statements are prepared in accordance with and comply with Sri Lanka Accounting Standards (SLFRSs and LKASs) issued by the Institute of Chartered Accountants of Sri Lanka and adopted as directed by the Securities and Exchange Commission of Sri Lanka.

The financial statements are prepared on the basis of fair value measurement of assets and liabilities except where otherwise stated.

Contd..... (06)



ASSETLINE GILT EDGED FUND**NOTES TO THE FINANCIAL STATEMENTS**
FOR THE YEAR ENDED 31ST MARCH, 2020

The statement of financial position is presented on a liquidity basis. Assets and liabilities are presented in decreasing order of liquidity and do not distinguish between current and non-current. All balances are expected to be recovered or settled within twelve months, except for investments in financial assets and net assets attributable to unitholders.

2.1.2. Comparative Information

The accounting policies have been consistently applied by the Fund with those of the previous financial year. Further comparative information is reclassified where ever necessary to comply with the current presentation in the Financial Statements.

2.2. Significant Accounting Policies

The following are the significant accounting policies consistently applied by the Fund in preparing its Financial Statements.

2.3.1. Financial Instruments

A financial instrument is any contract that gives rise to financial asset of one entity and a financial liability or equity instrument of another entity.

2.2.1.1 Financial Assets**a) Initial Recognition and Subsequent Measurement**

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss. The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Fund's business model for managing them.

b) Subsequent Measurement

For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortised cost (debt instruments)

Contd..... (07)



NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST MARCH, 2020

Subsequent Measurement (Contd...)

- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at fair value through profit or loss

Financial Assets at Amortised Cost (Debt Instruments)

The Fund measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows and;
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in net assets attributable to unitholders when the asset is derecognised, modified or impaired.

The Fund's financial assets at amortised cost include cash and cash equivalent and, Repurchase agreements.

c) Derecognition

A financial asset is primarily derecognised (i.e., removed from the Fund's statement of financial position) when:

- The rights to receive cash flows from the asset have expired;
- Or
- 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 (a) the Fund has transferred substantially all the risks and rewards of the asset, or (b) the Fund has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset

Contd..... (08)



ASSETLINE GILT EDGED FUNDNOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST MARCH, 20202.2.1.2 Financial Liabilitiesa) Initial Recognition and Measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs. The Fund's

financial liabilities include Management fee, Trustee fees , Custodian fee and professional fee payables.

b) Subsequent Measurement

The measurement of financial liabilities depends on their classification, as described below:

Loans and Borrowings (Financial liabilities at amortised cost)

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of profit or loss.

c) Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss.

Contd..... (09)



ASSETLINE GILT EDGED FUND**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST MARCH, 2020****2.3.2. Offsetting financial instruments**

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously.

2.3.3. Impairment of Financial Assets

The Fund assesses at each reporting date, whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset (an 'incurred loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

2.4. Net assets attributable to unitholders

Unitholders' funds have been calculated as the difference between the carrying amounts of the assets and the carrying amounts of the liabilities, as at the statement of financial position 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 in accordance with the valuation guidelines issued by the Unit trust Association of Sri Lanka and approved by the Securities and Exchange Commission of Sri Lanka, by the number of units in issue.

Distribution to unit holders is recognised in the statement of changes in unitholders' funds. Income not distributed is included in net assets attributable to unitholders.

2.5. Cash and Cash Equivalents

For the purpose of presentation in the statement of cash flows, cash and cash equivalents include cash in hand, at bank and bank overdrafts. The Bank overdrafts are shown within borrowings in the statement of financial position.

Contd..... (10)



NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST MARCH, 2020

Cash and Cash Equivalents (Contd....)

Payments and receipts relating to the purchase and sale of investment securities are classified as cash flows from operating activities.

2.6. Investment Income

Interest income is recognized in profit or loss for all financial assets that are measured at amortised cost or loss using the effective interest method

The effective interest method is a method of calculating the amortized cost of a financial asset or financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts throughout the expected life of the financial instrument, or a shorter period where appropriate, to the net carrying amount of the financial asset or liability. When calculating the effective interest rate, the Fund estimates cash flows considering all contractual terms of the financial instrument but does not consider future credit losses. The calculation includes all fees paid or received between the parties to the contract that are an integral part of the effective interest rate, including transaction costs and all other premiums or discounts.

2.7. Expenses

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

The management participation fees of the fund are as follows:

Management Fee	- 0.50% of Net Asset Value of the Fund
Trustee Fee	- 0.18% of Net Asset Value of the Fund
Custodian Fee	- Flat Fee of Rs. 25,000 per month

2.8. Income tax

The Unit Trust act as pass through agent and a beneficiary of Trust (instead of the Trust) is liable to tax on the income of the Trust in terms of Section 57 of the Inland Revenue Act No.24 of 2017.

2.9. Distributions

In accordance with the trust deed, the Fund distributes income adjusted for amounts determined by the Assetline Capital (Private) Limited, to unitholders by cash or reinvestment. The distributions are recognised in statement of changes in unitholders' funds.

Contd..... (11)



NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST MARCH, 2020

2.10. Subscriptions and redemptions

Subscriptions received for units in the Fund are recorded net of any entry fees payable prior to the issue of units in the Fund. Redemptions from the Fund are recorded gross of any exit fees payable after the cancellation of units redeemed.

2.11. Use of estimates

The Fund makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates are continually evaluated and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

2.12. New accounting standards and interpretations

There are no Accounting standards which have been issued by the Institute of Chartered Accountants of Sri Lanka but not yet effective, having a material impact on the financial statements of the Fund.

3. FINANCIAL RISK MANAGEMENT

The Fund's activities expose it to a variety of financial risks: market risk (including price risk and interest rate risk), credit risk and liquidity risk.

The Fund's overall risk management program focuses on ensuring compliance with the Fund's investment policy. It also seeks to maximize the returns derived for the level of risk to which the Fund is exposed and seeks to minimize potential adverse effects on the Fund's financial performance.

All security investments present a risk of loss of capital. The maximum loss of capital on debt securities is limited to the fair value of those positions.

The management of these risks is carried out by the Management Company under policies approved by investment advisory panel of the responsible entity. It provides written principles for overall risk management, as well as written policies covering specific areas, such as interest rate risk, credit risk, the use of non-derivative financial instruments and the investment of excess liquidity.

The Fund uses different methods to measure different types of risk to which it is exposed. These methods are explained below.

Contd..... (12)



ASSETLINE GILT EDGED FUNDNOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST MARCH, 2020Financial Risk Management (Contd...)a) Price Risk

The Fund is not exposed to equity price risk since there are no investments in equity securities.

b) Cash Flow and Fair Value Interest Rate Risk

The Fund is exposed to cash flow interest rate risk on financial instruments with variable interest rates. Financial instruments with fixed rates expose the Fund to fair value interest rate risk.

The Fund's interest bearing financial assets expose it to risks associated with the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. The risk is measured using sensitivity analysis.

The Fund has direct exposure to interest rate changes on the valuation and cash flows of its interest bearing assets and liabilities. However, it may also be indirectly affected by the impact of interest rate changes on the earnings of certain companies in which the Fund invests and impact on the valuation of certain assets that use interest rates as an input in their valuation model. Therefore, the sensitivity analysis in Note 3.2 may not fully indicate the total effect on the Fund's net assets attributable to unit holders of future movements in interest rates.

The table below summarizes the Fund's exposure to interest rate risks.

<i>31st March 2020</i>	<i>Floating Interest Rate</i>	<i>Fixed Interest Rate Rs.</i>	<i>Non- Interest Bearing Rs.</i>	<i>Total Rs.</i>
<u><i>Financial Assets</i></u>				
Cash and Cash Equivalents (Note 05)	-	-	-	-
Financial assets measured at amortised cost (Note 06)	-	-	-	-
<u><i>Financial Liabilities</i></u>				
Accrued Expenses and Other Payables	-	-	-	-
Net Exposure	-	-	-	-

Contd..... (13)



NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST MARCH, 2020

Cash Flow and Fair Value Interest Rate Risk (Contd...)

31 st March 2019	Floating Interest Rate	Fixed Interest Rate Rs.	Non- Interest Bearing Rs.	Total Rs.
<u>Financial assets</u>				
Cash and Cash Equivalents (Note 05)	-	-	138,609	138,609
Financial assets measured at amortised cost (Note 06)	-	61,337,963		61,337,963
<u>Financial Liabilities</u>				
Accrued expenses and other payables	-	-	(332,364)	(332,364)
Net exposure	-	61,337,963	193,755	61,144,208

3.9. Summarized sensitivity analysis

The following table summarizes the sensitivity of the Fund's operating profit and net assets attributable to unit holders to interest rate risk and other price risk. The reasonably possible movements in the risk variables have been determined based on management's best estimate, having regard to a number of factors, including historical levels of changes in interest rates and historical correlation of the Fund's investments with the relevant benchmark and market volatility.

However, actual movements in the risk variables may be greater or less than anticipated due to a number of factors, including unusually large market movements resulting from changes in the performance of and / or correlation between the performances of the economies, markets and securities in which the Fund invests. As a result, historic variations in risk variables should not be used to predict future variations in the risk variables.

Change in interest rate of the Financial assets at amortised cost	Impact on operating profit / net assets attributable to unit holders Interest rate risk	
	2020	2019
+1%	-	613,379
-1%	-	(613,379)

3.10. Credit risk

The Fund is exposed to credit risk, which is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

The main concentration to which the Fund is exposed arises from the Fund's

Contd..... (14)



**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST MARCH, 2020**

investments in debt securities. The Fund is also exposed to counterparty credit risk on cash and cash equivalents, other receivable balances.

In accordance with the Fund's policy, the Investment Manager monitors the Fund's credit position on a daily basis; the Board of Directors reviews it on a quarterly basis.

- Debt securities

-

The Fund invests in total Risk-Free Investments during the year. An analysis of debt by rating is set out in the table below.

<i>Debt securities by rating category</i>	<i>2020</i>	<i>2019</i>
Risk Free Investments	-	100%
Total	-	100%

3.11. Liquidity risk

Liquidity risk is the risk that the Fund may not be able to generate sufficient cash resources to settle its obligations in full as they fall due or can only do so on terms that are materially disadvantageous.

The Fund is exposed to daily cash redemptions of redeemable units. Its policy is therefore to invest the majority of its assets in investments that are traded in an active market and can be readily disposed.

The Fund has the ability to borrow in the short term to ensure settlement. No such borrowings have been arisen during the year.

In accordance with the Fund's policy, the Management Company monitors the Fund's liquidity position on a daily basis.



ASSETLINE GILT EDGED FUNDNOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST MARCH 2020

	2020 Rs.	2019 Rs.
(04) <u>INTEREST INCOME FROM FINANCIAL ASSETS AT AMORTISED COST</u>		
Interest Income on repurchase agreements	<u>1,713,946</u>	<u>5,000,898</u>
(05) <u>CASH AND CASH EQUIVALENTS</u>		
Cash at Bank	<u>-</u>	<u>138,609</u>
	<u>-</u>	<u>503,869</u>



ASSETLINE GILT EDGED FUNDNOTES TO THE FINANCIAL STATEMENTSAS AT 31ST MARCH 2020

	2020 Rs.	2019 Rs.
(06)		
<u>FINANCIAL ASSETS MEASURED AT AMORTISED COST</u>		
Repurchase Agreements [See Note (a) below]	-	61,337,963
	-	61,337,963

(a) Financial Assets measured at amortised cost : Repurchase Agreements

31st March 2020	Maturity Date	Cost Rs.	Market Value Rs.	Interest Rate %
Nil				
31st March 2019	Maturity Date	Cost Rs.	Market Value Rs.	Interest Rate
Nations Trust Bank PLC	4/4/2019	26,892,213	26,919,179	9.15
DFCC Bank PLC	4/4/2019	34,384,306	34,418,785	9.15
		61,276,519	61,337,963	

Market value for Financial Assets are based on the market rate prevailed in money market.



ASSETLINE GILT EDGED FUNDNOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST MARCH 2020**(07) NET ASSETS ATTRIBUTABLE TO UNIT HOLDERS**

Movements in the number of units and net assets attributable to unitholders during the period were as follows:

	<i>Number of units</i>	<i>Net assets attributable to unitholders (Rs)</i>
Opening Balance	249,537	14,685,035
Subscriptions	4,412,042	56,223,750
Redemptions	(172,538)	(2,246,500)
Increase in net assets attributable to unitholders	-	3,974,045
As at 31st March 2019	4,489,041	72,636,330
Opening Balance	4,489,041	72,636,330
Income Tax Receivable Write off	-	(11,492,122)
Subscriptions	22,800	315,250
Redemptions	(4,511,842)	(62,507,997)
Increase in net assets attributable to unitholders	-	1,048,538
As at 31st March 2020	-	-

As stipulated within the Trust Deed, each unit represents a right to an individual share in the Fund and does not extend to a right to the underlying assets of the Fund. There are no separate classes of units and each unit has the same rights attaching to it as all other units of the Fund.

Capital risk management

The Fund considers its net assets attributable to unitholders as capital, notwithstanding net assets attributable to unitholders are classified as a liability. The amount of net assets attributable to unitholders can change significantly on a daily basis as the Fund is subject to daily subscriptions and redemptions at the discretion of unitholders.

Daily subscriptions and redemptions are reviewed relative to the liquidity of the Fund's underlying assets on a daily basis by the Management Company. Under the terms of the Unit Trust Code, the responsible entity has the discretion to reject an subscription for units and to defer a redemption of units if the exercise of such discretion is in the best interests of unitholders.



ASSETLINE GILT EDGED FUND**NOTES TO THE FINANCIAL STATEMENTS**
FOR THE YEAR ENDED 31ST MARCH 2020**(08) REMUNERATION OF AUDITORS**

During the year, the following fees were paid or payable for services provided by the auditor of the Fund:

	2020 Rs.	2019 Rs.
Audit and other assurance services		
Audit of financial statements	190,000	200,000
Total remuneration for audit and other assurance services	<u>190,000</u>	<u>200,000</u>
Taxation services		
Tax compliance services	35,000	35,000
Total remuneration for taxation services	<u>35,000</u>	<u>35,000</u>

It is the Fund's policy to employ B.R. De Silva & Co. on assignments additional to their statutory duties where B.R. De Silva & Co.'s expertise and experience with the Fund are important. These assignments are principally tax compliance services or where B.R. De Silva & Co. is awarded assignments on a competitive basis. It is the Fund's policy to seek competitive tenders for all major consulting projects.

(09) RELATED-PARTY TRANSACTIONS**a) *Responsible entity***

The responsible entity of Assetline Gilt Edged Fund is Assetline Capital (Private) Limited.

b) *Key management personnel***i) *Directors***

Key management personnel includes persons who were directors of Assetline Capital (Private) Limited at any time during the financial year.

- Ms. R.M.A.S. Parakrama - Non-Executive Chairperson (From 01.02.2017 onwards)
- Mr. A.Y.D. De Silva - Executive Director (From 16.01.2019 onwards)
- Mr. K.G. Vairavanathan - Managing Director and Chief Executive Officer
(From 29.09.2017 onwards)

ii) *Other key management personnel*

There were no other key management persons other than persons given in 10 [b (i)] above with responsibility for planning, directing and controlling the activities of the fund, directly or indirectly during the financial year.



ASSETLINE GILT EDGED FUND

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST MARCH 2020

c) *Key management personnel unitholdings*

The key management personnel of Assetline Capital (Private) Limited held no units in the Fund during the Financial year

d) *Key management personnel compensation*

Key management personnel are paid by Assetline Capital (Private) Limited. Payments made from the Fund to Assetline Capital (Private) Limited do not include any amounts directly attributable to the compensation of key management personnel.

e) *Other transactions within the Fund*

Apart from those details disclosed in this note, no key management personnel have entered into a material contract with the Fund during the financial year and there were no material contracts involving key management personnel's interest existing at year end.



ASSETLINE GILT EDGED FUNDNOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST MARCH 2020(10) Related-party transactions (Contd)f) Related party unitholding

The Management Company, Assetline Capital (Pvt) Ltd and other related parties of the Management Company, held units in the Fund as follows:

31 March 2020

<i>Unitholder</i>	<i>No of units held opening</i>	<i>No of units held closing</i>	<i>Fair value of investment</i>	<i>Dividend paid or payable by the fund</i>
Assetline Capital (Pvt) Ltd	4,318,637	-	-	-

g) Transactions with and amounts due to related parties

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

	<i>Charge for the year ended from 31 March 2020</i>	<i>Charge for the year ended from 31 March 2019</i>	<i>Balance outstanding 31 March 2020</i>	<i>Balance outstanding 31 March 2019</i>
Management fees	99,216	288,794	-	-
Trustee and custodian fees	242,326	464,561	-	-
	<u>341,542</u>	<u>753,354</u>	<u>-</u>	<u>-</u>

(11) Contingent assets and liabilities and commitments

There were no material contingent liabilities at the statement of financial position date.

(12) Events occurring after the reporting period

No significant events have occurred since the end of the reporting year which would impact on the financial position of the Fund disclosed in the statement of financial position as at 31 March 2020 or on the results and cash flows of the Fund for the year ended on that date.



12. Fund Performance - Assetline Income Plus Growth Fund (AIGF)

The NAV of the Assetline Income Plus Growth Fund (AIGF) as at 31st March 2020 was 146.55 Mn and the fund recorded a 8.73% financial-year yield and 7.29% Month-on-Month (MOM) yield. The number of unit holders were 119.

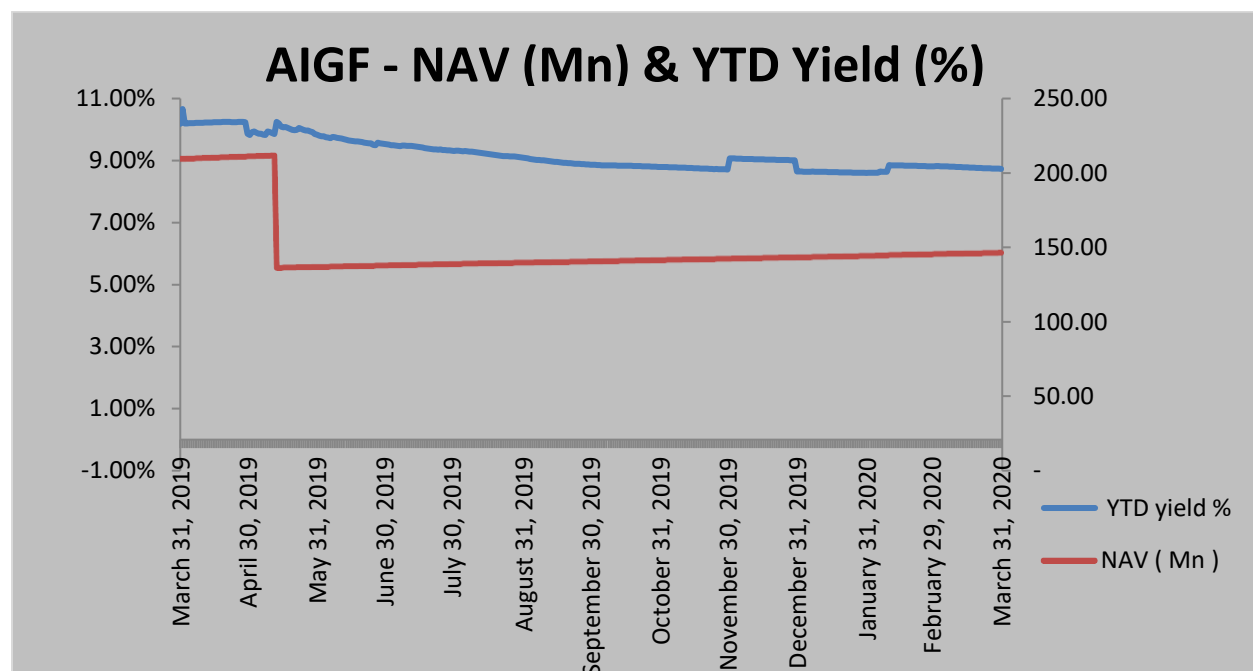
AIGF's financial year yield decreased, from 10.19% to 8.73% during the period due to declining interest rates and the majority of the investments being in money market products. The investment strategy took into account that for tax free status the fund would have to have a 70: 30 proportion between equity and fixed income to be eligible. AIGF's highest yield recorded was 10.66% in April 2019.

The fund manager preferred to be liquid due to the negative sentiment in the equity market with the ASPI index declining by 17.9% during the financial year. This will allow fund manager to gradually build up an equity portfolio.

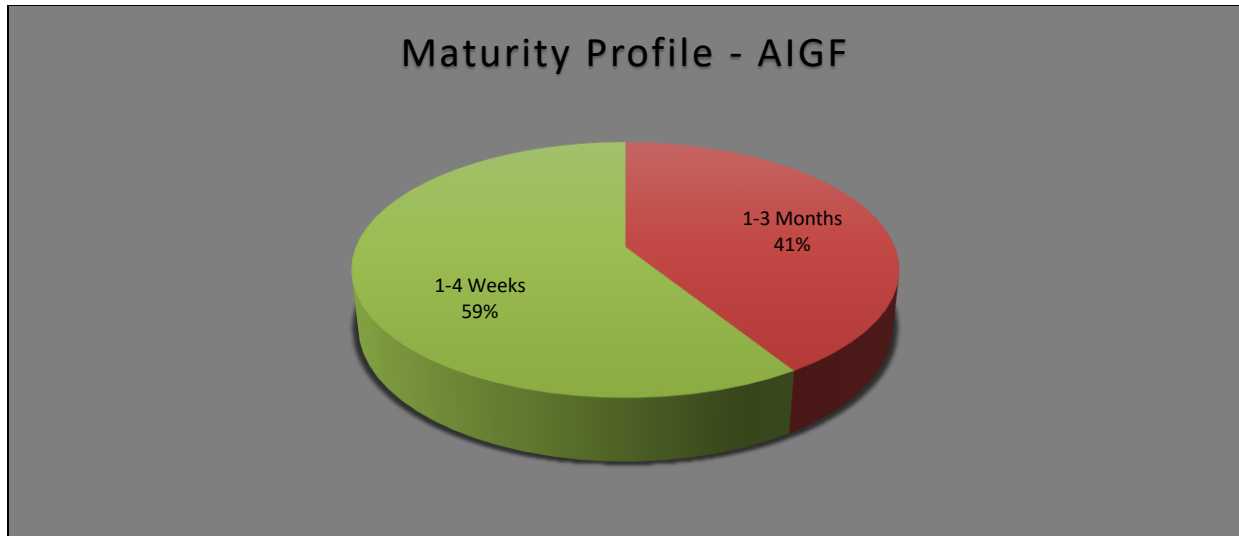
The number of unit holders in AIGF reduced by 27% to 119 from 163 during the 12-month period.

The maturities of AIGF are distributed from short term to medium term with 59.0% of the investments maturing within "1-4 Weeks" followed by 41.0% of the investments maturing in the "1-3 months" category.

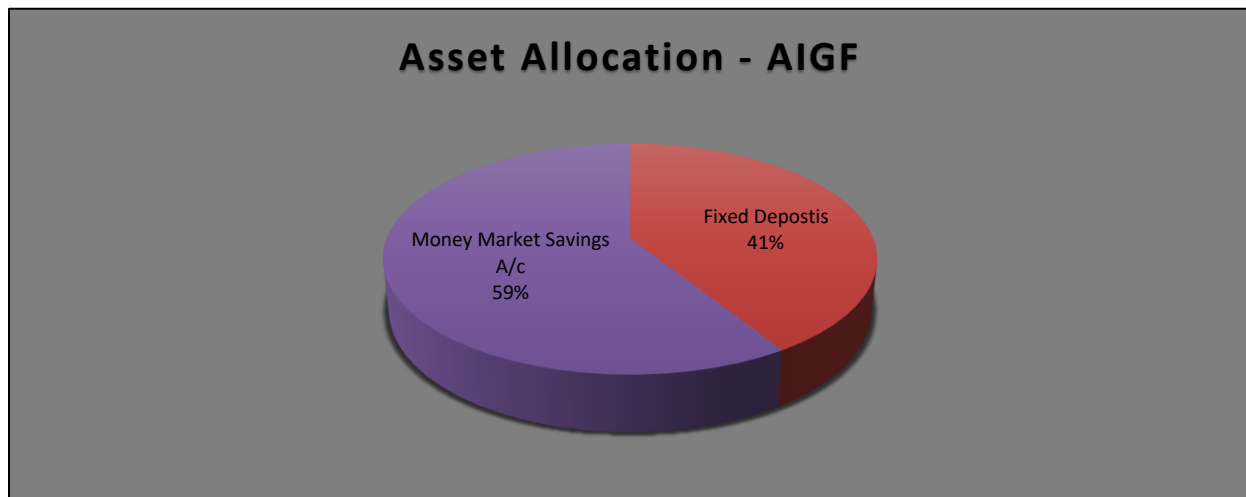
All the investments of the AIGF are placed with counterparties with "A-" rating and above, while 30% of the investments are invested in counterparties with credit the rating of either "AA+" or "AA-".



(Figure 1 : NAV and financial-year yield of AIGF)



(Figure 2 : Maturity profile of AIGF as at 31st March 2020)



(Figure 3 : Asset allocation of AIGF as at 31st March 2020)

Rating	Fitch	Total
AA+	19%	19%
AA-	11%	11%
A+	59%	59%
A-	11%	11%

(Figure 4 : Credit profile of AIGF as at 31st March 2020)

ASSETLINE INCOME PLUS GROWTH FUND

FOR THE YEAR ENDED 31ST MARCH 2020



Private & Confidential

INDEPENDENT AUDITOR'S REPORT
TO THE UNITHOLDERS OF ASSETLINE INCOME PLUS GROWTH FUND

Report on the Audit of the Financial Statements

1. Opinion

We have audited the financial statements of Assetline Income Plus Growth Fund, which comprise the statement of financial position as at 31st March, 2020, and the statement of comprehensive income, statement of changes in unit holder's fund and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Fund as at 31st March 2020, and its financial performance and its cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

2. 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 issued by CA Sri Lanka and we have fulfilled our other ethical responsibilities in accordance with the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

3. Other Information

The Managements are responsible for the other information presented in the annual report together with financial statements. Our opinion on the financial statements does not cover this other information and accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the other information and in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work we have not identified material misstatements in the other information.

We have nothing to report in this respect.



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

Management 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 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, management 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 management 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.

5. Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SLAuSs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SLAuSs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control.

Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

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.




We also provide those charged with governance with a statement that we have complied with ethical requirements in accordance with the Code of Ethics regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

6. Report on Other Legal and Regulatory Requirements

- (I.) As required by section 163 (2) of the Companies Act No. 07 of 2007, we state the following:
- a) The basis of opinion and scope and limitations of the audit are as stated above.
 - b) In our opinion:
 - We have obtained all the information and explanations that were required for the audit and as far as it appears from our examination, proper accounting records have been kept by the Fund.
 - The financial statements of the Fund, comply with the requirements of section 151 of the Companies Act.
- (II.) The financial statements of Assetline Income Plus Growth Fund is complied with the requirements of the Unit Trust Code issued by Securities and Exchange Commission of Sri Lanka and the Trust Deed.


B. R. DE SILVA & CO.
Chartered Accountants
Colombo 05.

Date... 9th/06/2020
LW/SA/sn (20/05)



ASSETLINE INCOME PLUS GROWTH FUND**STATEMENT OF COMPREHENSIVE INCOME**
FOR THE YEAR ENDED 31ST MARCH 2020

	<i>Notes</i>	2020 Rs.	2019 Rs.
<u>Income</u>			
Interest income from financial assets at amortised cost	(05)	12,874,916	17,075,193
Dividend income		-	17,787
Net gains/ (losses) on financial assets held at fair value through profit or loss	(06)	2,252,534	5,534,303
Total investment income		15,127,450	22,627,283
<u>Expenses</u>			
Management fee	12 (f)	(1,498,038)	(2,201,365)
Trustee & custodian fee	12 (f)	(709,561)	(849,149)
Audit fee		(253,514)	(189,749)
Professional fee		(35,096)	(35,000)
Other operating expenses		(25,709)	(52,054)
Total operating expenses		(2,521,918)	(3,327,317)
Operating profit		12,605,532	19,299,966
Finance cost		-	-
Profit after deductions and before tax		12,605,532	19,299,966
Income tax expense		-	-
Increase in net assets attributable to unitholders	(10)	12,605,532	19,299,966

The Notes to the Financial Statements in pages (05) to (25) form an integral part of these Financial Statements.

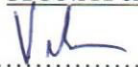



ASSETLINE INCOME PLUS GROWTH FUNDSTATEMENT OF FINANCIAL POSITIONAS AT 31ST MARCH 2020

	Notes	2020 Rs.	2019 Rs.
<u>ASSETS</u>			
<u>Current assets</u>			
Cash and cash equivalents	(07)	97,124	72,938
Financial assets at amortised cost	(08)	146,855,380	179,130,039
Financial assets held at fair value through profit or loss	(09)	11,900	30,462,298
Income tax receivables		1,622,001	1,622,001
Total assets		148,586,405	211,287,276
<u>LIABILITIES</u>			
<u>Current liabilities</u>			
Accrued expenses and other payables		418,981	517,684
Liabilities (excluding net assets attributable to unitholders)		418,981	517,684
<u>UNITHOLDERS' FUNDS</u>			
Net assets attributable to unitholders	(10)	148,167,424	210,769,592
Total unitholders' fund and liabilities		148,586,405	211,287,276

The Manager is responsible for these Financial Statements and these Financial Statements were approved by the Manager.

Signed for and on behalf of the Manager by:

	<u>NAME</u>	<u>SIGNATURE</u>
DIRECTOR }	1. Kishan Ganesh Vairavanathan	
	2. Dhanika De Silva	

DATE OF APPROVAL 09/06/2020

The Notes to the Financial Statements in pages (05) to (25) form an integral part of these Financial Statements.



ASSETLINE INCOME PLUS GROWTH FUNDSTATEMENT OF CHANGES IN UNITHOLDERS' FUND
FOR THE YEAR ENDED 31ST MARCH 2020

	<i>Notes</i>	2020 Rs.	2019 Rs.
Unitholders' fund at beginning of the year		210,769,592	189,631,747
Increase in net assets attributable to unitholders		12,605,532	19,299,966
Received on unit creations		67,821	2,162,443
Paid on unit redemptions		(75,275,520)	(324,565)
Unitholders' fund at end of the year	(10)	<u>148,167,424</u>	<u>210,769,592</u>

The Notes to the Financial Statements in pages (05) to (25) form an integral part of these Financial Statements.



ASSETLINE INCOME PLUS GROWTH FUND**STATEMENT OF CASH FLOW**
FOR THE YEAR ENDED 31ST MARCH 2020

	Notes	2020 Rs.	2019 Rs.
<u>Cash flows from operating activities</u>			
Proceeds from sale of financial instruments held at fair value through profit or loss		30,970,000	2,026,376.38
Purchase of financial assets at fair value through profit or loss		(15,067)	-
Proceeds from sale of Financial assets at amortised cost		1,496,188,493	442,327,477
Purchase of Financial assets at amortised cost		(1,460,959,681)	(461,526,204)
Dividend received		-	17,787
Interest received		11,668,761	18,224,017
Management fees paid		(1,550,858)	(2,264,227)
Other expenses paid		(1,069,764)	(1,103,489)
Net cash outflow from operation activities		75,231,885	(2,298,263)
<u>Cash flows from financing activities</u>			
Proceeds from subscription by unitholders	(10)	67,821	2,162,443
Payments for redemptions by unitholders	(10)	(75,275,521)	(324,565)
Net cash inflow from financing activities		(75,207,700)	1,837,878
Net increase in cash and cash equivalents		24,186	(460,385)
Cash and cash equivalents at beginning of the year		72,938	533,324
Net increase in cash and cash equivalents		24,186	(460,385)
Cash and cash equivalents at end of the year	(7)	97,124	72,938

The Notes to the Financial Statements in pages (05) to (25) form an integral part of these Financial Statements.



ASSETLINE INCOME PLUS GROWTH FUND**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST MARCH, 2020****1. GENERAL INFORMATION**

Under Section 31 of the Securities and Exchange Commission of Sri Lanka, Act No.36 of 1987 as amended by the Act No. 26 of 1991 and the Act No. 18 of 2003, the Securities and Exchange Commission of Sri Lanka granted a license to operate the Assetline Income Plus Growth Fund ('the Fund') to Assetline Capital (Private) Limited (the 'Management Company') on 17th June 2014. The Fund commenced its commercial operations on 11th July 2014. The registered office of the Management Company is located at No 120, 120A Pannipitiya Road, Battaramulla.

The objective of the Fund is to maximize the total return of the Fund by carefully investing in listed equity securities and fixed income securities without a limitation on the time to maturity. This Fund by nature would be ideal for investors with a high risk profile and medium-longer time horizon.

The Fund's investment activities are managed by Assetline Capital (Private) Limited.

2. BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

2.1. Basis of preparation**2.1.1. Statement of Compliance**

The financial statements are prepared in accordance with and comply with Sri Lanka Accounting Standards (SLFRSs and LKASs) issued by the Institute of Chartered Accountants of Sri Lanka and adopted as directed by the Securities and Exchange Commission of Sri Lanka.

The financial statements are prepared on the basis of fair value measurement of assets and liabilities except where otherwise stated.

The statement of financial position is presented on a liquidity basis. Assets and liabilities are presented in decreasing order of liquidity and do not distinguish between current and non-current. All balances are expected to be recovered or settled within twelve months, except for investments in financial assets and net assets attributable to unitholders.

Contd..... (06)



ASSETLINE INCOME PLUS GROWTH FUND**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST MARCH, 2020****2.1.2. Comparative Information**

The accounting policies have been consistently applied by the Fund with those of the previous financial year. Further comparative information is reclassified where ever necessary to comply with the current presentation in the Financial Statements.

2.2. Significant Accounting Policies

The following are the significant accounting policies consistently applied by the Fund in preparing its Financial Statements.

2.2.1. Financial Instruments

A financial instrument is any contract that gives rise to financial asset of one entity and a financial liability or equity instrument of another entity.

2.2.1.1 Financial Assets**a) Initial Recognition and Subsequent Measurement**

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss. The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Fund's business model for managing them.

b) Subsequent Measurement

For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortised cost (debt instruments)
 - Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)
 - Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at fair value through profit or loss

Financial Assets at Amortised Cost (Debt Instruments)

The Fund measures financial assets at amortised cost if both of the following conditions are met:

Contd..... (07)



ASSETLINE INCOME PLUS GROWTH FUND**NOTES TO THE FINANCIAL STATEMENTS**
FOR THE YEAR ENDED 31ST MARCH, 2020

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows and;
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in net assets attributable to unitholders when the asset is derecognised, modified or impaired.

The Fund's financial assets at amortised cost include cash and cash equivalent, Fixed deposits and money market savings.

Financial Assets at Fair value through Profit or Loss (FVPL)

- **Financial Assets held for trading**

The fund classified financial assets as held for trading when they have been purchased primarily for short-term profit making through trading activities. Held-for trading assets are recorded and measured in the statement of financial position at fair value. Changes in fair value are recognised in net gain or loss on financial assets measured at fair value through profit or loss net trading income. Interest income from financial assets held for trading is recorded under net interest income while dividend income is recorded in net trading income when the right to payment has been established. Included in this classification are debt securities and equity investment that have been acquired principally for the purpose of selling in the near term.

The fund has classified equity securities as held for trading financial assets

- **Financial Assets designated at fair value through profit or loss**

Financial assets in this category are those that are not held for trading and have been either designated by management upon initial recognition or are mandatorily required to be measured at fair value under SLFRS 9. Management only designated an instrument at FVPL upon initial recognition when the following criteria is met. Such designation is determined on an instrument-by-instrument basis.

- The designation eliminates, or significantly reduces, the inconsistent treatment that would otherwise arise from measuring the assets or recognising gains or losses on them in a different basis

Contd..... (08)



ASSETLINE INCOME PLUS GROWTH FUND**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST MARCH, 2020***Financial Assets designated at fair value through profit or loss (Contd....)*

Financial assets at FVPL are recorded in the statement of financial position at fair value. Changes in fair value are recorded in profit or loss. Interest earned on financial asset designated at FVPL is accrued in interest income using the EIR, taking into account any discount/premium and qualifying transaction costs being integral part of the instrument.

c) Derecognition

A financial asset is primarily derecognised (i.e., removed from the Fund's statement of financial position) when:

- The rights to receive cash flows from the asset have expired;
- Or
- 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 (a) the Fund has transferred substantially all the risks and rewards of the asset, or (b) the Fund has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset

2.2.1.2 Financial Liabilities**a) Initial Recognition and Measurement**

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs. The Fund's

financial liabilities include Management fee, Trustee fees, Custodian fee and professional fee payables.

b) Subsequent Measurement

The measurement of financial liabilities depends on their classification, as described below:

Contd..... (09)



ASSETLINE INCOME PLUS GROWTH FUND**NOTES TO THE FINANCIAL STATEMENTS**
FOR THE YEAR ENDED 31ST MARCH, 2020*Loans and Borrowings (Financial liabilities at amortised cost)*

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of profit or loss.

c) Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss.

2.2.2. Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously.

2.2.3. Impairment of Financial Assets

The Fund assesses at each reporting date, whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset (an 'incurred loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other

Contd..... (10)



ASSETLINE INCOME PLUS GROWTH FUND**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST MARCH, 2020***Impairment of Financial Assets cost)*

financial reorganisation and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

2.5.4 Net assets attributable to unitholders

Unitholders' 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 unitholders, as at the statement of financial position 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 in accordance with the valuation guidelines issued by the Unit trust Association of Sri Lanka and approved by the Securities and Exchange Commission of Sri Lanka, by the number of units in issue.

Distribution to unit holders is recognised in the statement of changes in unitholders' funds. Income not distributed is included in net assets attributable to unitholders.

2.5.5 Cash and Cash Equivalents

For the purpose of presentation in the statement of cash flows, cash and cash equivalents include cash on hand, at bank and bank overdrafts. Bank overdrafts are shown within borrowings in the statement of financial position.

Payments and receipts relating to the purchase and sale of investment securities are classified as cash flows from operating activities.

2.5.6 Investment Income

Interest income is recognised in profit or loss for all financial assets that are measured at amortised cost or loss using the effective interest method. Interest income on assets held at fair value through profit or loss is included in the net gains/(losses) on financial instruments. Other changes in fair value for such instruments are recorded in accordance with the policies described in Note 4.

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts throughout the expected life of the financial instrument, or a shorter period where appropriate, to the net carrying amount of the financial asset or liability. When calculating the effective interest rate, the Fund estimates cash flows considering all contractual terms of the financial instrument but does not consider future credit losses. The calculation includes all fees

Contd..... (11)



ASSETLINE INCOME PLUS GROWTH FUND**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST MARCH, 2020***Investment Income (Contd...)*

paid or received between the parties to the contract that are an integral part of the effective interest rate, including transaction costs and all other premiums or discounts.

Dividend income is recognised on the ex-dividend date.

2.5.7 Expenses

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

The management participation fees of the fund are as follows:

Management Fee	- 1 % of Net Asset Value of the Fund
Trustee Fee	- 0.22% of Net Asset Value of the Fund
Custodian Fee	- Flat Fee of Rs. 25,000 per month
Front End Fees	- 1 % of the Investment
Exit Fees	- Within 2 years of Investment-1% Redemption After 2 years of investment - No charges

2.5.8 Income tax

The Unit Trust act as pass through agent and a beneficiary of Trust (instead of the Trust) is liable to tax on the income of the Trust in terms of Section 57 of the Inland Revenue Act No.24 of 2017.

2.5.9 Distributions

In accordance with the trust deed, the Fund distributes income adjusted for amounts determined by the Assetline Capital (Private) Limited, to unitholders by cash or reinvestment. The distributions are recognised in statement of changes in unitholders' funds.

2.5.10 Subscriptions and redemptions

Subscriptions received for units in the Fund are recorded net of any entry fees payable prior to the issue of units in the Fund. Redemptions from the Fund are recorded gross of any exit fees payable after the cancellation of units redeemed.

2.6 Use of estimates

The Fund makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates are continually evaluated and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

For more information on how fair value is calculated please see Note 4 to the financial statements.

Contd..... (12)



ASSETLINE INCOME PLUS GROWTH FUNDNOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST MARCH, 2020**2.7 New accounting standards and interpretations**

There are no Accounting standards which have been issued by the Institute of Chartered Accountants of Sri Lanka but not yet effective, having a material impact on the financial statements of the Fund.

3 FINANCIAL RISK MANAGEMENT

The Fund's activities expose them to a variety of financial risks: market risk (including price risk and interest rate risk), credit risk and liquidity risk.

The Fund's overall risk management programme focuses on ensuring compliance with the Fund's investment policy. It also seeks to maximise the returns derived for the level of risk to which the Fund is exposed and seeks to minimise potential adverse effects on the Fund's financial performance.

All securities investments present a risk of loss of capital. The maximum loss of capital on debt securities is limited to the fair value of those positions.

The management of these risks is carried out by the management company. The Investment advisory pannel provides written principles for overall risk management, as well as written policies covering specific areas, such as interest rate risk, credit risk and non-derivative financial instruments and the investment of excess liquidity.

The Fund uses different methods to measure different types of risks to which it is exposed. These methods are explained below.

a) Price risk

The Fund is exposed to equity securities price risk. This arises from investments held by the Fund for which prices in the future are uncertain. Paragraph below sets out how this component of price risk is managed and measured. Investments are classified in the statement of financial position as at fair value through profit or loss. All securities investments present a risk of loss of capital. The maximum risk resulting from financial instruments is determined by the fair value of the financial instruments.

The Fund's policy is to manage price risk through diversification and selection of securities and other financial instruments within specified limits set by the management company. Between 0 % and 97% of the net assets attributable to unitholders is expected to be invested in equity securities and fixed income securities. Minimum 3% is expected to be in short term investments.

Contd..... (13)



ASSETLINE INCOME PLUS GROWTH FUNDNOTES TO THE FINANCIAL STATEMENTSFOR THE YEAR ENDED 31ST MARCH, 2020Price risk (Contd...)

The Fund's policy also limits individual equity securities to no more than 10% of net assets attributable to unitholders.

All of the Fund's equity investments are publicly traded. The Fund's policy requires that the overall market position is monitored on a daily basis by the Management Company.

As at 31st March, the fair value of equities exposed to price risk were as follows:

	<i>Fair Value 2020</i> Rs.	<i>Fair Value 2019</i> Rs.
Equity securities held for trading	11,900	-
Total	11,900	-

a) Foreign exchange rate risk

The Fund is not exposed to the fluctuations in exchange rates. The Fund's all investments and transactions are denominated in LKR.

b) Cash flow and fair value interest rate risk

The Fund is exposed to cash flow interest rate risk on financial instruments with variable interest rates. Financial instruments with fixed rates expose the Fund to fair value interest rate risk.

The Fund's interest bearing financial assets expose it to risks associated with the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. The risk is measured using sensitivity analysis.

The Fund has direct exposure to interest rate changes on the valuation and cash flows of its interest bearing assets and liabilities. However, it may also be indirectly affected by the impact of interest rate changes on the earnings of certain companies in which the Fund invests and impact on the valuation of certain assets that use interest rates as an input in their valuation model. Therefore, the sensitivity analysis in note 3.2 may not fully indicate the total effect on the Fund's net assets attributable to unitholders of future movements in interest rates.

Contd..... (14)



ASSETLINE INCOME PLUS GROWTH FUND**NOTES TO THE FINANCIAL STATEMENTS****FOR THE YEAR ENDED 31ST MARCH, 2020**

The table below summarises the Fund's exposure to interest rate risks.

<i>31st March 2020</i>	<i>Floating interest rate</i>	<i>Fixed interest rate Rs.</i>	<i>Non- interest bearing Rs.</i>	<i>Total Rs.</i>
<u>Financial assets</u>				
Cash and cash equivalents (Note 7)	-	-	97,124	97,124
Financial Assets held at fair value through profit or loss (Note 9)	-	-	11,900	11,900
Financial assets measured at amortised cost - (Note 8)	-	146,855,380	-	146,855,380
<u>Financial liabilities</u>				
Accrued expenses and other payables	-	-	(418,981)	(418,981)
Net exposure	-	146,855,380	(309,957)	146,545,423

Cash flow and fair value interest rate risk

<i>31st March 2019</i>	<i>Floating interest rate</i>	<i>Fixed interest rate Rs.</i>	<i>Non- interest bearing Rs.</i>	<i>Total Rs.</i>
<u>Financial assets</u>				
Cash and cash equivalents (Note 7)	-	-	72,938	72,938
Financial Assets held at fair value through profit or loss (Note 9)	-	30,462,298	-	30,462,298
Financial assets measured at amortised cost (Note 8)	-	179,130,039	-	179,130,039
<u>Financial liabilities</u>				
Accrued expenses and other payables	-	-	(517,684)	(517,684)
Net exposure	-	209,592,337	(444,746)	209,147,591

3.2 Summarised sensitivity analysis

The following table summarises the sensitivity of the Fund's operating profit and net assets attributable to unitholders to interest rate risk, currency risk and other price risk.

Contd..... (15)



ASSETLINE INCOME PLUS GROWTH FUNDNOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST MARCH, 2020

The reasonably possible movements in the risk variables have been determined based on management's best estimate, having regard to a number of factors, including historical levels of changes in interest rates and foreign exchange risk historical correlation of the Fund's investments with the relevant benchmark and market volatility. However, actual movements in the risk variables may be greater or less than anticipated due to a number of factors, including unusually large market movements resulting from changes in the performance of and / or correlation between the performances of the economies, markets and securities in which the Fund invests. As a result, historic variations in risk variables should not be used to predict future variations in the risk variables.

<i>Change in price of the fund's investment in trading stock.</i>	<i>Impact on operating profit / net assets attributable to unitholders' Interest rate risk</i>	
	<i>2020</i>	<i>2019</i>
+10%	1,190	-
-10%	1,190	-

Summarised sensitivity analysis

<i>Change in interest rate Financial assets at amortised cost</i>	<i>Impact on operating profit / net assets attributable to unitholders' Interest rate risk</i>	
	<i>2020</i>	<i>2019</i>
+1%	1,468,553	1,791,300
-1%	(1,468,553)	(1,791,300)

3.3 Credit risk

The Fund is exposed to credit risk, which is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

The main concentration to which the Fund is exposed arises from the Fund's investments in debt securities. The Fund is also exposed to counterparty credit risk on cash and cash equivalents, other financial assets.

In accordance with the Fund's policy, the Management Company monitors the Fund's credit position on a daily basis.

- Debt securities

The Fund invests in debt securities which have a minimum credit rating of A- as designated by reputed rating agencies. An analysis of debt by rating is set out in the table below.

Contd..... (16)



ASSETLINE INCOME PLUS GROWTH FUNDNOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST MARCH, 2020

<i>Debt securities by rating category</i>	2020	2019
Risk free investment	-	-
AAA	-	06%
AA+	19%	22%
AA	-	-
AA-	11%	05%
A+	59%	39%
A	-	23%
A-	11%	05%
<i>Debt securities by rating category</i>	100%	100%

3.4 Liquidity risk

Liquidity risk is the risk that the Fund may not be able to generate sufficient cash resources to settle its obligations in full as they fall due or can only do so on terms that are materially disadvantageous.

The Fund is exposed to daily cash redemptions of redeemable units. Its policy is therefore to invest the majority of its assets in investments that are traded in an active market or can be readily disposed.

The Fund's listed securities are considered readily realisable, as all are listed on the Colombo Stock Exchange.

The Fund has the ability to borrow in the short term to ensure settlement. No such borrowings have arisen during the period.

In accordance with the Fund's policy, the Management Company monitors the Fund's liquidity position on a daily basis.

4 FAIR VALUE MEASUREMENT

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Contd..... (17)



ASSETLINE INCOME PLUS GROWTH FUND**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST MARCH, 2020****Fair Value Measurement (Contd....)**

The Fund measures and recognises the following assets and liabilities at fair value on a recurring basis:

- Financial assets / liabilities at fair value through profit or loss (FVTPL) (See Note 09)
- Financial assets / liabilities held for trading (See Note 09)

The Fund has no assets or liabilities measured at fair value on a non-recurring basis in the current reporting period.

SLFRS 13 requires disclosure of fair value measurements by level of the following fair value hierarchy;

- (a) quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1);
- (b) inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly (level 2); and
- (c) Inputs for the asset or liability that are not based on observable market data (unobservable inputs) (level 3).

i. Fair value in an active market (level 1)

The fair value of financial assets and liabilities traded in active markets is based on their quoted market prices at the end of the reporting period without any deduction for transaction costs.

The Fund values its investments in accordance with the accounting policies set out in note 2.2.1.1 to the financial statements. For the majority of its investments, the Fund relies on information provided by independent pricing services for the valuation of its investments.

The quoted market price used for financial assets held by the Fund is the current bid price; the appropriate quoted market price for financial liabilities is the current asking price.

A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

Contd..... (18)



ASSETLINE INCOME PLUS GROWTH FUND**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST MARCH, 2020****ii. Fair value in an inactive or unquoted market (level 2 and level 3).**

The fair value of financial assets and liabilities that are not traded in an active market is determined using valuation techniques. These include the use of recent arm's length

market transactions, reference to the current fair value of a substantially similar other instrument, discounted cash flow techniques or any other valuation technique that provides a reliable estimate of prices obtained in actual market transactions.

Recognised fair value measurements

<i>As at 31st March 2020</i>	<i>Level 1 Rs.</i>	<i>Level 2 Rs.</i>	<i>Level 3 Rs.</i>	<i>Total Rs.</i>
<u>Financial assets</u>				
Financial assets held at fair value through profit or loss- Equity Securities	11,900	-	-	11,900
Financial assets designated at fair value through profit or loss: Debt Securities	-	-	-	-
Total	11,900	-	-	11,900

<i>As at 31st March 2019</i>	<i>Level 1 Rs.</i>	<i>Level 2 Rs.</i>	<i>Level 3 Rs.</i>	<i>Total Rs.</i>
<u>Financial assets</u>				
Financial assets held at fair value through profit or loss- Equity Securities	-	-	-	-
Financial assets designated at fair value through profit or loss: Debt Securities	-	30,462,298	-	30,462,298
Total		30,462,298	-	30,462,298



ASSETLINE INCOME PLUS GROWTH FUNDNOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST MARCH 2020

	2020 Rs.	2019 Rs.
(05) <u>INTEREST INCOME FROM FINANCIAL ASSETS AT AMORTISED COST</u>		
<u>Interest income from financial assets at amortised cost</u>		
Interest Income from Fixed Deposits	9,388,527	16,000,017
Interest Income from Money market savings	3,486,388	1,075,175
Total Interest income from fixed income securities	<u>12,874,916</u>	<u>17,075,193</u>
(06) <u>NET GAIN OR LOSS ON FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS</u>		
Net gain/ (loss) on financial assets held for trading	(3,167)	2,187,991
Net gain/ (loss) on financial assets designated as at fair value through profit or loss	2,255,701	3,346,312
	<u>2,252,534</u>	<u>5,534,303</u>
Net realised gains / (loss) on financial assets at fair value through profit or loss [See Note (a) Below]	1,747,998	2,865,195
Net unrealised gain/ (loss) on financial assets at fair value through profit or loss	507,703	481,117
	<u>2,255,701</u>	<u>3,346,312</u>
(a) Net realised gains on financial assets at fair value through profit or loss:		
Gain/ (Loss) on disposal of equity securities	-	-
Interest income on debentures	1,747,998	2,865,195
	<u>1,747,998</u>	<u>2,865,195</u>
(07) <u>CASH AND CASH EQUIVALENTS</u>		
Cash at bank	97,124	72,938
	<u>97,124</u>	<u>72,938</u>



ASSETLINE INCOME PLUS GROWTH FUND**NOTES TO THE FINANCIAL STATEMENTS****AS AT 31ST MARCH 2020**

	2020 Rs.	2019 Rs.
(08) FINANCIAL ASSETS MEASURED AT AMORTISED COST		
Fixed deposits [See Note (a) below]	60,377,959	161,768,080
Money Market Saving [See Note (b) below]	86,477,421	16,671,633
Debentures	-	690,326
Total Interest income from fixed income securities	146,855,380	179,130,039

(a) Financial Assets measured at amortised cost : Fixed Deposits

31st March 2020	Maturity date	Cost Rs.	Market value Rs.	Interest rate %
DFCC Bank PLC.	18/ May/ 2020	15,000,000	16,522,333	11.54
People's Bank- Head Quarters	16/ May/ 2020	10,000,000	11,014,889	11.54
Bank Of Ceylon	18/ May/ 2020	15,000,000	16,522,333	11.54
Seylan Bank Battaramulla	28/ Jun/ 2020	15,000,000	16,318,405	11.54
		55,000,000	60,377,959	

31st March 2019	Maturity date	Cost	Market value	Interest rate
National Savings Bank	24/ Apr/ 2019	3,000,000	3,307,097	11.50%
Nations Trust Bank PLC	03/ Aug/ 2019	2,000,000	2,150,542	12.00%
Nations Trust Bank PLC	03/ Aug/ 2019	2,500,000	2,688,178	12.00%
National Savings Bank	07/ Jan/ 2020	5,053,682	5,205,603	13.75%
National Development Bank PLC.	13/ May/ 2019	10,000,000	10,156,229	12.25%
DFCC Bank PLC	13/ May/ 2019	10,000,000	10,165,795	13.00%
Nations Trust Bank PLC	13/ May/ 2019	33,000,000	33,474,330	11.75%
People's Bank.	15/ May/ 2019	26,700,000	27,067,445	11.75%
National Savings Bank	20/ Feb/ 2020	7,400,000	7,500,153	13.00%
People's Bank.	28/ Feb/ 2020	4,200,000	4,247,224	13.50%
National Development Bank PLC.	29/ Jun/ 2019	15,750,000	15,764,881	12.10%
Sampath Bank - Pelawatte Branch	29/ Apr/ 2019	40,000,000	40,040,603	13.00%
		159,603,682	161,768,081	

(b) Financial Assets measured at amortised cost : Money Market Savings

31st March 2020	Cost	Market value	Interest rate %
National Development Bank PLC	85,930,056	86,477,421	7.5
	85,930,056	86,477,421	
31st March 2019	Cost	Market value	Interest rate %
National Development Bank PLC	Rs. 16,555,186	Rs. 16,671,633	9.00
	16,555,186	16,671,633	

Market value for financial assets measured at amortised cost are based on the market rate prevailing in money market.



ASSETLINE INCOME PLUS GROWTH FUND**NOTES TO THE FINANCIAL STATEMENTS****AS AT 31ST MARCH 2020****(09) FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS**

Financial assets held for trading

Equity securities [See Note (a) below]

Total financial assets held for trading

11,900	-
11,900	-

Designated at fair value through profit or loss:

Debentures [See Note (b) below]

Total designated at fair value through profit or loss

-	30,462,298
-	30,462,298

Total financial assets held at fair value through profit or loss

11,900	30,462,298
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a) Investment in equity shares:

31st March 2020

Company	Number of shares	Cost Rs.	Market value Rs.	Percentage of net assets
Sampath Bank PLC	100	15,067	11,900	0.01%
		15,067	11,900	

31st March 2019

Company	Number of shares	Cost Rs.	Market value Rs.	Percentage of net assets
Nill		-	-	
		-	-	

b) Investment in debentures

31st March 2020

	Maturity date	Cost Rs.	Market value Rs.	Interest rate
Nill		-	-	

31st March 2019

	Maturity date	Cost Rs.	Market value Rs.	Interest rate
Softlogic Finance PLC	29/08/2019	10,970,000	10,883,941	10.00%
Merchant Bank of Sri Lanka & Finance	12/11/2019	5,000,000	4,906,670	9.00%
Lanka Orix Leasing Company Ltd	24/11/2019	5,000,000	4,913,629	9.00%
First Capital Treasuries Ltd.	06/02/2020	10,000,000	9,758,057	9.50%
		30,970,000	30,462,297	



ASSETLINE INCOME PLUS GROWTH FUND**NOTES TO THE FINANCIAL STATEMENTS****AS AT 31ST MARCH 2020****(10) NET ASSETS ATTRIBUTABLE TO UNITHOLDERS**

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

	<i>Number of units</i>	<i>Net assets attributable to unitholders</i>
Opening balance	15,924,184	189,631,747
Subscriptions	179,644	2,162,443
Redemptions	(26,243)	(324,565)
Increase in net assets attributable to unitholders	-	19,299,966
As at 31st March 2019	16,077,584	210,769,592
Opening balance	16,077,584	210,769,592
Subscriptions	5,011	67,821
Redemptions	(5,724,185)	(75,275,520)
Increase in net assets attributable to unitholders	-	12,605,532
As at 31st March 2020	10,358,410	148,167,424

As stipulated within the Trust deed, each unit represents a right to an individual share in the Fund and does not extend to a right to the underlying assets of the Fund. There are no separate classes of units and each unit has the same rights attaching to it as all other units of the Fund.

Capital risk management

The Fund considers its net assets attributable to unitholders as capital, notwithstanding net assets attributable to unitholders are classified as a liability. The amount of net assets attributable to unitholders can change significantly on a daily basis as the Fund is subject to daily subscriptions and redemptions at the discretion of unitholders.

Daily subscriptions and redemptions are reviewed relative to the liquidity of the Fund's underlying assets on a daily basis by the management company. Under the terms of the Unit Trust Code, the responsible entity has the discretion to reject an application for units and to defer a redemption of units if the exercise of such discretion is in the best interests of unitholders.



ASSETLINE INCOME PLUS GROWTH FUND**NOTES TO THE FINANCIAL STATEMENTS**
FOR THE YEAR ENDED 31ST MARCH**(11) REMUNERATION OF AUDITORS**

During the year, the following fees were paid or payable for services provided by the auditor of the Fund:

	2020 Rs.	2019 Rs.
Audit and other assurance services:		
Audit of financial statements	210,000	200,000
Total remuneration for audit and other assurance services	<u>210,000</u>	<u>200,000</u>
Taxation services:		
Tax compliance services	30,000	35,000
Total remuneration for taxation services	<u>30,000</u>	<u>35,000</u>

It is the Fund's policy to employ B.R. De Silva & Co. on assignments additional to their statutory duties where B.R. De Silva & Co.'s expertise and experience with the Fund are important. These assignments are principally tax compliance services or where B.R. De Silva & Co. is awarded assignments on a competitive basis. It is the Fund's policy to seek competitive tenders for all major consulting projects.

(12) RELATED PARTY TRANSACTIONS**a) Responsible entity**

The responsible entity of Assetline Income Plus Growth Fund is Assetline Capital (Private) Limited.

b) Key management personnel**i) Directors**

Key management personnel include persons who were directors of Assetline Capital (Private) Limited at any time during the financial year.

- Ms. R.M.A.S. Parakrama - Non-Executive Chairperson (From 01.02.2017 onwards)
- Mr. A.Y.D. De Silva -Executive Director (From 16.01.2019 onwards)
- Mr. K.G. Vairavanathan - Managing Director and Chief Executive Officer
(From 29.09.2017 onwards)

ii) Other key management personnel

There were no other key management persons other than persons given in 12 [b (i)] below with responsibility for planning, directing and controlling the activities of the fund, directly or indirectly during the financial year.



ASSETLINE INCOME PLUS GROWTH FUND**NOTES TO THE FINANCIAL STATEMENTS**
FOR THE YEAR ENDED 31ST MARCH 2020**c) Key management personnel compensation**

Key management personnel are paid by Assetline Capital (Private) Limited. Payments made from the Fund to Assetline Capital (Private) Limited do not include any amounts directly attributable to the compensation of key management personnel.

d) Other transactions held within the Fund

There were no other key management persons other than persons given in 09 [b (i)] above with responsibility for planning, directing and controlling the activities of the fund, directly or indirectly during the financial year.

e) Related party unitholding

Assetline Capital (Private) Limited the Management Company of the Fund, DPMC Assetline Holdings (Private) Limited, the immediate parent company of management company and other related parties of the Management Company, held units in the Fund as follows:

31st March 2020

<i>Unitholder</i>	<i>No of units held opening</i>	<i>No of units held closing</i>	<i>Fair value of investment Rs.</i>	<i>Dividend paid or payable by the fund</i>
Assetline Capital (Pvt) Ltd	8,642,333	8,642,333	122,266,547	
DPMC Assetline Holdings(Private) Limited	7,204,489	1,500,893	21,233,737	-

f) Transactions held with and amounts due to related parties

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

	<i>Charge for the year ended 31st March 2020</i>	<i>Charge for the year ended 31st March 2019</i>	<i>Balance Outstanding 31st March 2020</i>	<i>Balance Outstanding 31st March 2019</i>
	<i>Rs.</i>	<i>Rs.</i>	<i>Rs.</i>	<i>Rs.</i>
Management fees	1,498,038	2,201,365	124,104	176,924
Trustee & custodian fee	709,561	849,149	56,487	73,512
	<u>2,207,599</u>	<u>3,050,514</u>	<u>180,591</u>	<u>250,436</u>



ASSETLINE INCOME PLUS GROWTH FUNDNOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST MARCH**(13) CONTINGENT ASSETS, LIABILITIES AND COMMITMENTS**

There were no material contingent liabilities at the statement of financial position date.

(14) EVENTS OCCURRING AFTER THE REPORTING PERIOD

Covid-19 Post Balance Sheet Note:

The outbreak and spread of the coronavirus globally since January 2020 have caused disruption to business and economic activities, and uncertainty to the global economy. Quarantine measures taken by respective countries indirectly affected the Fund through its unit holders. Recent COVID 19 containing measures taken by Local Government has also caused temporal disruption to business operations and economic activities of the Fund and its unit holders. Resulting negative financial effects, financial repercussions would be felt by the Fund in forthcoming Financial year 2020/21.

Reduced interest rate schemes announced, is likely to have negative impact on the earnings, cash flows and liquidity positions of the Funds.

The Fund will continue to take appropriate actions to mitigate any potential impact and will keep its contingency and risk management measures under review, as the situation evolves. With the situation and the spread of the coronavirus still evolving, the impact to financial institutions and also to the Fund's financial results cannot be reasonably estimated at the current stage.



14. Summary of Transactions between Assetline Mutual Funds and its Related Parties

(For the period from 01 April 2019 to 31 March 2020)

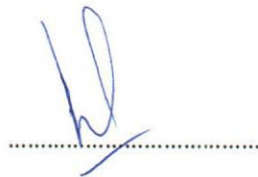
Fund	Related Party	Total Value of Unit Subscriptions by Related Parties (LKR)	Total Value of Unit Redemptions by Related Parties (LKR)
Assetline Income Fund	Officers of Management Company	15,842,498.53	4,289,690.09
	Assetline Capital (Private) Limited	130,842,091.86	122,390,000.00
	Assetline Corporate Services (Private) Limited	25,900,000.00	26,065,000.00
	Assetline Insurance Brokers (Private) Limited	195,500,000.00	222,000,000.00
	Assetline Securities (Private) Limited	2,360,000.00	3,919,453.00
	D P Infotech (Private) Limited	139,700,000.00	124,847,888.04
	David Pieris Automobiles (Private) Limited	714,500,000.00	746,798,436.27
	David Pieris Holdings (Private) Limited	2,110,000,000.00	2,328,885,098.29
	David Pieris Motor Company (Lanka) Limited	6,625,000,000.00	7,577,853,797.39
	David Pieris Motor Company (Private) Limited	2,605,000,000.00	2,701,204,665.06
	David Pieris Racing & Leisure (Private) Limited	19,800,000.00	18,669,709.38
	Dee Investments (Private) Limited	11,314,000.00	1,053,000.00
	DP Global Ventures (Private) Limited	15,500,000.00	14,318,895.87
	DP Logistics (Private) Limited	663,500,000.00	597,463,605.00
	DPMC Assetline Holdings (Private) Limited	254,650,000.00	238,407,679.22
	Flix 11 (Private) Limited (Formerly known as David Pieris Information Technologies (Private) Limited)	67,000,000.00	69,878,388.81
	Flix 11 Technologies (Private) Limited (Formerly known as D P Technologies (Private) Limited)	15,000,000.00	24,254,524.09
	Hill Cottage Nuwara Eliya (Private) Limited	4,900,000.00	4,871,404.81
	Mr. D.P. Pieris	598,940,000.00	578,760,500.00
	Mr. E.D. Pieris	3,870,000.00	3,929,000.00
	Mr. J.D. Pieris	80,315,000.00	75,280,000.00
	Mrs. E.M. Pieris	529,142,000.00	568,898,000.00
Assetline Gilt Edged Fund	Officers of Management Company	5,000.00	52,345.56
	Assetline Capital (Private) Limited	-	59,817,091.86
Assetline Income Plus Growth Fund	DPMC Assetline Holdings (Private) Limited	-	75,000,000.00

15. Declaration by Trustee and Management Company

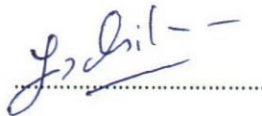
Declaration by Trustee and Management Company as per SEC circular No. 02/2009 on guidelines for Trustee and Management Companies of Unit Trust Funds.

Deutsche Bank AG, the Trustee and Assetline Capital (Private) Limited, the Management Company of Assetline Income Fund, Assetline Gilt Edged Fund and Assetline Income Plus Growth Fund, hereby declare that;

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



Director
Assetline Capital (Pvt.) Ltd.
Management Company



Director
Assetline Capital (Pvt.) Ltd.
Management Company



Authorised Signatory
Deutsche Bank AG
Trustee

Date: 11th June 2020